

Rathbones

Look forward

Rathbone High Quality Bond Fund

Interim report for the half year ended 31 October 2019



Rathbone High Quality Bond Fund

Authorised Corporate Director (ACD)

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

The Company

Rathbone High Quality Bond Fund
Head Office:
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London EC2M 7AZ

Dealing office

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

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the ACD

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**

Registrar

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

Depository

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

ACD's report for the half year ended 31 October 2019

Between 30 April 2019 and 31 October 2019, our fund made 1.60%. That compares with the 0.61% return of our benchmark, Base Rate +0.5%. Our fund aims to offer a portfolio of highly liquid, quality bonds that should outperform the interest rates you might get at a bank while protecting the value of your investment. Our benchmark is a proxy for that bank account rate: we assume banks offer the Bank of England's interest rate (Base Rate) plus a spread (0.5%).

The return on the Markit iBoxx Sterling Overall A-Rated 1-5 Years Index was 1.76%. We underperformed this basket of sterling-denominated bonds because we had a duration (interest rate sensitivity) lower than the benchmark. That meant the fall in government bond yields over the period didn't boost our portfolio's value by as much as the index.

Government bond yields continued to slip towards the end of the period, hitting all-time lows along the way. The 10-year gilt dropped from 1.19% to 0.63%, bottoming at 0.406% in early September. Yields in Europe, the US and Japan have also slumped. This downward march has been driven by lower GDP growth estimates and generally weakened inflation around the world. The US Federal Reserve cut interest rates twice during the quarter, taking the benchmark borrowing rate to 1.75%-2.00%.

There was a short-lived spike in bond yields following an aerial strike on Saudi oil fields, which shut down 5% of global crude oil capacity and fully half of the country's output. Oil prices spiked, and inflation expectations and bond yields with them. The supply was quickly filled out by reserves stored by the US and Saudi Arabia, while damage to the refineries has apparently been patched up too. Yields quickly settled back on the bottom of the proverbial tank.

The German ZEW survey (economic sentiment) was dire, falling amid industry concerns. It came in at -24.5 vs -22.3 expected (ouch) in mid-July, close to its weakest in seven years. Looking at the current conditions they fell below zero for the first time in nine years, meaning more respondents think it's getting a whole lot worse before it gets better. Germany is struggling with waning global demand with its most important trading partner, China, reporting its slowest growth since 1992. Indicative of the growth weakness is BASF, the world's largest chemical company, which warned profits may fall by 30%. We have no exposure to the name.

The only glimmer of hope came from UK employment data which is still holding up. Unemployment stayed at a 44-year low and non-bonus nominal pay growth hit 11-year highs, so not normal conditions for a rate-cutting environment. Meanwhile, average earnings hit a peak of 3.9% in the three months to 31 July.

As our fund continues to grow, we added to existing positions and looked for additional investment opportunities.

We parked some of our cash in UK T-bills – government debt that matures in less than a year. We did this because we felt longer-term government bonds were too expensive to warrant us buying them and therefore increasing the risk that interest rates move against us.

Buying debt with shorter maturities is a game plan for us. During the review period, we could actually get a better yield from debt with less time till maturity than from bonds with longer lives (known as a yield curve inversion). To take advantage of this, we bought **Heathrow Funding 6% 2020**, **Virgin Money Holdings 2.25% Senior 2020**, **Motability Operations Group 6.625% 2019**, **Euro Investment Bank 2.25% Senior 2020**, and **UBS 1.25% 2020**.

Buying short-dated bonds isn't the only way for bondholders to protect themselves from movements in interest rates, which cause losses when they rise and profits when they fall. Another way is to buy floating-rate bonds whose coupon payments are linked to interest rates. We have been doing this since launch and continued to add to assets linked to the Bank of England's Sterling Overnight Index Average (SONIA) – a replacement for LIBOR. We bought **Nationwide Building Society Floating Rate 2022**, **Coventry Building Society Floating Rate 2023** and **Royal Bank of Canada 1.35% Floating Rate 2024**.

As part of our move away from longer-dated bonds and their inherent interest rate risk, we took profit on some investments, such as the **ING Groep 3% 2026**, **Motability Operations Group 1.75% Senior 2027** and **Wells Fargo & Co 2.5% 2029**.

Some of our holdings had rallied too aggressively, in our view, so we took the opportunity to take some profit by selling **Dexia Credit Local 1.375% Bonds 2022**, **Total Capital International 1.66% Senior 2026**, **Diageo Finance 1.75% Senior 2026** and **BNG Bank 1.25% 2021**.

The global investor mood has been pretty glum over the past six months – not quite despair, but definitely pessimistic. Global PMIs – a mixture of upcoming orders, hiring intentions and general mood-taker of economies – were pretty poor around the world. Chinese GDP growth is slowing, the UK and Germany just dodged recession. Even the US, that shining light of economic activity, had been fading lately. However, following the end of October some promising news is percolating from the US and some economic data have improved. And in the UK we finally have some clarity over Brexit after the Conservative Party won a snap election just before Christmas. Going into the election the maintained a short duration of 1.9 years, as we believed there was scope for a reversal in gilts. The announcement of a conservative majority is supportive for risk assets, and the positions in UK banks should benefit. There is no foreign currency exposure in our fund so the move in sterling doesn't affect performance.

For the time being, we are continuing to focus on keeping our credit and duration risk low, grinding out small but steady returns that shouldn't be upended by large swings in yields.

Noelle Cazalis
Fund Manager
13 December 2019

Bryn Jones
Fund Manager

Net asset value per share and comparative tables

I-Class income shares

	31.10.19*** pence per share
Change in net assets per share	
Opening net asset value per share	100.00p
Return before operating charges*	0.36p
Operating charges	(0.12p)
Return after operating charges*	0.24p
Distributions on income shares	(0.45p)
Closing net asset value per share	99.79p
*after direct transactions costs ¹ of:	0.00p

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

Performance

Return after charges	0.24%
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Other information

Closing net asset value	£1,226,006
Closing number of shares	1,228,525
Operating charges	0.48%
Direct transaction costs	0.00%

Prices**

Highest share price	100.44p
Lowest share price	100.02p

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

*** The I-Class launched on 23 July 2019.

Net asset value per share and comparative tables

I-Class accumulation shares

	31.10.19*** pence per share
Change in net assets per share	
Opening net asset value per share	100.00p
Return before operating charges*	0.36p
Operating charges	(0.02p)
Return after operating charges*	0.34p
Distributions on accumulation shares	(0.45p)
Retained distributions on accumulation shares	0.45p
Closing net asset value per share	100.34p
*after direct transactions costs ¹ of:	0.00p

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

Performance

Return after charges	0.34%
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Other information

Closing net asset value	£13,180
Closing number of shares	13,136
Operating charges	0.47%
Direct transaction costs	0.00%

Prices**

Highest share price	100.53p
Lowest share price	100.05p

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

*** The I-Class launched on 23 July 2019.

Net asset value per share and comparative tables

S-Class income shares

	31.10.19	30.04.19***
	pence per share	pence per share
Change in net assets per share		
Opening net asset value per share	100.57p	100.00p
Return before operating charges*	1.83p	1.57p
Operating charges	(0.15p)	(0.18p)
Return after operating charges*	1.68p	1.39p
Distributions on income shares	(0.88p)	(0.82p)
Closing net asset value per share	101.37p	100.57p
*after direct transactions costs ¹ of:	0.00p	0.00p

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

Performance

Return after charges	1.67%	1.39%
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Other information

Closing net asset value	£163,686,573	£85,608,086
Closing number of shares	161,477,708	85,122,486
Operating charges	0.30%	0.38%
Direct transaction costs	0.00%	0.00%

Prices**

Highest share price	102.11p	101.39p
Lowest share price	100.73p	99.76p

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

*** The fund was launched on 16 November 2018.

Net asset value per share and comparative tables

S-Class accumulation shares

	31.10.19 pence per share	30.04.19*** pence per share
Change in net assets per share		
Opening net asset value per share	101.40p	100.00p
Return before operating charges*	1.82p	1.57p
Operating charges	(0.15p)	(0.17p)
Return after operating charges*	1.67p	1.40p
Distributions on accumulation shares	(0.89p)	(0.82p)
Retained distributions on accumulation shares	0.89p	0.82p
Closing net asset value per share	103.07p	101.40p
*after direct transactions costs ¹ of:	0.00p	0.00p

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

Performance

Return after charges	1.65%	1.40%
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Other information

Closing net asset value	£11,423,675	£7,253,958
Closing number of shares	11,083,423	7,154,136
Operating charges	0.30%	0.36%
Direct transaction costs	0.00%	0.00%

Prices**

Highest share price	103.28p	101.58p
Lowest share price	101.51p	99.81p

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

*** The fund was launched on 16 November 2018.

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

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



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

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

Discrete annual performance, year ending 31 October 2019

No discrete annual performance is available as the fund launched 16 November 2018.

Portfolio and net other assets as at 31 October 2019[#]

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Corporate Bonds (30.04.19: 89.09%)		
£760,900 A2D Funding 4.5% 2026	870,730	0.49
£1,838,700 A2D Funding 4.75% 2022	1,979,563	1.12
£1,100,000 Abbey National Treasury Services 1.875% 2020	1,102,365	0.63
£325,000 AMP Group Finance 6.875% 2022	345,098	0.20
£574,000 Anglian Water 5.837% 2022	647,545	0.37
£1,700,000 Australia and New Zealand Banking FRN 2022	1,708,577	0.97
£2,200,000 Aviva 5.9021% VRN perp	2,252,250	1.28
£500,000 Aviva 6.125% VRN perp	541,260	0.31
£2,000,000 Aviva 6.875% VRN perp	2,004,392	1.14
£480,000 AWG Parent 6.875% 2023 Step	582,763	0.33
£1,100,000 Banco Santander SA 1.375% 2024	1,092,643	0.62
£750,000 Bank of America 2.3% 2025	779,847	0.44
£1,530,000 Bank of America 5.5% 2019	1,535,615	0.87
£1,500,000 Bank of America 6.125% 2021	1,636,245	0.93
£750,000 Bank of Montreal 1.375% 2021	756,566	0.43
£1,200,000 Bank of Montreal 1.5% 2024	1,207,014	0.68
£1,600,000 Banque Federative du Credit Mutuel 0.875% 2020	1,597,325	0.91
£1,700,000 Banque Federative du Credit Mutuel 1.375% 2021	1,707,356	0.97
£1,000,000 Banque Federative du Credit Mutuel 1.75% 2024	1,016,765	0.58
£100,000 Barclays Bank 3% 2026	104,664	0.06
£500,000 Barclays Bank 2.375% VRN 2023	506,870	0.29
£700,000 Barclays Bank FRN 2023	696,724	0.40
£1,600,000 Barclays Bank FRN 2023	1,601,296	0.91
£900,000 BMW 1.25% 2022	898,486	0.51
£218,000 BMW 2% 2019	218,153	0.12
£570,000 BNP Paribas 1.125% 2022	570,687	0.32
£500,000 BNP Paribas 5.75% 2022	545,566	0.31
£1,000,000 BPCE SA 2.125% 2022	1,027,539	0.58
£753,200 Bruntwood 6% 2020	760,393	0.43
£1,250,000 BUPA Finance 3.375% 2021	1,290,322	0.73
£1,730,000 BUPA Finance 6.125% VRN perp	1,791,415	1.02
£1,000,000 Canadian Imperial Bank of Commerce 1.625% 2025	998,439	0.57
£2,200,000 Canadian Imperial Bank of Commerce FRN 2022	2,200,968	1.25
£962,000 Citigroup 2.75% 2024	1,007,622	0.57
£900,000 Close Brothers Finance 3.875% 2021	937,395	0.53
£1,605,000 Close Brothers Group 2.75% 2023	1,662,247	0.94
£550,000 Close Brothers Group 4.25% VRN 2027	576,239	0.33
£1,000,000 Commonwealth Bank of Australia 1.125% 2021	1,002,376	0.57

Portfolio and net other assets as at 31 October 2019[#] *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£500,000 Commonwealth Bank of Australia FRN 2019	500,106	0.28
£1,312,000 Coventry Building Society 1% 2020	1,310,126	0.74
£2,500,000 Coventry Building Society 1.5% 2023	2,505,849	1.42
£1,350,000 Coventry Building Society 1.875% 2023	1,374,405	0.78
£1,350,000 Coventry Building Society 5.875% 2022	1,522,016	0.86
£800,000 Coventry Building Society FRN 2020	800,570	0.45
£2,715,000 Coventry Building Society FRN 2023	2,726,827	1.55
£600,000 Daimler AG 1% 2019	599,820	0.34
£1,200,000 DNB Bank 1.625% 2023	1,221,465	0.69
£800,000 DNB Bank 4.25% 2020	805,718	0.46
£700,000 Electricite De France 6.875% 2022	825,751	0.47
£900,000 ESB Finance 6.5% 2020	915,010	0.52
£1,000,000 Euroclear Bank SA 1.25% 2024	998,556	0.57
£900,000 Fidelity International 6.75% 2020	942,903	0.54
£1,000,000 Friends Life 12% 2021	1,159,495	0.66
£550,000 Goldman Sachs 4.25% 2026	623,767	0.35
£650,000 Heathrow Funding 6% 2020	660,899	0.38
£900,000 Heathrow Funding 5.225% VRN 2023	1,017,656	0.58
£1,374,000 Heathrow Funding 9.2% VRN 2023	1,524,291	0.86
£800,000 Henkel AG 1% 2022	800,180	0.45
£1,350,000 HSBC 6.5% 2024	1,646,476	0.93
£2,660,000 HSBC Holdings 2.175% VRN 2023	2,702,673	1.53
£650,000 HSBC Holdings 2.256% VRN 2026	664,005	0.38
£1,250,000 IBM 2.75% 2020	1,273,629	0.72
£1,200,000 Industrial and Commercial Bank of China 1.5% 2022	1,201,814	0.68
£200,000 Investec Bank 4.5% 2022	212,356	0.12
£1,660,000 Land Securities Capital Markets 1.974% 2026	1,696,583	0.96
£1,800,000 Leeds Building Society FRN 2023	1,808,755	1.03
£2,000,000 Lloyds Bank 2.25% 2024	2,052,856	1.16
£1,200,000 Lloyds Bank 5.75% 2025	1,232,196	0.70
£2,300,000 Lloyds Bank FRN 2021	2,300,570	1.30
£1,821,000 Lloyds Bank FRN 2022	1,827,301	1.04
£2,300,000 Lloyds Bank FRN 2024	2,301,012	1.31
£1,800,000 Lloyds Bank Corporate Markets 1.75% 2024	1,811,287	1.03
£1,125,000 Logikor 2019-1 UK 1.875% 2026	1,129,084	0.64
£800,000 London and Quadrant Housing Trust 2.625% 2026	843,241	0.48
£1,217,400 London Stock Exchange 4.75% 2021	1,295,823	0.74
£1,150,000 LVMH Moet Hennessy Louis Vuitton 1% 2022	1,153,092	0.65
£1,350,000 Macquarie Bank 3.5% 2020	1,384,884	0.79

Portfolio and net other assets as at 31 October 2019[#] (continued)

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£500,000 McDonalds 6.375% 2020	506,219	0.29
£270,000 Metlife 5.375% 2024	323,316	0.18
£1,150,000 Metropolitan Funding 1.125% 2021	1,148,924	0.65
£400,000 Motability Operations 5.375% 2022	446,449	0.25
£2,507,000 Motability Operations 6.625% 2019	2,520,417	1.43
£1,100,000 Munich Re 6.625% VRN 2042	1,239,367	0.70
£750,000 National Australia Bank 0.875% 2020	748,926	0.42
£1,600,000 National Australia Bank 1.375% 2022	1,609,497	0.91
£800,000 National Australia Bank FRN 2021	799,544	0.45
£700,000 National Grid Gas 6.375% 2020	711,607	0.40
£1,300,000 National Westminster Bank FRN 2023	1,306,024	0.74
£800,000 Nationwide Building Society 2.25% 2022	824,886	0.47
£2,600,000 Nationwide Building Society FRN 2022	2,600,171	1.47
£2,451,000 Nationwide Building Society FRN 2024	2,473,819	1.40
£700,000 New York Life Global Funding 1.25% 2026	696,274	0.40
£1,500,000 New York Life Global Funding 1.625% 2023	1,525,841	0.87
£761,000 Paragon 6% 2020	781,776	0.44
£1,200,000 PGH Capital 5.75% 2021	1,275,499	0.72
£262,000 Places for People Homes 1% Index-Linked 2022	325,925	0.18
£2,100,000 Places for People Treasury 2.875% 2026	2,168,854	1.23
£233,000 Prudential 3.875% VRN 2049	238,335	0.14
£700,000 Rabobank Nederland 2.25% 2022	720,831	0.41
£1,500,000 Royal Bank of Canada 1.375% 2024	1,497,779	0.85
£1,400,000 Royal Bank of Canada FRN 2021	1,400,280	0.79
£409,000 Royal Bank of Canada FRN 2022	407,124	0.23
£2,500,000 Royal Bank of Canada FRN 2024	2,500,000	1.42
£1,100,000 Santander UK 1.625% 2021	1,105,347	0.63
£1,800,000 Santander UK FRN 2021	1,800,130	1.02
£800,000 Santander UK FRN 2022	796,568	0.45
£2,322,000 Santander UK FRN 2024	2,336,452	1.33
£1,650,000 Scottish Widows 5.5% 2023	1,838,032	1.04
£50,000 Segro 6.75% 2021	55,177	0.03
£510,000 Segro 7% 2022	572,699	0.32
£400,000 Skandinaviska Enskilda 3% 2020	408,445	0.23
£1,300,000 Skipton Building Society FRN 2024	1,306,952	0.74
£1,000,000 Svenska Handelsbanken 1.625% 2022	1,013,429	0.57
£1,500,000 Svenska Handelsbanken 1.625% 2023	1,524,160	0.86
£1,000,000 Svenska Handelsbanken 2.375% 2022	1,028,917	0.58
£150,000 Svenska Handelsbanken 3% 2020	153,014	0.09

Portfolio and net other assets as at 31 October 2019[#] *(continued)*

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
£251,000	Tesco Personal Finance 1% Index-Linked 2019	304,149	0.17
£100,000	Tesco Personal Finance 3.5% 2025	102,491	0.06
£665,000	Tesco Personal Finance 5% 2020	676,638	0.38
£747,000	Total Capital International SA 1.75% 2025	766,790	0.43
£1,000,000	Toronto Dominion Bank FRN 2021	1,000,204	0.57
£2,500,000	Toronto Dominion Bank FRN 2022	2,500,805	1.42
£700,000	Toronto Dominion Bank FRN 2023	696,413	0.40
£400,000	Toyota Motor Credit 1% 2022	399,310	0.23
£800,000	TSB Bank United Kingdom FRN 2024	807,920	0.46
£1,505,000	UBS AG 1.25% 2020	1,507,330	0.85
£700,000	Unilever 1.375% 2024	710,276	0.40
£290,000	Unite Group 6.125% 2020	296,472	0.17
£500,000	United Utilities Water Finance 2% 2025	515,494	0.29
£2,541,000	Virgin Money 2.25% 2020	2,550,173	1.45
£972,000	Welcome Trust 4.75% 2021	1,027,863	0.58
£750,000	Wells Fargo 2% 2025	763,244	0.43
£1,000,000	Westpac Banking 2.625% 2022	1,046,450	0.59
£704,000	Yorkshire Building Society 3% VRN 2025	722,748	0.41
£1,000,000	Yorkshire Building Society 4.125% VRN 2024	1,000,560	0.57
£1,800,000	Yorkshire Building Society FRN 2023	1,809,292	1.03
£1,160,000	Zurich Finance 6.625% VRN perp	1,300,789	0.74
		158,376,784	89.81
Government Bonds (30.04.19: 4.95%)			
£2,500,000	UK Treasury 0% 2019	2,499,775	1.42
£1,800,000	UK Treasury 0% 2019	1,799,550	1.02
£500,000	UK Treasury 0% 2019	499,740	0.28
		4,799,065	2.72
Mortgage Bonds (30.04.19: 3.15%)			
£1,000,000	Export Development Canada FRN 2024	999,640	0.57
£2,113,000	Korea Development Bank 1.75% 2022	2,149,238	1.22
£1,000,000	Province of Alberta Canada 1.5% 2022	1,016,781	0.57
£700,000	Province of Quebec Canada 0.75% 2024	693,368	0.39
£500,000	Province of Quebec Canada 1.5% 2023	511,504	0.29
£623,000	Silverstone Master Issuer FRN 2070	581,458	0.33
		5,951,989	3.37

Portfolio and net other assets as at 31 October 2019[#] (continued)

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Supranational Bonds (30.04.19: 0.00%)		
£2,600,000 EIB 2.25% 2020	2,612,360	1.48
£1,000,000 International Bank for Reconstruction and Development FRN 2022	999,894	0.57
£1,000,000 International Bank for Reconstruction and Development FRN 2024	999,560	0.57
	4,611,814	2.62
Total value of investments (30.04.19: 97.19%)	173,739,652	98.52
Net other assets (30.04.19: 2.81%)	2,609,782	1.48
Total value of the fund as at 31 October 2019	176,349,434	100.00

[#]As the fund launched on 16 November 2018, there are no comparatives.

Summary of portfolio investments

	Value £	Percentage of total net assets
Investment grade	171,901,011	97.48
Non rated bonds	1,838,641	1.04
Total value of investments	173,739,652	98.52

Statement of total return for the half year ended 31 October 2019

	31.10.19*	31.10.19*
	£	£
Income		
Net capital gains		1,003,411
Revenue	1,215,134	
Expenses	(202,282)	
Interest payable and similar charges	(781)	
Net revenue before taxation	1,012,071	
Taxation	—	
Net revenue after taxation		1,012,071
Total return before distributions		2,015,482
Distributions		(1,210,931)
Change in net assets attributable to shareholders from investment activities		804,551

Statement of change in net assets attributable to shareholders for the half year ended 31 October 2019

	31.10.19*	31.10.19*
	£	£
Opening net assets attributable to shareholders		92,862,044
Amounts receivable on issue of shares	83,459,025	
Amounts payable on cancellation of shares	(874,716)	
		82,584,309
Change in net assets attributable to shareholders from investment activities (see Statement of total return above)		804,551
Retained distributions on accumulation shares		98,530
Closing net assets attributable to shareholders		176,349,434

*As the fund was launched on 16 November 2018, there are no comparatives.

Balance sheet as at 31 October 2019

	31.10.19 £	31.10.19 £	30.04.19 £	30.04.19 £
Assets				
Fixed assets:				
Investments		173,739,652		90,250,685
Current assets:				
Debtors	3,463,188		2,708,359	
Cash and bank balances	1,285,834		5,856,226	
Total current assets		4,749,022		8,564,585
Total assets		178,488,674		98,815,270
Liabilities				
Creditors:				
Distribution payable on income units	(715,785)		(544,784)	
Other creditors	(1,423,455)		(5,408,442)	
Total liabilities		(2,139,240)		(5,953,226)
Net assets attributable to unitholders		176,349,434		92,862,044

Notes to the interim financial statements

Accounting policies

The interim financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014.

All accounting policies applied are consistent with those of the annual report for the year ended 30 April 2019 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 October 2019 were £113,604,028 and £30,477,962 respectively.

Distribution tables for the half year ended 31 October 2019

Distribution tables (pence per share)

First Interim

Group 1 – Shares purchased prior to 1 May 2019

Group 2 – Shares purchased on or after 1 May 2019 and on or before 31 July 2019

I-Class income** shares	Net Income	Equalisation	Paid 30.09.19
Group 1	0.02	–	0.02
Group 2	0.02	0.00	0.02

I-Class accumulation** shares	Net Income	Equalisation	Accumulated 30.09.19
Group 1	0.02	–	0.02
Group 2	0.00	0.02	0.02

S-Class income* shares	Net Income	Equalisation	Paid 30.09.19
Group 1	0.44	–	0.44
Group 2	0.17	0.27	0.44

S-Class accumulation* shares	Net Income	Equalisation	Accumulated 30.09.19
Group 1	0.45	–	0.45
Group 2	0.28	0.17	0.45

* The fund was launched on 16 November 2018.

** I-Class was launched on 23 July 2019 at 100.00p (I-Class income) and 100.00p (I-Class accumulation).

Distribution tables for the half year ended 31 October 2019 *(continued)*

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

Second Interim

Group 1 – Shares purchased prior to 1 August 2019

Group 2 – Shares purchased on or after 1 August 2019 and on or before 31 October 2019

I-Class income** shares	Net Income	Equalisation	Payable 31.12.19
Group 1	0.43	—	0.43
Group 2	0.15	0.28	0.43

I-Class accumulation** shares	Net Income	Equalisation	Allocated 31.12.19
Group 1	0.43	—	0.43
Group 2	0.20	0.23	0.43

S-Class income* shares	Net Income	Equalisation	Payable 31.12.19
Group 1	0.44	—	0.44
Group 2	0.19	0.25	0.44

S-Class accumulation* shares	Net Income	Equalisation	Allocated 31.12.19
Group 1	0.44	—	0.44
Group 2	0.21	0.23	0.44

* The fund was launched on 16 November 2018.

** I-Class was launched on 23 July 2019.

Notes for corporate shareholders

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

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

Equalisation

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

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
ACD of Rathbone High Quality Bond Fund
18 December 2019

General information

Authorised status

The Rathbone High Quality Bond Fund (the Company) is a stand-alone open-ended investment company with variable capital ICVC, incorporated in England and Wales under registered number IC002299 and authorised by the FCA with effect from 7 November 2018.

Investment objective, policy and strategy

Investment objective

The fund aims to maintain its capital value while seeking to pay income over any three-year period. This is an actively managed portfolio so it will differ from its benchmark, which we offer for performance comparison only. We chose the IBoxx £ Overall A 1-5 Year benchmark because it reflects the average credit quality of the fund, as well as the short to medium term maturity of its holdings.

Shareholders should be willing and able to commit to an investment of at least three years and preferably longer. There is no guarantee that this investment objective will be achieved over three years, or any other time period. Your capital is at risk.

Investment policy

To meet the objective, the fund manager will aim to invest at least 80% of the portfolio in highly rated corporate bonds (rated A- and above), with the remaining 20% invested at the fund managers discretion in government bonds, non-rated bonds or BBB rated investment grade bonds. If a bond is downgraded to high yield the fund manager will have six months to sell it.

The fund may also invest at the fund manager's discretion in other transferable securities, money market instruments, warrants, cash and near cash and deposits. Use may be made of borrowing, and hedging as permitted by the fund prospectus. The fund may invest globally but at least 80% of the portfolio will be invested in sterling denominated assets or hedged back to sterling. Derivatives and forward transactions may be used by the Company for the purposes of Efficient Portfolio Management (including hedging).

Fund benchmark

IBoxx £ Overall A 1-5 Year.

Valuation of the sub-funds

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

The ACD is available to receive requests for the buying and selling of shares on business days between 9.00am and 5.00pm and transactions will be effected at prices determined by the next valuation. Application forms for shares (obtainable from the ACD or the Administrator) should be completed and sent to the Administrator. 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 shares are required to enter their registration details on the form supplied with their contract note. Once shares are paid for these details will be entered on the share register.

Shares can be sold by telephone, fax or letter followed by despatch to the Administrator of the authorisation to sell duly completed by all shareholders.

General information *(continued)*

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

Shareholders may sell shares on submitting the purchase contract note and a duly executed Deed of Transfer. The issue and redemption of shares will not take place if dealing in the shares is suspended by operation of law or any statute for the time being in place. Sales, in retail units, constituting a 'large deal' of £50,000 or more may receive a lower price than the published price.

The minimum initial and additional investment for S-Class shares is at Fund Manager discretion. Any number of shares may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

The ACD currently receives an annual remuneration for managing the S-Class from the property of the fund at the rate of 0.2%.

Statements

A distribution statement showing the rate per share and your shareholding will be sent half yearly on the 30 June and 31 December.

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

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

Prices

The prices for the shares are available on request from the ACD.

Other information

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

The Register of Shareholders 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.

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

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

ISA eligibility

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

Risk factors

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

Other funds

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

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

and the Authorised Corporate Director of:

Rathbone Global Alpha Fund
Rathbone Global Sustainability Fund
Rathbone Enhanced Growth Portfolio
Rathbone Strategic Growth Portfolio
Rathbone Strategic Income Portfolio
Rathbone Total Return Portfolio
Rathbone Pharaoh Fund
Rathbone Quercus Growth Fund
Rathbone Sherwood Fund
Rathbone Sussex Income Fund
Rathbone Sussex Growth Fund

Further details

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

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

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

Data protection

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

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

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

Rathbones

Look forward

Rathbone Unit Trust Management Limited

8 Finsbury Circus, London EC2M 7AZ

Tel 020 7399 0000

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Financial Conduct Authority

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