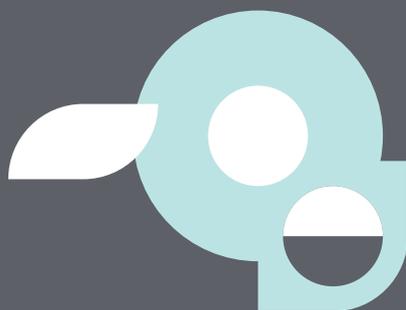


Rathbones

Look forward

Rathbone Ethical Bond Fund

Annual report for the year ended 30 September 2019



Rathbone Ethical Bond Fund

Authorised Fund Manager (the Manager)

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

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

Dealing office

DST Financial Services Europe 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 Depositary Services Limited
250 Bishopsgate
London EC2M 4AA
**Authorised and regulated by the
Financial Conduct Authority**

Manager's report for the year ended 30 September 2019

In the year ended 30 September 2019, the FTSE Actuaries UK Conventional Gilts 5-15 Years Index returned 9.90%. The iBoxx UK Sterling Non-Gilts Overall Index made 10.17% over that time, while the IA Sterling Corporate Bond sector made 9.02%. Our fund returned 9.4% over the period. At the beginning of October 2018, 10-year gilts yielded 1.58%; they closed on 30 September at 0.49%.

It's been a weird year for investors. It started with a large sell-off in equity and credit markets as investors worried that the US Federal Reserve (Fed) had hiked interest rates too high too fast. In response, the US central bank quickly called a halt to its tightening. And when that didn't work, it threw the truck in reverse, quickly cutting interest rates to keep investors happy and growth expectations positive. Bond yields have slid steadily lower this year, leading to strong gains in bond values and stock markets.

Yet, investors have remained pessimistic and nervous throughout. There have been numerous fleeting sell-offs in equities and credit as bad news popped out. President Donald Trump's protracted trade war with China (and even some allies) continually rattled markets and led to dampened global growth forecasts. This weakening confidence has flowed through to PMIs, surveys of businesses' upcoming orders and managers' optimism, which have slumped to levels that imply little to no growth in the foreseeable future.

In short, the past 12 months was a year of pretty good returns that nobody really felt happy making.

Given seemingly endless months of Brexit impasse, the UK has done exceptionally well to stagger on without stumbling into recession. The economy has felt a bit like a balloon slowly deflating, however. Over the past 12 months, UK inflation fell from 2.4% to 1.7%. The latest quarterly GDP growth (Q2) was -0.2% – the first negative print since 2012. Sterling finished the period flat against the euro, but down 5.7% against the dollar. It plumbed a new low against the dollar, dropping to the 34-year record of \$1.203 in early September. Following the period's end, Prime Minister Boris Johnson managed to get a deal through the second reading in the House of Commons. His progress has led to a resurgence in sterling, but we expect the currency to keep bouncing around until a deal is finalised (and probably afterward, too).

We added to our duration in October 2018 by buying the European Investment Bank 6% 2028. However, we sold them in early March when they appeared overbought. As 2018 wound down, we increased our cash level to reduce risk as we entered a time of typically low liquidity. We did this by selling the European Investment Bank 3.875% 2037.

We used the rally in corporate credit at the tail-end of January to cut our holdings in some of our higher-risk bonds, as well as those that we have cooled. These included the TSB Banking Group 5.75% Floating Rate Note LT 2 2026-21 and Metro Bank 5.5% 2028.

In June, we bought a large slug of the Bank of Scotland 7.281% Subordinated Perpetual-2026, which is a make-whole callable bond. Beyond 2022, all tier-one capital will have to have equity conversion triggers. This particular bond doesn't have an equity conversion figure, so we think it will be bought back by Lloyds Banking Group (the owner of Bank of Scotland) at the next opportunity in 2022. If so, this bond offers a very attractive yield, so we took quite a big position.

Towards the end of the period, we bought the newly issued Royal London Finance 4.875% 2049. We also bought and sold the European Investment Bank 5.625% 2032 to increase and decrease our duration (sensitivity to interest rate changes) as government bond yields rose and fell like the waves. Another way to reduce duration is by purchasing floating rate bonds whose coupon payments are linked to interest rates: that's why we bought the European Investment Bank 0.874% Senior Floating Rate Note 2022.

After the end of the period, UK Prime Minister Boris Johnson managed to nail down a new Brexit deal with the European Union. The news sent the pound and gilt yields soaring along with people's hopes for a Brexit deal.

We're pretty jaded – it's been a long few years – but we're hoping something actually comes of this. There's a long way to go though. This is still a very similar deal to the one Parliament batted back to Theresa May multiple times – would the House of Commons give this one a pass? Remember that Mr Johnson is 41 votes short of a secure majority. He is a fast-talker though, and there is a general feeling that this has to be settled for the good of the nation.

Still, if a deal is actually inked, the next job will be figuring out what it means for British businesses, and how government and monetary policies will proceed. Any binding agreement will be feted with joy and relief, but that impatience to "just get on with it" could mean settling for something that may be a bit second rate. We'll be looking carefully at the agreement and likely reactions to determine how it will affect our holdings.

Bryn Jones
Fund Manager
16 October 2019

Noelle Cazalis
Fund Manager

Ethical report for the year ended 30 September 2019

In the period since our last report for the full-year ended 30 September 2018, the fund invested in new bonds issued by the following organisations whose products and services provide benefits to society or the environment.

Social housing

Heylo operates in a specialist subset of the UK residential property market where its customers buy part of a property and pay rent on the part they do not own (commonly known as shared ownership). Heylo focuses on affordable housing by acquiring new-build homes designated for shared ownership under Section 106 planning obligations imposed on housebuilders with typical contract values of between £1 million and £1.5 million. Its model aims to bridge the gap between people not qualifying for social housing and those who do not earn enough to be able to put down a deposit and secure a mortgage through traditional borrowing routes. In November 2017, Heylo was awarded investment partner status by Homes England enabling it to participate in the Shared Ownership and Affordable Homes Programme 2016-2021, which is aiming to deliver 135,000 homes. Heylo owns more than 1,650 properties across over 220 local authority areas, having acquired properties from 51 different housebuilders and developers, with contracts exchanged for a further 1,300 homes.

Based in Newcastle upon Tyne, **Karbon Homes** was formed in April 2017 following the amalgamation of Isos Housing, Cestria Community Housing Association and Derwentside Homes, before being joined by York Housing Association in December 2017. Karbon Homes is a charitable community benefit society and a registered provider of affordable housing. It is one of the largest housing associations in the north of England, owning or managing almost 30,000 properties across the north-east and Yorkshire. The group provides social rented, affordable, specialised, shared ownership and market rented homes, and also develops shared ownership and market sale homes. As a profit-for-purpose business, any surplus generated is reinvested into improving its properties, building new homes and delivering services for its customers and the communities in which they live. Over the next five years, Karbon Homes will be investing over £233 million in building new homes.

Morhomes is a funding agency set up by the housing association sector whose sole purpose is to raise finance for social housing. The company acts as a central borrowing vehicle for over 50 local housing associations, facilitating access to capital markets. It is controlled by 62 shareholder housing associations with no single one holding more than 5% of voting rights. All the shareholders are not-for-profit registered providers of social and affordable housing, with a combined market share of over 30% of the UK social and affordable housing market. Between them, these associations have around 900,000 homes and annual borrowing needs of over £1.5 billion. Morhomes issued its inaugural social bond in February 2019, raising £260 million to be lent for social housing projects. The issuance was made under the social bond framework it has developed in line with the 2018 Social Bond Principles and is subject to an external review and second-party opinion provided by Sustainalytics. In future, Morhomes will provide an impact report using metrics such as the number of social/affordable housing units constructed, rental costs compared to local market rents, tenant satisfaction rates and data on income and social deprivation of people housed.

Connectivity

Founded in 2011 with funding from 2,500 local residents and investment from other members of over £5 million, **Broadband for the Rural North (B4RN)** is a non-profit community benefit society that provides reliable, high-speed fibre optic broadband services in underserved rural areas. Originally established in Lancashire, the network is run by a local team with considerable experience of designing, building and operating network services. With the support of landowners and volunteers, it has connected around 5,000 properties to the network, which extends to over 3,000 kilometers (KW) of fibre optic cables. Because it is a full fibre network, B4RN provides internet connections that are up to 30 times faster than superfast broadband and hundreds of times faster than the slow upload speeds usually experienced by many rural communities. As well as providing data transfer speeds of 1,000Mbps, B4RN offers unlimited bandwidth at no extra charge. With sustainable running costs and the help of volunteers and landowners, B4RN is able to provide financial

assistance to local projects, such as village hall refurbishments, community group trips and protected wildlife areas. In addition, it offers free or discounted rates to places of worship, schools and community centres, including free services for life to any that host one of its node cabinets to enable connection to the wider network.

Renewable energy infrastructure

TC Dudgeon Ofsto is the owner and operator of the offshore transmission assets for the 67-turbine, 402 mega watts Dudgeon wind farm located 32km off the coast of Cromer, Norfolk. It connects the project to National Grid's 400 kilo volts substation at Necton near Swaffham via 89km of subsea and land cables as well as the associated onshore and offshore substations. The owner, Transmission Capital Partners (TCP), was declared the preferred bidder by Ofgem in November 2017, and was awarded a 20-year transmission licence in November 2018. In November 2018, TC Dudgeon OFSTO took ownership of the assets, valued at £298 million, from the consortium which owns the Dudgeon offshore wind farm.

Ørsted, which is majority-owned by the Danish government, was originally known as DONG Energy (Danish Oil and Natural Gas) due to its historical involvement in the generation and distribution of energy and gas, as well as operating a number of biomass, gas and coal-fired power stations in Denmark and the Netherlands. However, in September 2017, the group sold its remaining oil and gas exploration and production activities and changed its name to Ørsted (after the Danish physicist who discovered electromagnetism) to reflect its transformation to a future producer of solely green energy. The transformation continued in 2018 with the announcement of plans to sell its domestic utility business and concentrate fully on renewable energy generation. Under Ørsted's Green Finance Framework, proceeds from these bond issues are ringfenced for the financing of offshore wind farms. In 2018, Ørsted increased its installed offshore wind capacity from 3.6 giga watts (GW) to 5.6GW, and aims to reach 15GW by 2025. The number of homes powered by projects financed by its green bond programme was estimated to have reached 11.7 million in 2018; in addition, avoided greenhouse gas emissions directly attributable to

allocated green bond proceeds was put at 868,000 tonnes – some 10% of the group total. In line with the recommendations of the Green Bond Principles, Ørsted has engaged CICERO (the leading Norwegian assessor of climate finance) to issue a second-party opinion regarding its Green Finance Framework.

Responsible business

Orange is one of the largest operators of mobile and internet services in Europe and Africa and a global leader in corporate telecommunication services. It provides services to 266 million residential and business customers worldwide, employees 148,000 people and manages 240,000km of subsea cables. Its responsible business activities are founded on five commitments: respect for fundamental freedoms and human rights; promoting digital inclusion; helping to drive the energy transition; offering responsible products and services; and, encouraging employee wellbeing. Within these, Orange works to protect freedom of expression as well as individuals' personal data and privacy, especially when it comes to issues such as data collection and the use of artificial intelligence. The group promotes socio-economic development, particularly in Africa, where it contributes to improving connectivity across the continent through the use of sustainable solar-powered and off-grid base stations. To the end of 2018, Orange had reduced carbon emissions from its buildings by 57% per customer use since 2006, and its wider ambition is to be net carbon neutral by 2050. As a founding member of the Net Zero Initiative, it has contributed to the definition of a precise, demanding and transparent framework to promote corporate carbon neutrality.

Engagement

Housing associations and other registered providers of social and affordable housing have always made up a significant part of the fund's portfolio. In April 2019, Rathbone Greenbank Investments, the fund's ethical research provider, undertook a review of the 20 housing associations whose bonds were held within the fund at the time, and identified five meaningful indicators that are relevant to tenant safety and wellbeing, and environmental performance of housing stock.

1. Compliance with the Decent Homes Standard (as reported annually to the Regulator of Social Housing);
2. Energy Performance Certificate rating (minimum target of Band C for all social housing stock by 2030);
3. Proportion of housing with a valid gas safety certificate;
4. Number and type of complaints referred to the Housing Ombudsman;
5. Social value as defined by HACT (Housing Associations' Charitable Trust; a measure that places a monetary figure on the social value added by the provider).

Letters were then sent to the chief executives of each organisation to initiate a dialogue regarding disclosure of the above indicators. As at October 2019, 10 replies had been received in response to the initial letter and/or subsequent follow-up requests during the summer. Of these:

- 5 met the requirements for the data requested in full;
- 3 indicated that future public reporting would cover the specific issues in question;
- 2 requested further information and/or offered follow-up calls or meetings.

While the overall response rate was disappointing – 10 organisations have yet to acknowledge or respond to the request – we will continue to attempt to elicit replies from all those contacted.

Portfolio ethical and sustainability characteristics

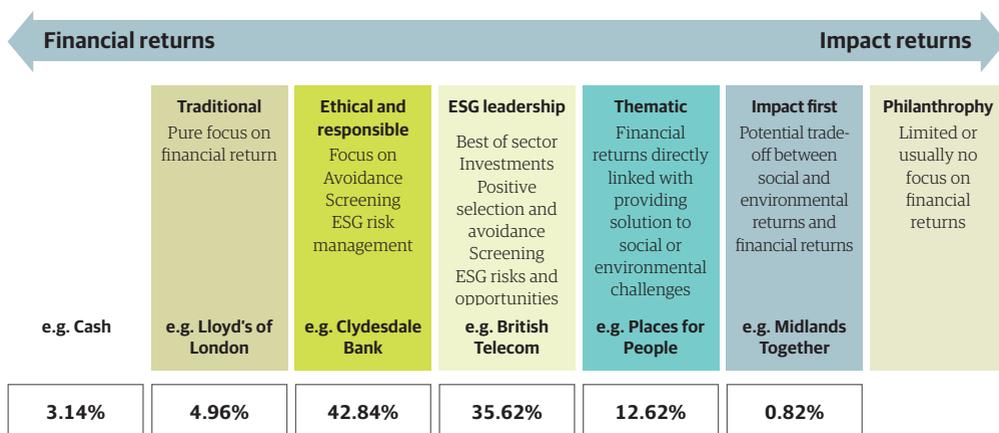
Various different terms are used to describe responsible, sustainable and impact investment approaches, with no universally accepted definition or terminology for each.

The fund's style would typically be described as 'ethically balanced', applying both positive and negative screening criteria; it is not primarily focused on companies addressing sustainability or impact issues.

Definitions of different types of investment have been adapted from the taxonomy outlined in [Bridges Spectrum of Capital](#).

The fund is active across five of the categories below: Traditional, Ethical and Responsible, ESG leadership, Thematic and, to a lesser extent, Impact first. In practice, the boundaries between the different approaches are gradual rather than clearly delineated.

Spectrum of capital



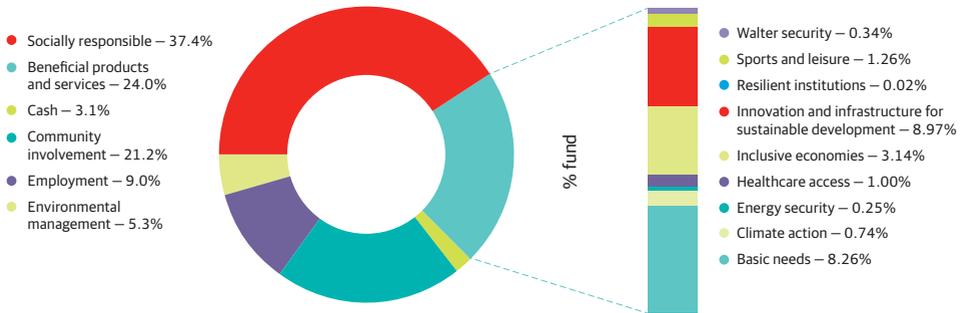
Source: Graphic modified from Bridges Fund Management's *The Bridges Spectrum of Capital*

The positive element of the Fund's ethical research process does, however, also recognise key global sustainable development trends and identifies investee companies' exposure to these. Many of these overlap, but can be broadly divided into two groups: environmental sustainability and social development.

The chart below sets out the portion of the Fund's exposure to companies offering solutions to various sustainability challenges ("Beneficial products and services") as well as the primary ethical attributes of the remaining portion of the fund's portfolio.

While not directly linked to sustainability solutions via the products and services they provide, many have significant positive attributes associated with the way in which they operate, and match the requirements of the Fund's positive criteria (those classified as "Socially responsible" match more than one positive aspect).

Ethical and sustainability characteristics



Perry Rudd
12 November 2019

Net asset value per unit and comparative tables

R-Class income units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	91.00p	94.88p	93.42p
Return before operating charges*	8.94p	1.16p	6.68p
Operating charges	(1.19p)	(1.23p)	(1.23p)
Return after operating charges*	7.75p	(0.07p)	5.45p
Distributions on income units	(3.81p)	(3.81p)	(3.99p)
Closing net asset value per unit	94.94p	91.00p	94.88p
*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	8.52%	(0.07%)	5.83%
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Other information

Closing net asset value	£7,495,694	£8,827,773	£9,909,648
Closing number of units	7,894,922	9,701,103	10,443,863
Operating charges	1.29%	1.29%	1.30%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	96.10p	99.21p	98.75p
Lowest unit price	88.82p	91.90p	90.96p

** 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.

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

R-Class accumulation units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	195.81p	196.04p	185.03p
Return before operating charges*	19.31p	2.34p	13.93p
Operating charges	(2.60p)	(2.57p)	(2.47p)
Return after operating charges*	16.71p	(0.23p)	11.46p
Distributions on accumulation units	(8.32p)	(7.99p)	(8.47p)
Retained distributions on accumulation units	8.32p	7.99p	8.02p
Closing net asset value per unit	212.52p	195.81p	196.04p
*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	8.53%	(0.12%)	6.19%
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Other information

Closing net asset value	£17,756,539	£17,227,929	£18,386,028
Closing number of units	8,355,391	8,798,462	9,378,567
Operating charges	1.29%	1.29%	1.30%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	213.12p	205.32p	201.48p
Lowest unit price	192.86p	195.69p	180.15p

** 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.

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

I-Class income units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	95.32p	98.78p	96.64p
Return before operating charges*	9.36p	1.19p	6.93p
Operating charges	(0.65p)	(0.66p)	(0.66p)
Return after operating charges*	8.71p	0.53p	6.27p
Distributions on income units	(4.00p)	(3.99p)	(4.13p)
Closing net asset value per unit	100.03p	95.32p	98.78p
*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	9.14%	0.54%	6.49%
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Other information

Closing net asset value	£505,980,931	£392,185,352	£325,349,629
Closing number of units	505,837,528	411,423,568	329,369,970
Operating charges	0.66%	0.67%	0.68%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	101.25p	102.31p	101.63p
Lowest unit price	93.21p	96.27p	94.20p

** 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.

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

I-Class accumulation units

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	202.99p	201.96p	189.42p
Return before operating charges*	20.02p	2.40p	14.33p
Operating charges	(1.40p)	(1.37p)	(1.32p)
Return after operating charges*	18.62p	1.03p	13.01p
Distributions on accumulation units	(8.65p)	(8.27p)	(8.70p)
Retained distributions on accumulation units	8.65p	8.27p	8.23p
Closing net asset value per unit	221.61p	202.99p	201.96p
*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	9.17%	0.51%	6.87%
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Other information

Closing net asset value	£758,654,184	£578,028,086	£396,094,620
Closing number of units	342,330,890	284,763,141	196,127,720
Operating charges	0.66%	0.67%	0.68%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	222.24p	209.64p	205.29p
Lowest unit price	200.16p	202.05p	184.64p

** 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.

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

S-Class income units

	30.09.19 pence per unit	30.09.18 pence per unit**	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	97.57p	100.00p	n/a
Return before operating charges*	9.51p	(0.14p)	n/a
Operating charges	(0.53p)	(0.25p)	n/a
Return after operating charges*	8.98p	(0.39p)	n/a
Distributions on income units	(4.10p)	(2.04p)	n/a
Closing net asset value per unit	102.45p	97.57p	n/a
*after direct transactions costs ¹ of:	0.00p	0.00p	n/a

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

Performance

Return after charges	9.20%	(0.39%)	n/a
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Other information

Closing net asset value	£78,591,016	£61,423,979	n/a
Closing number of units	76,713,992	62,955,219	n/a
Operating charges	0.53%	0.53%	n/a
Direct transaction costs	0.00%	0.00%	n/a

Prices***

Highest unit price	103.71p	101.54p	n/a
Lowest unit price	95.44p	98.52p	n/a

** The S-Class launched on 5 April 2018.

*** 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.

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

S-Class accumulation units

	30.09.19 pence per unit	30.09.18 pence per unit**	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	99.61p	100.00p	n/a
Return before operating charges*	9.89p	(0.13p)	n/a
Operating charges	(0.55p)	(0.26p)	n/a
Return after operating charges*	9.34p	(0.39p)	n/a
Distributions on accumulation units	(4.25p)	(2.05p)	n/a
Retained distributions on accumulation units	4.25p	2.05p	n/a
Closing net asset value per unit	108.95p	99.61p	n/a

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

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

Performance

Return after charges 9.38% (0.39%) n/a

Other information

Closing net asset value	£1,402,183	£1,056,034	n/a
Closing number of units	1,286,957	1,060,215	n/a
Operating charges	0.53%	0.53%	n/a
Direct transaction costs	0.00%	0.00%	n/a

Prices***

Highest unit price	109.26p	101.61p	n/a
Lowest unit price	98.24p	99.54p	n/a

** The S-Class launched on 5 April 2018.

*** 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.

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

X-Class income units[†]

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	103.81p	106.89p	103.93p
Return before operating charges*	3.96p	1.28p	7.47p
Operating charges	(0.02p)	(0.04p)	(0.05p)
Return after operating charges*	3.94p	1.24p	7.42p
Distributions on income units	(1.13p)	(4.32p)	(4.46p)
Redemption price	(106.62p)	–	–
Closing net asset value per unit	–	103.81p	106.89p
*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	3.80%	1.16%	7.14%
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Other information

Closing net asset value	–	£147,813,549	£138,093,469
Closing number of units	–	142,381,993	129,191,019
Operating charges	–	0.04%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	106.68p	110.78p	109.84p
Lowest unit price	101.68p	104.82p	101.41p

[†] The X-Class closed on 22 March 2019.

** 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.

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

X-Class accumulation units[†]

	30.09.19 pence per unit	30.09.18 pence per unit	30.09.17 pence per unit
Change in net assets per unit			
Opening net asset value per unit	114.18p	112.89p	105.22p
Return before operating charges*	4.35p	1.34p	7.98p
Operating charges	(0.02p)	(0.05p)	(0.05p)
Return after operating charges*	4.33p	1.29p	7.93p
Distributions on accumulation units	(1.24p)	(4.63p)	(4.85p)
Retained distributions on accumulation units	1.24p	4.63p	4.59p
Redemption price	(118.51p)	–	–
Closing net asset value per unit	–	114.18p	112.89p
*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	3.79%	1.14%	7.54%
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Other information

Closing net asset value	–	£20,119,330	£13,362,211
Closing number of units	–	17,620,356	11,836,046
Operating charges	–	0.04%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest unit price	118.59p	117.49p	114.81p
Lowest unit price	112.72p	112.95p	102.67p

[†] The X-Class closed on 22 March 2019.

** 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.

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, quarter ending 30 September 2019

	2015	2016	2017	2018	2019
R-Class units	3.06%	8.57%	5.71%	-0.08%	8.74%
I-Class units	3.71%	9.25%	6.38%	0.54%	9.39%
IA Sterling Corporate Bond sector	2.81%	12.22%	0.61%	0.10%	9.02%

Source performance data Financial Express, mid to mid, net income reinvested.

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

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

Portfolio and net other assets as at 30 September 2019

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Bonds (30.09.18: 97.92%)		
Mortgage Bonds (30.09.18: 3.27%)		
£3,051,000 Eurohome UK Mortgages 2044	780,848	0.06
£444,000 Eurohome UK Mortgages 2044	97,409	0.01
£616,000 Eurohome UK Mortgages 2044	552,064	0.04
£9,123,625 Finance for Residential Social Housing 8.369% 2058	10,955,053	0.80
\$888,000 Hero Funding Trust 3.19% 2048	530,191	0.04
\$500,000 Hero Funding Trust 3.28% 2048	260,581	0.02
\$1,777,000 Indian Railway Finance 3.835% 2027	1,510,216	0.11
£4,568,000 Korea Development Bank 1.75% 2022	4,660,849	0.34
£445,000 Mansard Mortgages FRN 2049	225,839	0.02
£1,250,000 Newgate Funding FRN 2050	739,805	0.05
£6,710,000 RMAC Securities FRN 2044	3,621,192	0.26
£1,070,000 RMAC Securities FRN 2044	556,871	0.04
£1,557,000 Silverstone Master Issuer FRN 2070	1,562,605	0.11
	26,053,523	1.90
Supranational Bonds (30.09.18: 2.09%)		
2,074,000 EIB 0% 2028	1,916,957	0.14
£1,221,000 EIB 5.5% 2025	1,538,385	0.11
£10,000,000 EIB 6% 2028	14,578,984	1.06
£22,000,000 EIB FRN 2022	22,016,500	1.61
£10,000,000 KFW 0.875% 2026	10,136,152	0.74
£7,000,000 KFW 1.375% 2021	7,063,413	0.52
£5,000,000 KFW 5.75% 2032	7,897,300	0.58
	65,147,691	4.76
Corporate Bonds (30.09.18: 92.56%)		
£8,289,000 3i 5.75% 2032	10,999,447	0.80
£4,368,400 A2D Funding 4.5% 2026	5,026,692	0.37
£5,103,200 A2D Funding 4.75% 2022	5,510,997	0.40
£3,050,000 A2D Housing Group 3.5% 2028	3,308,234	0.24
£2,676,268 Aggregate Micro Power Infrastructure 8% 2036	2,676,268	0.20
£2,759,000 AMP Group Finance 6.875% 2022	2,936,762	0.21
£7,800,000 Assicurazioni Generali 6.269% perp	8,526,063	0.62
£1,050,000 Assicurazioni Generali 6.416% VRN perp	1,127,438	0.08
£2,971,000 Aster Treasury 4.5% 2043	4,226,370	0.31
£11,122,000 Aviva 4.375% VRN 2049	11,834,531	0.86
£2,559,000 Aviva 5.125% VRN 2050	2,900,976	0.21

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
£21,074,000 Aviva 5.9021% VRN perp	21,593,179	1.58
£16,280,000 Aviva 6.125% 2036	19,413,830	1.42
£8,100,000 Aviva 6.125% VRN perp	8,672,076	0.63
£13,337,000 Aviva 6.875% VRN 2058	18,535,305	1.35
£3,670,000 Aviva 6.875% VRN perp	3,688,350	0.27
£22,527,000 AXA SA 5.453% VRN perp	25,217,100	1.84
£15,287,000 AXA SA 5.625% VRN 2054	18,526,997	1.35
£10,255,000 AXA SA 6.6862% VRN perp	12,234,215	0.89
\$2,353,000 BAC Capital Trust 4% VRN perp	1,699,400	0.12
£18,425,000 Bank of Scotland 7.281% VRN perp	22,642,667	1.65
£600,000 Barclays Bank 3% 2026	616,219	0.05
£10,607,000 Barclays Bank 3.25% 2027	11,029,844	0.81
£10,984,000 Barclays Bank 3.25% 2033	11,096,687	0.81
£1,410,000 Barclays Bank 6.3688% VRN perp	1,435,662	0.11
£1,560,000 Barclays Bank 6.375% VRN perp	1,569,110	0.11
£44,000 Barclays Bank 7.125% VRN perp	46,191	—
£12,946,000 Barclays Bank 10% 2021	14,629,537	1.07
£4,341,000 Bazalgette Finance 2.375% 2027	4,666,064	0.34
\$3,309,000 Beazley 5.875% 2026	2,812,771	0.21
\$3,909,000 Beazley Insurance DAC 5.5% 2029	3,302,174	0.24
£6,100,000 BPCE SA 2.125% 2022	6,288,395	0.46
£17,800,000 BPCE SA 5.25% 2029	22,078,390	1.61
£2,961,000 British Telecom 3.125% 2031	3,191,609	0.23
£2,876,000 British Telecom 3.5% Index-Linked 2025	6,262,904	0.46
£5,230,000 British Telecom 3.625% 2047	5,798,646	0.42
£2,398,000 Bromford Housing Group 3.125% 2048	2,880,171	0.21
£1,211,600 Bruntwood 6% 2020	1,232,946	0.09
£1,947,000 BUPA Finance 5% 2023	2,143,768	0.16
£4,297,000 BUPA Finance 5% 2026	4,860,397	0.36
£6,478,000 BUPA Finance 6.125% VRN perp	6,714,382	0.49
£300,000 Burnham And Weston Energy CIC 5% Index-Linked 2036	300,000	0.02
£3,448,000 Canal and River Trust 2.85% Series A Senior 2043	3,448,000	0.25
£9,807,000 Channel Link 3.043% VRN 2050	10,388,051	0.76
£4,358,000 Channel Link FRN 2050	3,654,650	0.27
£5,189,000 Citigroup 1.18744% VRN 2067	4,531,554	0.33
£4,484,000 Citigroup 2.75% 2024	4,711,967	0.34
£1,220,000 Clerical Medical Finance 7.375% VRN perp	1,222,574	0.09
£6,698,000 Close Brothers Group 2.75% 2023	6,957,750	0.51
£13,450,000 Close Brothers Group 4.25% VRN 2027	14,135,304	1.03
£175,000 Coigach Community CIC 5% Index-Linked 2030	175,000	0.01

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£4,785,000	Coventry Building Society 1.875% 2023	4,884,639	0.36
£3,731,000	Coventry Building Society 6.875% VRN perp	3,884,904	0.28
£3,453,000	Coventry Building Society FRN 2023	3,469,305	0.25
£2,221,000	CPUK Finance 3.588% 2042	2,410,318	0.18
£8,270,000	CPUK Finance 3.69% 2028	9,069,368	0.66
€3,500,000	Credit Agricole 4.5% VRN perp	3,462,349	0.25
£9,700,000	CYBG 4% VRN 2027	9,691,251	0.71
\$870,000	DNB Bank ASA FRN perp	430,333	0.03
£175,000	Ellenbrook Developments 3.3894% Index-Linked 2032	190,751	0.01
£1,777,000	Eversholt Funding 3.529% 2042	1,899,055	0.14
£1,999,000	Experian Finance 2.125% 2024	2,082,690	0.15
£6,817,000	Fidelity International 7.125% 2024	8,400,625	0.61
£1,917,847	Finance for Residential Social Housing 8.569% 2058	1,925,349	0.14
£600,000	Finance for Residential Social Housing PLC 8.569% 2058	650,563	0.05
£195,000	Fixed Rate Unsecured Bonds 4.5% 2026	195,000	0.01
£130,000	Glasgow Together 4% 2020	93,600	0.01
£3,487,000	Goldman Sachs 3.125% 2029	3,786,265	0.28
£3,109,000	Goldman Sachs 4.25% 2026	3,544,632	0.26
£3,589,000	Grainger 3.375% 2028	3,803,304	0.28
£1,282,000	Great Rolling 6.875% 2035	1,218,750	0.09
£3,230,000	Greater Gabbard 4.137% 2032	3,188,028	0.23
£250,000	Greenwich Leisure 3% 2021	212,500	0.02
£888,000	Guinness Partner 4% 2044	1,181,732	0.09
£9,340,000	Hastings Group Finance 3% 2025	9,263,742	0.68
£13,286,000	HBOS Sterling Finance (Jersey) 7.881% VRN perp	20,247,864	1.48
£1,002,500	Heylo Housing Secured Bond 1.625% Index-Linked 2028	975,934	0.07
£2,590,000	Hiscox 2% 2022	2,617,400	0.19
£16,878,000	Hiscox 6.125% VRN 2045	18,523,099	1.35
£1,857,000	HSBC Bank 5.375% 2033	2,405,490	0.18
£16,829,000	HSBC Bank 5.844% VRN perp	22,308,943	1.63
\$4,400,000	HSBC Bank FRN perp	2,642,191	0.19
£2,221,000	HSBC Holdings 3% VRN 2028	2,372,228	0.17
£4,898,000	HSBC Holdings 3% 2030	5,177,899	0.38
£5,100,000	ING Groep 3% 2026	5,466,235	0.40
£605,000	Intermediate Capital Group 5% 2023	632,576	0.05
£10,200,000	Investec Bank 4.25% VRN 2028	10,412,374	0.76
£13,820,000	Investec Bank 4.5% 2022	14,750,056	1.08
£4,830,000	Just Group 3.5% 2025	4,493,349	0.33
£5,977,000	Just Group 9% 2026	6,492,516	0.47

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£12,426,000	Leeds Building Society 3.75% VRN 2029	12,601,256	0.92
£3,493,000	Legal & General 5.125% VRN 2048	3,873,492	0.28
£12,939,000	Legal & General 5.375% VRN 2045	14,489,308	1.06
£1,777,000	Libra Longhurst Group Treasury 3.25% 2043	2,044,962	0.15
£14,443,000	Liverpool Victoria Friendly Society 6.5% VRN 2043	16,184,950	1.18
£7,083,000	Lloyds Banking Group 2.25% 2024	7,217,649	0.53
£1,744,000	Lloyds Banking Group 5.75% 2025	1,798,148	0.13
£7,104,000	Lloyds Banking Group 7.625% 2025	9,102,695	0.66
£12,369,000	Lloyds Banking Group 13% VRN perp	21,817,308	1.59
£13,000,000	Lloyds Bank FRN 2022	13,047,164	0.95
£6,102,000	London and Quadrant Housing Trust 2.25% 2029	6,284,402	0.46
£4,054,000	London and Quadrant Housing Trust 2.625% 2028	4,290,318	0.31
£400,000	London and Quadrant Housing Trust 3.75% 2049	494,365	0.04
£2,955,000	London Merchant Securities 6.5% 2026	3,810,829	0.28
\$4,075,000	Marks & Spencer 7.125% 2037	3,678,365	0.27
£590,000	MDIF Media Finance 4% 2023	246,380	0.02
£888,000	Metropolitan Funding 4.125% 2048	1,113,435	0.08
£2,221,000	Morgan Stanley 2.625% 2027	2,370,589	0.17
£3,986,000	Morhomes 3.4% 2038	4,467,102	0.33
£5,284,000	Motability Operations Group 1.75% 2029	5,386,969	0.39
£888,000	Myriad Capital 4.75% 2043	1,265,373	0.09
£6,974,000	Nationwide Building Society 3.25% 2028	7,829,080	0.57
£983,416	Nationwide Building Society 3.875% Index-Linked 2021	3,203,891	0.23
\$1,750,000	Nationwide Building Society 4.125% VRN 2032	1,415,227	0.10
£3,360,000	Nationwide Building Society 5.769% perp	3,501,587	0.26
£3,524,000	Nationwide Building Society 5.875% VRN perp	3,598,885	0.26
£1,556,000	Nationwide Building Society 6.25% VRN perp	1,710,890	0.13
£38,600	Nationwide Building Society 10.25% VRN perp	6,023,916	0.44
£871,800	NatWest Markets 3.9% VRN 2022	945,031	0.07
£2,393,000	NatWest Markets 6.875% 2025	3,008,487	0.22
£1,212,000	Notting Hill Genesis 2.875% 2029	1,297,148	0.09
£1,158,000	Notting Hill Housing 3.75% 2032	1,349,540	0.10
£500,000	Orange SA 3.25% 2032	565,716	0.04
£3,897,000	Orbit Capital 3.375% 2048	4,615,710	0.34
£1,421,000	Orbit Capital 3.5% 2045	1,695,625	0.12
£2,377,000	Orsted AS 2.125% 2027	2,510,904	0.18
£440,000	Our Power Social Purpose 6.5% 2021	—	—
£946,800	Paragon 6% 2020	974,614	0.07
£5,078,000	Paragon 6% 2024	5,374,623	0.39

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£2,155,600	Paragon 6.125% 2022	2,240,735	0.16
£4,252,000	Partnership Life Assurance 9.5% 2025	4,358,683	0.32
£550,000	Peabody Capital 5.25% 2043	823,163	0.06
£3,453,000	Peabody Capital No 2 3.25% 2048	3,999,611	0.29
£10,265,000	PGH Capital 4.125% 2022	10,708,400	0.78
£15,724,000	PGH Capital 6.625% 2025	17,702,603	1.29
\$1,599,000	Phoenix 5.375% 2027	1,335,736	0.10
£800,000	Phoenix 5.75% VRN perp	716,611	0.05
£1,874,300	Places for People Finance 4.25% 2023	1,944,762	0.14
£1,295,400	Places for People Homes 1% Index-Linked 2022	1,593,990	0.12
£8,718,000	Places for People Homes 3.625% 2028	9,471,890	0.69
£5,740,000	Places for People Treasury 2.875% 2026	5,955,148	0.44
£3,403,000	Porterbrook Rail Finance 7.125% 2026	4,480,046	0.33
£9,459,000	Principality Building Society 2.375% 2023	9,691,907	0.71
£1,848,000	Principality Building Society 7% VRN perp	1,856,981	0.14
£2,265,000	PRS Finance 1.75% 2026	2,315,594	0.17
£15,008,000	PRS Finance 2% 2029	16,252,613	1.19
£1,750,000	Prudential 3.875% VRN 2049	1,793,547	0.13
£3,109,000	Prudential 5% VRN 2055	3,546,044	0.26
£12,311,000	Prudential 5.625% VRN 2051	14,092,131	1.03
£7,341,000	Prudential 6.25% VRN 2068	8,752,363	0.64
\$3,553,000	QBE Insurance 5.25% VRN perp	2,901,282	0.21
£920,000	Quadrant Housing 7.93% 2033	1,250,878	0.09
£4,882,000	Rabobank Capital Funding Trust 5.556% VRN perp	4,923,185	0.36
£12,330,000	Rabobank Nederland 4.625% 2029	14,694,366	1.07
£4,614,000	Rabobank Nederland 5.25% 2027	5,598,340	0.41
£14,907,000	Rabobank Nederland 6.91% VRN perp	22,206,868	1.62
£553,200	Retail Charity Bonds 3.9% 2029	585,424	0.04
£1,331,200	Retail Charity Bonds 4% 2029	1,341,756	0.10
£2,414,800	Retail Charity Bonds 4.25% 2026	2,466,839	0.18
£1,089,800	Retail Charity Bonds 4.25% 2028	1,142,394	0.08
£218,000	Retail Charity Bonds 4.375% 2021	222,896	0.02
£871,800	Retail Charity Bonds 4.4% 2027	883,874	0.06
£1,598,800	Retail Charity Bonds 4.5% 2026	1,630,952	0.12
£1,297,600	Retail Charity Bonds 5% 2026	1,434,860	0.11
£500,000	RHP Finance 3.25% 2048	586,632	0.04
£300,000	Riverside Finance 3.875% 2044	391,289	0.03
£20,000,000	RL Finance Bonds 4.875% VRN 2049	19,595,200	1.43
£21,852,000	RL Finance Bonds 6.125% 2028	25,094,446	1.83

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£19,747,000	RL Finance Bonds 6.125% VRN 2043	22,177,060	1.62
£17,007,000	Rothesay Life 3.375% 2026	16,644,338	1.22
£6,723,000	Rothesay Life 5.5% VRN 2029	6,906,356	0.50
£11,192,000	Rothesay Life 6.875% VRN perp	10,691,158	0.78
£19,262,000	Rothesay Life 8% 2025	22,594,904	1.65
£14,027,000	Rothschild 9% perp	17,100,316	1.25
£18,010,000	Royal & Sun Alliance 5.125% VRN 2045	20,075,063	1.47
\$2,615,000	Royal Bank of Scotland 7.648% VRN perp	2,925,774	0.21
£2,224,000	Sainsburys Bank 6% VRN 2027	2,246,240	0.16
£11,718,000	Santander UK 2.92% VRN 2026	12,118,832	0.88
£4,753,000	Santander UK 3.625% 2026	5,140,422	0.38
£916,000	Santander UK 5.875% 2031	1,119,232	0.08
£863,000	Santander UK 6.5% 2030	1,143,106	0.08
£8,123,000	Santander UK FRN 2024	8,174,500	0.60
£3,097,000	Scottish Hydro Electric Transmission 2.25% 27/09/2035	3,113,134	0.23
£9,023,000	Scottish Widows 5.5% 2023	10,077,410	0.74
£2,664,000	Scottish Widows 7% 2043	3,580,476	0.26
£1,777,000	Segro 2.375% 2029	1,874,250	0.14
£1,865,000	Skipton Building Society 1.75% 2022	1,870,179	0.14
£1,643,000	Society Lloyds 4.75% 2024	1,809,329	0.13
£1,563,000	Society Lloyds 4.875% VRN 2047	1,707,561	0.12
£91,500	South Bristol Sports Centre 7% 2023	91,500	0.01
£148,800	St Johns School Bond 3.25% 2022	148,800	0.01
\$2,931,000	Standard Life Aberdeen 4.25% VRN 2048	2,448,644	0.18
£9,476,000	Standard Life Aberdeen 5.5% VRN 2042	10,493,950	0.77
£1,636,000	Swan Housing Capital 3.625% 2048	1,917,788	0.14
£2,354,000	TC Dudgeon Ofto 3.158% 2038	2,591,945	0.19
£5,169,000	Telereal Securitisation FRN 2033	4,884,705	0.36
£100,000	Thera Trust 5.5% 2020	100,000	0.01
£500,000	Thera Trust 5.5% 2024	500,000	0.04
£134,247	THFC 5.65% Index-Linked 2020	22,042	—
£750,000	Thrive Renewables 5% 2024	750,000	0.05
£5,500,000	Toronto Dominion Bank FRN 2022	5,501,485	0.40
£500,000	Vodafone 3% 2056	488,472	0.04
£1,525,000	Wells Fargo 2.5% 2029	1,609,153	0.12
£2,043,000	Welltower 4.5% 2034	2,523,755	0.18
£700,000	Welltower 4.8% 2028	849,396	0.06
£7,863,000	WoDS Transmission 3.446% 2034	7,821,468	0.57
£2,536,000	Yorkshire Building Society 3% VRN 2025	2,597,415	0.19

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
£18,821,000 Yorkshire Building Society 3.375% VRN 2028	18,340,805	1.34
£3,453,000 Yorkshire Building Society FRN 2023	3,471,632	0.25
	1,227,967,388	89.64
Total Bonds	1,319,168,602	96.30
Equities (30.09.18: 0.10%)		
2,025,875 Greencoat Renewables**	2,034,221	0.15
Alternatives (30.09.18: 1.20%)		
\$17,435,000 RBC Capital Market 2021*	13,872,728	1.01
Forward Foreign Exchange Contracts (30.09.18: 0.03%)		
Buy £37,348,770, Sell \$45,864,159	300,584	0.02
Buy £5,484,065, Sell €6,042,040	113,689	0.01
	414,273	0.03
Total value of investments (30.09.18: 99.25%)	1,335,489,824	97.49
Net other assets (30.09.18: 0.75%)	34,390,723	2.51
Total value of the fund as at 30 September 2019	1,369,880,547	100.00

*Structured product

** Equity Security

Summary of portfolio investments

	Value £	Percentage of total net assets
Bonds	1,319,168,602	96.30
Equities	2,034,221	0.15
Structured products	13,872,728	1.01
Forwards	414,273	0.03
Total value of investments	1,335,489,824	97.49

Statement of total return for the year ended 30 September 2019

	Note	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Income					
Net capital gains/(losses)	2		64,775,451		(40,517,283)
Revenue	3	50,994,600		46,608,010	
Expenses	4	(7,693,936)		(6,673,522)	
Interest payable and similar charges		(13,255)		(11,668)	
Net revenue before taxation		43,287,409		39,922,820	
Taxation	5	(15,632)		(9,126)	
Net revenue after taxation			43,271,777		39,913,694
Total return before distributions			108,047,228		(603,589)
Distributions	6		(50,497,355)		(46,107,472)
Change in net assets attributable to unitholders from investment activities			57,549,873		(46,711,061)

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

	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Opening net assets attributable to unitholders		1,226,682,032		901,195,605
Amounts receivable on issue of units	315,027,895		444,985,678	
Amounts payable on cancellation of units	(95,895,786)		(96,650,318)	
In-specie transfer*	(161,090,265)		–	
		58,041,844		348,335,360
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		57,549,873		(46,711,061)
Retained distributions on accumulation units		27,606,395		23,861,725
Unclaimed distributions		403		403
Closing net assets attributable to unitholders		1,369,880,547		1,226,682,032

*In-specie transfer relates to the closure of the X classes on 22 March 2019.

Balance sheet as at 30 September 2019

	Note	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Assets					
Fixed assets:					
Investments			1,335,489,824		1,217,538,790
Current assets:					
Debtors	7	31,744,462		30,119,119	
Cash and bank balances		28,738,019		11,124,259	
Total current assets			60,482,481		41,243,378
Total assets			1,395,972,305		1,258,782,168
Liabilities					
Creditors:					
Other creditors	8	(20,522,495)		(25,713,871)	
Distribution payable on income units		(5,569,263)		(6,386,265)	
Total liabilities			(26,091,758)		(32,100,136)
Net assets attributable to unitholders			1,369,880,547		1,226,682,032

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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 44, 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.

c) Treatment of scrip and special dividends

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

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

d) Treatment of expenses

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

e) Distribution policy

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

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

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

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

Unquoted investments are valued at fair value, which represents the 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.

1 Accounting policies *(continued)*

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. 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 valued based on the latest financial statements of the respective company and agreed with the Trustee.

Structured products are valued based upon available market data.

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.

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.

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)

	30.09.19 £	30.09.18 £
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	66,820,328	(39,309,718)
Currency gains	85,394	452,805
Forward currency contracts	(2,121,266)	(1,653,103)
Transaction charges	(9,005)	(7,267)
Total net capital gains/(losses)	64,775,451	(40,517,283)

3 Revenue

	30.09.19 £	30.09.18 £
Dividends	88,730	64,370
Interest on debt securities	50,804,397	46,483,475
Bank interest	101,473	60,165
Total revenue	50,994,600	46,608,010

4 Expenses

	30.09.19 £	30.09.19 £	30.09.18 £	30.09.18 £
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		7,243,856		6,210,714
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	179,583		244,830	
Safe custody and other bank charges	156,085		137,308	
		335,668		382,138
Other expenses:				
Administration fees	13,905		13,174	
Audit fee*	30,600		10,200	
FCA fee	(1,604)		356	
Printing and publication costs	6,247		3,881	
Registration fees	65,264		53,059	
		114,412		80,670
Total expenses		7,693,936		6,673,522

*Audit fees paid in the year were £17,000 (30.09.18: £8,500) excluding VAT.

5 Taxation

	30.09.19 £	30.09.18 £
a) Analysis of charge in the year		
Irrecoverable income tax	3,603	—
Irrecoverable overseas tax	12,029	9,126
Total tax charge for the year (note 5b)	15,632	9,126

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.09.18: 20%). The differences are explained below:

	30.09.19 £	30.09.18 £
Net revenue before taxation	43,287,409	39,922,820
Corporation tax at 20%	8,657,482	7,984,564
Effects of:		
Revenue not subject to taxation	(17,746)	(12,874)
Tax deductible interest distribution	(8,639,736)	(7,971,690)
Irrecoverable income tax	3,603	—
Irrecoverable overseas tax	12,029	9,126
Total tax charge for the year (note 5a)	15,632	9,126

c) Deferred tax

At the year end the fund had no surplus management expenses (30.09.18: £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:

	30.09.19 £	30.09.18 £
First Interim	13,460,816	10,582,439
Second Interim	11,853,350	11,153,762
Third Interim	12,091,345	13,233,286
Final	12,833,948	12,763,740
	50,239,459	47,733,227
Add: Amounts deducted on cancellation of units	1,985,614	660,960
Deduct: Amounts received on issue of units	(1,727,718)	(2,286,715)
Net distribution for the year	50,497,355	46,107,472

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

Net distribution for the year	50,497,355	46,107,472
Expenses charged to capital:		
Manager's periodic charge	(7,243,856)	(6,210,714)
Equalisation on conversions	(740)	35,561
Balance brought forward	(33,103)	(51,728)
Balance carried forward	52,121	33,103
Net revenue after taxation	43,271,777	39,913,694

7 Debtors

	30.09.19 £	30.09.18 £
Amounts receivable for issue of units	7,137,557	3,734,137
Sales awaiting settlement	4,296	25,644
Accrued revenue	24,596,148	26,350,378
Prepaid expenses	184	180
Taxation recoverable	6,277	8,780
Total debtors	31,744,462	30,119,119

8 Other creditors

	30.09.19 £	30.09.18 £
Amounts payable for cancellation of units	147,345	283,509
Purchases awaiting settlement	19,595,200	24,734,532
Accrued expenses	83,717	552,797
Accrued manager's periodic charge	696,233	143,033
Total other creditors	20,522,495	25,713,871

9 Reconciliation of units

	R-Class income	R-Class accumulation	I-Class income	I-Class accumulation
Opening units issued at 01.10.18	9,701,103	8,798,462	411,423,568	284,763,141
Unit movements 01.10.18 to 30.09.19				
Units issued	1,251,576	2,573,515	133,688,164	72,376,741
Units cancelled	(1,821,825)	(1,469,857)	(58,490,960)	(7,774,433)
Units converted	(1,235,932)	(1,546,729)	19,216,756	(7,034,559)
Closing units issued at 30.09.19	7,894,922	8,355,391	505,837,528	342,330,890

	S-Class income	S-Class accumulation	X-Class income	X-Class accumulation
Opening units issued at 01.10.18	62,955,219	1,060,215	142,381,993	17,620,356
Unit movements 01.10.18 to 30.09.19				
Units issued	17,955,840	401,007	4,028,654	1,190,551
Units cancelled	(4,393,423)	(77,406)	(13,483,920)	(1,139,364)
Units in-specie	—	—	(132,926,727)	(17,671,543)
Units converted	196,356	(96,859)	—	—
Closing units issued at 30.09.19	76,713,992	1,286,957	—	—

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 Ethical Bond Fund during the year (30.09.18: nil).

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

11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.09.18: 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.

The fund is exposed to credit risk as a result of its investment in bonds. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions. Details of the fund's portfolio and exposure to credit risk are set out on pages 18 to 24.

The main risks arising from the financial instruments are:

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

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

	30.09.19	30.09.18
	£	£
Currency:		
Euro	5,744,179	5,200,691
US dollar	42,805,369	35,698,485
Pound sterling	1,321,324,538	1,185,773,896
	1,369,874,086	1,226,673,072
Other net assets not categorised as financial instruments	6,461	8,960
Net assets	1,369,880,547	1,226,682,032

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 £4,413,595 (30.09.18: £3,718,107). 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 £5,394,394 (30.09.18: £4,544,353). These calculations assume all other variables remain constant.

12 Risk disclosures on financial instruments *(continued)*

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

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

	30.09.19	30.09.18
	£	£
Fixed rate assets:		
US dollar	16,748,938	11,899,103
Pound sterling	661,476,623	625,004,728
	678,225,561	636,903,831
Floating rate assets:		
Euro	3,462,349	3,806,849
US dollar	25,263,055	8,391,667
Pound sterling	654,828,384	563,246,337
	683,553,788	575,444,853
Assets on which no interest is paid:		
Euro	2,281,830	1,393,842
US dollar	793,376	15,407,715
Pound sterling	31,111,289	29,622,967
	34,186,495	46,424,524
Liabilities on which no interest is paid:		
Pound sterling	(26,091,758)	(32,100,136)
	(26,091,758)	(32,100,136)
Other net assets not categorised as financial instruments	6,461	8,960
Net assets	1,369,880,547	1,226,682,032

If interest rates had increased by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £128,946,507 (30.09.18: £53,586,011). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £128,946,507 (30.09.18: £53,586,011). 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)*

	30.09.19		30.09.18	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
Bond credit ratings				
Investment grade	984,815,618	71.89	898,501,689	73.21
Below investment grade	334,352,984	24.41	302,722,736	24.71
Total Bonds	1,319,168,602	96.30	1,201,224,425	97.92

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 £133,548,982 (30.09.18: £121,753,879). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £133,548,982 (30.09.18: £121,753,879). 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 Ethical Bond Fund which would increase its exposure.

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

13 Portfolio transaction cost

For the year ended 30 September 2019

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	902,553	—	—	—	—
Bond transactions	518,389,337	—	—	—	—
Corporate actions	58,910	—	—	—	—
Total purchases before transaction costs	519,350,800	—		—	
Total purchases including commission and taxes	519,350,800				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	216,064,643	—	—	—	—
In-specie transactions	156,322,326	—	—	—	—
Corporate actions	90,401,091	—	—	—	—
Total sales including transactions costs	462,788,060	—		—	
Total sales net of commission and taxes	462,788,060				

The fund had paid £nil as commission on purchases and sale derivative transactions for the year ended 30.09.2019.

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

13 Portfolio transaction cost *(continued)*

For the year ended 30 September 2018

Analysis of total purchases costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	751,335,596	—	—	—	—
Corporate actions	47,885	—	—	—	—
Total purchases before transaction costs	751,383,481	—		—	
Total purchases including commission and taxes	751,383,481				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	277,696,213	—	—	—	—
Corporate actions	57,669,844	—	—	—	—
Total sales including transactions costs	335,366,057	—		—	
Total sales net of commission and taxes	335,366,057				

The fund had paid £nil as commission on purchases and sale derivative transactions for the year ended 30.09.2018.

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

In the case of share, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.66% (30.09.18: 0.74%).

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 September 2019

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	2,034,221	—	—	2,034,221
Bonds	—	1,323,125,900	9,915,430	1,333,041,330
Structured product				
Derivatives	—	414,273	—	414,273
	2,034,221	1,323,540,173	9,915,430	1,335,489,824

For the year ended 30 September 2018

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	1,183,992	—	—	1,183,992
Bonds	—	1,188,464,880	12,759,545	1,201,224,425
Structured product	—	14,741,766	—	14,741,766
Derivatives	—	388,607	—	388,607
	1,183,992	1,203,595,253	12,759,545	1,217,538,790

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 19 November 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	30.09.19 bid price	19.11.19 bid price
R-Class income	96.10p	95.63p
R-Class accumulation	213.12p	214.05p
I-Class income	101.25p	100.84p
I-Class accumulation	222.24p	223.40p
S-Class income	103.71p	103.30p
S-Class accumulation	109.26p	109.85p

Distribution tables for the year ended 30 September 2019

Distribution tables (pence per unit)

First 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

R-Class income units	Net Income	Equalisation	Paid 28.02.19	Paid 28.02.18
Group 1	0.99	–	0.99	0.93
Group 2	0.40	0.59	0.99	0.93

R-Class accumulation units	Net Income	Equalisation	Accumulated 28.02.19	Accumulated 28.02.18
Group 1	2.13	–	2.13	1.93
Group 2	0.93	1.20	2.13	1.93

I-Class income units	Net Income	Equalisation	Paid 28.02.19	Paid 28.02.18
Group 1	1.04	–	1.04	0.98
Group 2	0.55	0.49	1.04	0.98

I-Class accumulation units	Net Income	Equalisation	Accumulated 28.02.19	Accumulated 28.02.18
Group 1	2.20	–	2.20	2.00
Group 2	1.12	1.08	2.20	2.00

S-Class income* units	Net Income	Equalisation	Paid 28.02.19	Paid 28.02.18
Group 1	1.06	–	1.06	n/a
Group 2	0.65	0.41	1.06	n/a

S-Class accumulation* units	Net Income	Equalisation	Accumulated 28.02.19	Accumulated 28.02.18
Group 1	1.09	–	1.09	n/a
Group 2	0.17	0.92	1.09	n/a

X-Class income units	Net Income	Equalisation	Paid 28.02.19	Paid 28.02.18
Group 1	1.13	–	1.13	1.06
Group 2	0.63	0.50	1.13	1.06

X-Class accumulation units	Net Income	Equalisation	Accumulated 28.02.19	Accumulated 28.02.18
Group 1	1.24	–	1.24	1.12
Group 2	0.63	0.61	1.24	1.12

*S-Class was launched on 5 April 2018 at 100.00p (S-Class income) and 100.00p (S-Class accumulation).

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

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

Second 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

R-Class income units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	0.99	—	0.99	0.91
Group 2	0.38	0.61	0.99	0.91
R-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	2.15	—	2.15	1.90
Group 2	1.03	1.12	2.15	1.90
I-Class income units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	1.04	—	1.04	0.95
Group 2	0.45	0.59	1.04	0.95
I-Class accumulation units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	2.24	—	2.24	1.96
Group 2	0.95	1.29	2.24	1.96
S-Class income* units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	1.07	—	1.07	n/a
Group 2	0.55	0.52	1.07	n/a
S-Class accumulation* units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	1.10	—	1.10	n/a
Group 2	0.34	0.76	1.10	n/a
X-Class income** units	Net Income	Equalisation	Paid 31.05.19	Paid 31.05.18
Group 1	n/a	—	n/a	1.03
Group 2	n/a	n/a	n/a	1.03
X-Class accumulation** units	Net Income	Equalisation	Accumulated 31.05.19	Accumulated 31.05.18
Group 1	n/a	—	n/a	1.09
Group 2	n/a	n/a	n/a	1.09

*S-Class was launched on 5 April 2018 at 100.00p (S-Class income) and 100.00p (S-Class accumulation).

**The X-Class closed on 22 March 2019.

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

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

Third Interim

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

R-Class income units	Net Income	Equalisation	Paid 30.08.19	Paid 31.08.18
Group 1	0.94	–	0.94	1.02
Group 2	0.26	0.68	0.94	1.02
R-Class accumulation units	Net Income	Equalisation	Accumulated 30.08.19	Accumulated 31.08.18
Group 1	2.06	–	2.06	2.13
Group 2	0.96	1.10	2.06	2.13
I-Class income units	Net Income	Equalisation	Paid 30.08.19	Paid 31.08.18
Group 1	0.98	–	0.98	1.06
Group 2	0.39	0.59	0.98	1.06
I-Class accumulation units	Net Income	Equalisation	Accumulated 30.08.19	Accumulated 31.08.18
Group 1	2.14	–	2.14	2.21
Group 2	0.99	1.15	2.14	2.21
S-Class income units	Net Income	Equalisation	Paid 30.08.19	Paid 31.08.18
Group 1	1.00	–	1.00	1.02
Group 2	0.39	0.61	1.00	1.02
S-Class accumulation units	Net Income	Equalisation	Accumulated 30.08.19	Accumulated 31.08.18
Group 1	1.05	–	1.05	1.02
Group 2	0.40	0.65	1.05	1.02
X-Class income** units	Net Income	Equalisation	Paid 30.08.19	Paid 31.08.18
Group 1	n/a	–	n/a	1.15
Group 2	n/a	n/a	n/a	1.15
X-Class accumulation** units	Net Income	Equalisation	Accumulated 30.08.19	Accumulated 31.08.18
Group 1	n/a	–	n/a	1.24
Group 2	n/a	n/a	n/a	1.24

**The X-Class closed on 22 March 2019.

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

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

Final

Group 1 – Units purchased prior to 1 July 2019

Group 2 – Units purchased on or after 1 July 2019 and on or before 30 September 2019

R-Class income units	Net Income	Equalisation	Payable 29.11.19	Paid 30.11.18
Group 1	0.89	—	0.89	0.95
Group 2	0.45	0.44	0.89	0.95
R-Class accumulation units	Net Income	Equalisation	Allocated 29.11.19	Accumulated 30.11.18
Group 1	1.98	—	1.98	2.03
Group 2	0.75	1.23	1.98	2.03
I-Class income units	Net Income	Equalisation	Payable 29.11.19	Paid 30.11.18
Group 1	0.94	—	0.94	1.00
Group 2	0.48	0.46	0.94	1.00
I-Class accumulation units	Net Income	Equalisation	Allocated 29.11.19	Accumulated 30.11.18
Group 1	2.07	—	2.07	2.10
Group 2	0.95	1.12	2.07	2.10
S-Class income units	Net Income	Equalisation	Payable 29.11.19	Paid 30.11.18
Group 1	0.97	—	0.97	1.02
Group 2	0.49	0.48	0.97	1.02
S-Class accumulation units	Net Income	Equalisation	Allocated 29.11.19	Accumulated 30.11.18
Group 1	1.01	—	1.01	1.03
Group 2	0.60	0.41	1.01	1.03
X-Class income** units	Net Income	Equalisation	Payable 29.11.19	Paid 30.11.18
Group 1	n/a	—	n/a	1.08
Group 2	n/a	n/a	n/a	1.08
X-Class accumulation** units	Net Income	Equalisation	Allocated 29.11.19	Accumulated 30.11.18
Group 1	n/a	—	n/a	1.18
Group 2	n/a	n/a	n/a	1.18

**The X-Class closed on 22 March 2019.

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

Notes for corporate unitholders

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

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

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 **JR Chillingworth**
for Rathbone Unit Trust Management Limited
Manager of Rathbone Ethical Bond Fund
24 January 2020

Statement of the Manager's responsibilities in relation to the annual report and accounts of the Rathbone Ethical 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 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 a 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, and for the system of internal controls and for safeguarding of the assets of the scheme. The Manager has general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

1. there is no relevant audit information of which the fund's auditor is unaware; and
2. the Manager has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information; and
3. the Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the fund consist predominantly of securities that are readily realisable and, accordingly, the 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 24 January 2020.

Statement of the Trustee's responsibilities and report of the Trustee to the Unitholders of Rathbone Ethical Bond Fund (the Scheme) for the year ended 30 September 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:

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

National Westminster Bank Plc
Trustee of Rathbone Ethical Bond Fund
24 January 2020

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Rathbone Ethical Bond Fund (the 'fund'):

- give a true and fair view of the financial position of the Rathbone Ethical Bond Fund (the fund) as at 30 September 2019 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 September 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 Ethical 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 Financial Reporting Council's (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.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of trustee and manager

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

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

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

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
24 January 2020

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	1,256	2,660	3,916	5
Risk takers	1,306	1,747	3,053	13
Control functions	264	40	304	3
Other	106	74	180	1
Total remuneration code staff	2,932	4,521	7,453	22
Non-remuneration code staff	873	280	1,153	18
Total for the Manager	3,805	4,801	8,606	40

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

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

Investment objective, policy and strategy

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

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

Valuation of the fund

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

Stewardship code

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

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 R-Class units at present is to the value of £1,000 which may be varied by the Manager. The minimum initial investment for I-Class units is £1,000.

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.

General information *(continued)*

There is no preliminary charge for both the R-Class and I-Class units.

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

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

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

Statements

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

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

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

Prices

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

Other information

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 at the registered offices of the Manager. Copies of the Prospectus, Key Investor Information Document and Supplementary Information Document, and the most recent half yearly report of each fund may be obtained free of charge on application to the Manager.

The Register of Unitholders can be inspected during normal business hours at the office of the Registrar, DST Financial Services 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 Global Opportunities Fund
Rathbone Heritage Fund
Rathbone Income Fund
Rathbone Spenser Fund
Rathbone Strategic Bond Fund
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund
Rathbone 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

Post Balance Sheet Event

Please note, from 1 December 2019 the R-Class minimum initial investment will increase to £100,000,000. All other investment amounts will remain unchanged.

Rathbones

Look forward

Rathbone Unit Trust Management Limited

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