

Rathbones

Look forward

Rathbone Strategic Bond Fund

Interim report for the half year ended 31 December 2019



Rathbone Strategic Bond Fund

Authorised Fund Manager (the Manager)

Rathbone Unit Trust Management Limited
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London EC2M 7AZ
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Facsimile 020 7399 0057
**A member of the Rathbone Group
Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association**

Dealing office

DST Financial Services Europe Limited
DST House
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Registrar

DST Financial Services International Limited
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Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the Manager

RP Stockton – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
JM Ardouin – Finance Director
MS Warren – Non-Executive Director
J Lowe – Non-Executive Director
PL Howell – (retired 9 May 2019)
CRC Hexton – (resigned 29 October 2019)
CR Stick – (resigned 29 October 2019)
JG Thomson – (resigned 29 October 2019)
BN Jones – (resigned 29 October 2019)

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 half year ended 31 December 2019

In the six months to 31 December 2019, our fund returned +2.27%, compared with the IA Sterling Strategic Bond sector's +2.79%*.

10-year gilt yield started six months ago at 0.83% and slumped to a record low of 0.406% in September before recovering and finishing 2019 back where it started. Over the past six months, stock markets posted steady gains as the US and China edged closer to a ceasefire in their trade war (finally inked in January). British stocks did very well as the year closed out, driven by a strong win for the traditionally business-friendly Conservative Party and the anticipation of certainty over the UK's exit from the European Union (EU).

We're not so sure that all the problems have been solved and that the UK will simply skip down the 'Yellow Brick Road' like a cowardly lion hand in hand with an American Dorothy. We still need to agree a trading relationship with Continent in very short order. Then we have to negotiate other deals with other trading partners, some of whom appear less than co-operative. Thankfully, the UK economy has been fairly resilient, given the wall-to-wall circus that was Westminster for the final three years of the decade. Employment is strong and until recently retail spending has kept the country ticking over. Hopefully, the new government will be able to increase funding in the right areas to boost the nation's productivity, too.

The Bank of England (BoE) has kept its interest rate steady at 0.75% since August 2018. The bank's monetary policy committee has had little appetite for making changes, so is unlikely to be spurred to any action unless inflation soars out of control or if the economy begins to decelerate significantly. Inflation has been stubbornly low, which significantly boosted investors' expectations of a rate cut in January, but the BoE's reaction essentially put paid to any cuts before 31 March when Financial Conduct Authority chief executive Andrew Bailey will replace Mark Carney at the head of the central bank. It seems likely that Mr Bailey would get his feet under the table first before making any dramatic changes to monetary policy, so any rate cuts would be around June at the earliest unless the wheels well and truly fall of the UK economy.

As yields fell in July, we sold our longer-dated gilts, including Treasury 4½% 2034 and Treasury 1½% 2047. We moved that money into shorter-dated bonds and 2019 T-bills to reduce our portfolio's sensitivity to changes in interest rates and the yield curve. We bought 2020 T-bills for the same reason.

Government bond yields rose again in September, so we sold some of our bonds whose coupons rise and fall with interest rates and bought bonds with fixed coupons. This has the effect of increasing the sensitivity of our portfolio's value to changes in interest rates (increases our duration). Specifically, we sold the Australia & New Zealand Banking Group Floating Rate Note Senior 2022 and Santander UK Floating Rate Note Senior 2021 and bought the UK Treasury 4½% 2034 and UK Treasury 1½% 2026.

We also bought some emerging market debt funds, following the roasting they took from the blow-out in Argentinian bond yields earlier in 2019. By the third quarter we felt the time was right to buy back into this area, so we picked up the Ashmore Emerging Markets Short Duration Fund.

Gilt yields continued to rise through October, leading us to add to our holdings of the UK Treasury 0.875% 2029 using cash from maturing T-bills.

In the US, everything seems tickety-boo on the surface. Households are happy and spending money, while economic data has been generally good.

Services Purchasing Managers' Index (PMIs) are still holding up, albeit they have come off the boil that was 2018/19 and the Trump tax cuts. Manufacturing has been a bit poor, but it has been so all around the world. The first-phase trade deal between the US and China introduced some optimism to the market, with some hoping that this will square away trade scares at least until after the US election in November. We're not so sure. Trade policy is one of the precious few areas where President Donald Trump has unrestrained control. He has already been making waves over transatlantic trade, so a full-on bust-up with the EU could be just over the horizon. It's especially likely to happen if Mr Trump is thwarted on policy in Congress. Rumours are buzzing around Washington that the President wants to unveil "tax cut 2.0" ahead of the

election. This may come a cropper in the Democrat-dominated House of Representatives, given the economy is doing well on its own and the nation's debt and federal budget deficits are on track to hit levels not seen since World War II.

Credit spreads in both the US and Europe have slumped to extreme lows and global share prices are high too (except in Europe). There seems to be quite a lot of confidence in the future, despite the reasonable chance of disappointment in economics and individual company results. We're not expecting recession in the foreseeable future, but we reckon there could be a few stumbles and shocks that would rattle stocks and send bond yields lower. If these opportunities do emerge, we will try to add to our holdings at more attractive yields.

In the meantime, we're finding that shorter-dated bank bonds are looking expensive compared with their longer-term counterparts. We have been buying those longer-dated bonds, and selling those bonds that 'roll down' over their life into that overpriced maturity. At that point we put that cash back into longer-term bank bonds. This 'carry trade' boosts our potential returns in return for taking greater 'duration' risk (increases our portfolio value's sensitivity to changes in interest rates). That means that a rise in interest rates would lead to greater losses in our portfolio, all things being equal. However, because the Bank of England seems likely to keep rates where they are or cut them, we are comfortable taking more duration risk. If rates are cut, the value of our portfolio would rise.

Bryn Jones

Fund Manager

4 February 2020

Noelle Cazalis

Fund Manager

* We aim to deliver a greater total return than the IA Sterling Strategic Bond sector, after fees, over any rolling five-year period. Total return means the return we receive from the value of our investments increasing (capital growth) plus the income we receive from our investments (interest payments). We use the IA Sterling Strategic Bond sector as a target for our fund's return because we aim to achieve a better return than the average of funds that are similar to ours.

We aim to deliver this return with a lower volatility than the IA Sterling Strategic Bond sector. As an indication, the value of our fund should be expected to fluctuate less than the sector. Because we measure volatility over a five-year period, some falls may be larger or smaller over shorter periods of time. We aim to limit the amount of volatility risk our fund can take because we want our investors to understand the risk they are taking compared to funds similar to ours.

Net asset value per unit and comparative tables

I-class income units

	31.12.19 pence per unit	30.06.19 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit
Change in net assets per unit				
Opening net asset value per unit	114.00p	114.45p	115.77p	110.18p
Return before operating charges*	3.13p	4.11p	2.85p	9.89p
Operating charges	(0.32p)	(0.64p)	(0.66p)	(0.68p)
Return after operating charges*	2.81p	3.47p	2.19p	9.21p
Distributions on income units	(1.77p)	(3.92p)	(3.51p)	(3.62p)
Closing net asset value per unit	115.04p	114.00p	114.45p	115.77p
*after direct transactions costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	2.46%	3.03%	1.89%	8.36%
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Other information

Closing net asset value	£94,421,313	£76,589	£57,639,778	£48,102,131
Closing number of units	82,076,350	67,184,480	50,361,305	41,550,258
Operating charges	0.70%	0.67%	0.75%	0.79%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	116.29p	115.68p	118.46p	117.96p
Lowest unit price	114.50p	111.65p	115.33p	110.44p

Ongoing Charges Figure

UCITS	0.70%	0.67%	0.75%	0.79%
PRIPs***	0.79%	0.76%	0.82%	—

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

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

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

I-class accumulation units

	31.12.19 pence per unit	30.06.19 pence per unit	30.06.18 pence per unit	30.06.17 pence per unit
Change in net assets per unit				
Opening net asset value per unit	146.96p	142.63p	139.97p	129.18p
Return before operating charges*	4.04p	5.13p	3.47p	12.06p
Operating charges	(0.42p)	(0.80p)	(0.81p)	(0.80p)
Return after operating charges*	3.62p	4.33p	2.66p	11.26p
Distributions on accumulation units	(2.29p)	(4.94p)	(4.29p)	(4.77p)
Retained distributions on accumulation units	2.29p	4.94p	4.29p	4.30p
Closing net asset value per unit	150.58p	146.96p	142.63p	139.97p

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

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

Performance

Return after charges 2.46% 3.04% 1.90% 8.72%

Other information

Closing net asset value	£112,255,908	£103,476	£58,450,073	£39,543,803
Closing number of units	74,549,898	70,412,225	40,980,919	28,251,110
Operating charges	0.70%	0.67%	0.75%	0.79%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	150.93p	147.45p	144.54p	141.41p
Lowest unit price	147.41p	141.41p	140.03p	129.33p

Ongoing Charges Figure

UCITS	0.70%	0.67%	0.75%	0.79%
PRIIPs***	0.79%	0.76%	0.82%	—

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

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

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

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 31 December 2019

	2015	2016	2017	2018	2019
I-class units	-0.03%	8.48%	6.34%	-1.36%	6.47%
IA Sterling Strategic Bond sector	-0.19%	7.33%	5.31%	-2.49%	9.26%

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

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

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

Portfolio and net other assets as at 31 December 2019

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
United Kingdom (30.06.19: 60.11%)			
Government Bonds (30.06.19: 24.51%)			
£12,000,000	UK Treasury 0% 2020	11,991,600	5.80
£5,300,000	UK Treasury 0% 2020	5,294,859	2.56
£3,000,000	UK Treasury 0% 2020	2,998,440	1.45
£4,000,000	UK Treasury 0% 2020	3,999,680	1.94
£11,800,000	UK Treasury 0.875% 2029	11,858,174	5.74
£1,000,000	UK Treasury 1% 2024	1,016,370	0.49
£4,550,000	UK Treasury 4.25% 2032	6,295,016	3.05
£2,150,000	UK Treasury 4.5% 2034	3,145,880	1.52
		46,600,019	22.55
Government Index-Linked Bonds (30.06.19: 8.47%)			
£770,000	UK Treasury 0.125% Index-Linked 2026	1,008,485	0.49
£3,250,000	UK Treasury 1.875% Index-Linked 2022	5,170,700	2.50
		6,179,185	2.99
Mortgage Bonds (30.06.19: 0.46%)			
£200,000	Alba floating rate notes 2039	129,718	0.06
£300,000	Eurohome UK Mortgages 2007 floating rate notes 2044	74,680	0.04
£250,000	Eurohome UK Mortgages floating rate notes 2044	226,146	0.11
£300,000	RMAC Securities floating rate notes 2044	157,468	0.08
£260,000	Silverstone Master Issuer floating rate notes 2070	242,676	0.12
		830,688	0.41
Corporate Bonds (30.06.19: 24.86%)			
£318,000	A2Dominion Housing Group 3.5% 2028	340,907	0.16
£300,000	Aviva 4.375% VRN 2049	329,394	0.16
£3,150,000	Aviva 5.9021% VRN perp	3,221,644	1.56
£1,000,000	Aviva 6.875% VRN 2058	1,449,224	0.70
£1,784,000	Bank of Scotland 7.281% VRN perp	2,197,460	1.06
£200,000	Barclays 3% 2026	209,401	0.10
£119,000	Barclays 3.25% 2027	126,783	0.06
£400,000	Barclays 3.25% 2033	419,643	0.20
£240,000	Barclays 6.375% VRN perp	259,010	0.13
£667,000	British Telecommunications 3.125% 2031	709,789	0.34
£514,000	Bruntwood 6% 2020	516,571	0.25
£550,000	BUPA Finance 5% 2026	631,976	0.31
£1,319,000	BUPA Finance 6.125% VRN perp	1,358,570	0.66
£600,000	Burford Capital 6.125% 2024	587,244	0.28
£100,000	Channel Link 3.043% VRN 2050	104,035	0.05

Portfolio and net other assets as at 31 December 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£500,000	Channel Link FRN 2050	408,669	0.20
£316,000	Close Brothers Group 2.75% 2023	328,493	0.16
£750,000	Close Brothers Group 4.25% 2027	784,140	0.38
£860,000	Coventry Building Society 1.875% 2023	876,811	0.42
£746,000	Coventry Building Society 6.875% VRN perp	826,195	0.40
£250,000	CYBG 3.125% VRN 2025	251,182	0.12
£500,000	Eastern Power Networks 2.125% 2033	495,543	0.24
£200,000	EI Group 7.5% 2024	213,666	0.10
£500,000	Enterprise Inns 6.375% 2031	505,357	0.24
£350,000	Eversholt Funding 5.831% 2020	363,987	0.18
£400,000	Finance for Residential Social Housing 8.569% 2058	387,110	0.19
£347,000	Grainger 3.375% 2028	364,241	0.18
£45,000	HBOS 5.75% VRN perp	45,450	0.02
£490,000	HSBC Holdings 3% 2030	516,582	0.25
£1,600,000	Investec 4.5% 2022	1,694,325	0.82
£740,000	Investec Bank 4.25% VRN 2028	760,182	0.37
£200,000	J Sainsbury 6.5% VRN perp	205,282	0.10
£200,000	JRP Group 9% 2026	222,750	0.11
£450,000	Just Group 3.5% 2025	429,134	0.21
£50,000	Ladbrokes 5.125% 2022	52,625	0.03
£597,000	Ladbrokes Coral 5.125% 2023	647,596	0.31
£887,000	Leeds Building Society 3.75% VRN 2029	914,282	0.44
£499,000	Legal & General 3.75% VRN 2049	505,546	0.24
£335,000	Legal & General 5.125% VRN 2048	380,041	0.18
£225,000	Legal & General 5.375% VRN 2045	255,373	0.12
£350,000	Legal & General 5.5% VRN 2064	417,387	0.19
£832,000	Liverpool Victoria Friendly Social 6.5% VRN 2043	930,210	0.45
£500,000	Lloyds Bank 13% Var perp	904,590	0.44
£1,500,000	Lloyds Bank FRN 2021	1,500,600	0.73
£500,000	Lloyds Bank FRN perp	317,758	0.15
£500,000	Lloyds Bank FRN perp	317,701	0.15
£1,125,000	Logicor 2019 1.875% 2026	1,127,076	0.55
£200,000	London & Quadrant Housing Trust 2.625% 2028	208,510	0.10
£500,000	Metro Bank 9.5% VRN 2025	529,438	0.26
£423,000	Motability Operations 1.75% 2029	423,792	0.21
£310,000	Nationwide Building Society 5.769% perp	325,152	0.16
£501,000	Nationwide Building Society 5.875% VRN perp	542,337	0.26
£1,100	Nationwide Building Society 10.25% VRN perp	182,556	0.09
£400,000	Newday Bondco 7.375% 2024	391,600	0.19

Portfolio and net other assets as at 31 December 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£625,000	Paragon 6% 2020	0.31
£1,106,000	Paragon Banking Group 6% 2024	0.57
£420,000	Paragon 6.125% 2022	0.21
£900,000	Pension Insurance 5.625% 2030	0.48
£650,000	Pension Insurance 6.5% 2024	0.36
£2,500,000	Pension Insurance 7.375% VRN perp	1.39
£600,000	Pension Insurance 8% 2026	0.36
£250,000	Pinnacle Bidco 6.375% 2025	0.13
£640,000	Places for People 1% Index-Linked 2022	0.39
£1,000,000	Places for People Homes 3.625% 2028	0.52
£250,000	Places for People 4.25% 2023	0.13
£983,000	Principality Building Society 2.375% 2023	0.48
£1,220,000	Principality Building Society 7% VRN perp	0.59
£257,000	Prudential 3.875% VRN 2049	0.13
£1,378,000	Prudential 5.625% VRN 2051	0.76
£600,000	Prudential 6.25% VRN 2068	0.35
£2,500,000	RL Finance 4.875% VRN 2049	1.26
£700,000	RL Finance 6.125% 2028	0.40
£500,000	RL Finance 6.125% VRN 2043	0.27
£2,040,000	Rothsay Life 3.375% 2026	1.00
£605,000	Rothsay Life 5.5% VRN 2029	0.32
£800,000	Rothsay Life 6.875% VRN perp	0.42
£2,000,000	Rothsay Life 8% 2025	1.18
£200,000	Royal Bank of Scotland FRN perp	0.06
£400,000	Royal Bank Scotland 7.64% VRN perp	0.14
£850,000	RSA Insurance 5.125% VRN 2045	0.47
£562,000	Santander UK 1.4374% FRN 2024	0.27
£1,100,000	Santander UK 2.92% VRN 2026	0.56
£300,000	Santander UK 3.625% 2026	0.16
£300,000	Scottish Widows 5.5% 2023	0.16
£315,000	Scottish Widows 7% 2043	0.21
£300,000	Skipton Building Society 1.75% 2022	0.15
£327,000	Tesco 2.5% 2025	0.16
£68,000	Tesco 4.875% 2042	0.04
£200,000	Tesco Personal Finance 3.5% 2025	0.10
£400,000	Tesco Property Finance 7.6227% 2039	0.24
£500,000	Virgin Money Holdings UK 8.75% VRN perp	0.26
£406,000	Yorkshire Building Society 3% VRN 2025	0.20
£709,000	Yorkshire Building Society 3.375% VRN 2028	0.35
	65,176,456	31.50

Portfolio and net other assets as at 31 December 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Collective Investment Schemes (30.06.19: 1.70%)		
3,106,137 M&G Global Macro Bond Fund*	3,059,856	1.48
Equities (30.06.19: 0.11%)		
125,000 Santander UK 10.375% preference perp	208,750	0.10
Total United Kingdom	122,054,954	59.03
Australia (30.06.19: 1.25%)		
Corporate Bonds (30.06.19: 1.25%)		
£525,000 AMP Finance 6.875% 2022	566,401	0.27
Bermuda (30.06.19: 0.96%)		
Corporate Bonds (30.06.19: 0.91%)		
£584,000 Hiscox Limited 2% 2022	591,369	0.29
£1,480,000 Hiscox Limited 6.125% VRN 2045	1,678,258	0.81
	2,269,627	1.10
Equity Investment Instruments (30.06.19: 0.05%)		
700,000 CATCo Reinsurance Opportunities Fund	197,622	0.10
Total Bermuda	2,467,249	1.20
Canada (30.06.19: 2.81%)		
Corporate Bonds (30.06.19: 0.84%)		
£1,000,000 National Bank of Canada floating rate notes 2021	1,001,050	0.48
£1,500,000 Toronto Dominion Bank FRN 2022	1,501,095	0.73
	2,502,145	1.21
Mortgage Bonds (30.06.19: 1.97%)		
£1,500,000 Province of Alberta Canada 1.5% 2022	1,520,185	0.74
£1,000,000 Province of Quebec Canada 0.75% 2024	982,945	0.48
£2,000,000 Province of Quebec Canada 1.5% 2023	2,033,335	0.98
	4,536,465	2.20
Total Canada	7,038,610	3.41
Cayman Islands (30.06.19: 0.09%)		
Corporate Bonds (30.06.19: 0.09%)		
£200,000 Phoenix Group Holdings 5.375% 2027	157,775	0.08

Portfolio and net other assets as at 31 December 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
Channel Islands (30.06.19: 6.17%)			
Corporate Bonds (30.06.19: 3.34%)			
£513,000	CPUK Finance 3.69% 2047	551,100	0.27
£720,000	Hastings Group Finance 3% 2025	713,053	0.35
£289,000	HBOS Sterling Finance (Jersey) 7.881% VRN perp	450,505	0.22
£750,000	HSBC Bank 5.844% VRN perp	1,017,200	0.49
£1,215,000	Rothschilds 9% perp	1,482,203	0.72
		4,214,061	2.05
Non-Equity Investment Trusts (30.06.19: 2.83%)			
3,140,000	Chenavari Toro	2,061,977	1.00
900,000	CVC Credit Partners European Opportunities	883,800	0.43
566,645	SQN Asset Finance Income Fund 'C'	487,315	0.24
		3,433,092	1.67
Total Channel Islands		7,647,153	3.72
France (30.06.19: 1.20%)			
Corporate Bonds (30.06.19: 1.20%)			
£700,000	BPCE SA 2.125% 2022	720,335	0.35
£800,000	BPCE SA 5.25% 2029	986,399	0.48
£500,000	Credit Agricole Assurances 4.5% VRN perp	487,820	0.24
Total France		2,194,554	1.07
Germany (30.06.19: 0.84%)			
Government Bonds (30.06.19: 0.84%)			
SGD 1,500,000	FMS Wertmanagement 1.125% 2021	1,508,133	0.73
Hong Kong (30.06.19: 0.00%)			
Corporate Bonds (30.06.19: 0.00%)			
£550,000	Hong Kong & Shanghai Bank FRN perp	319,707	0.15
Ireland (30.06.19: 12.53%)			
Collective Investment Schemes (30.06.19: 11.05%)			
55,000	Angel Oak Multi Strategy Income Fund*	5,338,394	2.58
58,300	Barings Emerging Markets Debt Blended Total Return Fund*	6,322,052	3.06
2,000,000	BNY Mellon Global Short Dated High Yield Bond Fund*	2,234,200	1.08

Portfolio and net other assets as at 31 December 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
51,000 Muzinich Asia Credit Opportunities Fund*	4,879,680	2.36
20,000 Muzinich Global Short Duration Investment Grade Fund Hedged GBP*	2,003,600	0.97
165,000 Pacific G10 macro rates Fund Class GBP 'Z'*	1,598,685	0.77
225,000 PIMCO GIS Global Investment Fund*	3,159,000	1.53
3,750,000 Royal London Short Duration Global High Yield Bond Fund 'Z'*	3,269,250	1.58
	28,804,861	13.93
Corporate Bonds (30.06.19: 1.48%)		
£1,000,000 Ballsbridge Repackaging 0% VRN perp	873,546	0.42
£782,000 Beazley Insurance 5.5% 2029	631,030	0.31
£270,000 Beazley Re 5.875% 2026	228,015	0.11
£550,000 PGH Capital 4.125% 2022	575,604	0.28
£874,000 PGH Capital 6.625% 2025	1,016,866	0.49
	3,325,061	1.61
Total Ireland	32,129,922	15.54
Luxembourg (30.06.19: 6.19%)		
Collective Investment Schemes (30.06.19: 6.19%)		
85,000 Ashmore SICAV Emerging Markets Short Duration Fund*	8,017,200	3.88
182,500 Investec Global Strategy Fund*	3,817,900	1.85
8,500 JP Morgan Income Opportunities Fund*	831,555	0.40
4,500 TCW Funds MetWest Unconstrained Bond IGHG*	4,050,170	1.96
Total Luxembourg	16,716,825	8.09
Netherlands (30.06.19: 0.56%)		
Corporate Bonds (30.06.19: 0.56%)		
£700,000 Rabobank 6.91% VRN perp	1,060,500	0.51
Norway (30.06.19: 0.28%)		
Corporate Bonds (30.06.19: 0.28%)		
\$1,000,000 DNB Bank ASA FRN perp	528,402	0.26
Singapore (30.06.19: 0.31%)		
Government Bonds (30.06.19: 0.31%)		
SGD 900,000 Government of Singapore 3% 2024	537,830	0.26

Portfolio and net other assets as at 31 December 2019 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
United States (30.06.19: 3.11%)		
Corporate Bonds (30.06.19: 1.89%)		
\$300,000 BAC Capital Trust 4% VRN perp	208,341	0.10
\$700,000 Berkshire Hathaway Finance 2.625% 2059	770,008	0.37
\$1,000,000 Citigroup 1.18744% VRN 2067	882,000	0.43
\$200,000 Goldman Sachs 3.125% 2029	216,034	0.10
	2,076,383	1.00
Other Bonds (30.06.19: 1.22%)		
\$2,800,000 RBC Capital Markets New Issue USD notes 2021	2,079,955	1.01
Total United States	4,156,338	2.01
Forward Foreign Exchange Contracts (30.06.19: (0.01%))		
Buy £3,390,855, Sell €3,948,458	35,754	0.02
Buy £5,330,458, Sell \$6,927,605	112,517	0.05
Total Forward Foreign Exchange Contracts	148,271	0.07
Total value of investments (30.06.19: 96.56%)	199,232,624	96.40
Net other assets (30.06.19: 3.44%)	7,444,597	3.60
Total value of the fund as at 31 December 2019	206,677,221	100.00

Countries eliminated since the beginning of the period:

Denmark 0.16%

* Collective Investment Schemes

VRN = Variable Rate Note

perp = perpetual

FRN = Floating Rate Note

Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	146,663,347	70.96
Equity Securities	208,750	0.10
Pooled Investment Vehicles	52,212,256	25.27
Derivatives	148,271	0.07
Total value of investments	199,232,624	96.40

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

	31.12.19 £	31.12.19 £	31.12.18 £	31.12.18 £
Income				
Net capital gains/(losses)		2,191,301		(3,129,728)
Revenue	3,013,711		2,210,870	
Expenses	(544,699)		(357,438)	
Interest payable and similar charges	(837)		(227)	
Net revenue before taxation	2,468,175		1,853,205	
Taxation	(1,076)		(707)	
Net revenue after taxation		2,467,099		1,852,498
Total return before distributions		4,658,400		(1,277,230)
Distributions		(3,009,075)		(2,213,967)
Change in net assets attributable to unitholders from investment activities		1,649,325		(3,491,197)

Statement of change in net assets attributable to unitholders for the half year ended 31 December 2019

	31.12.19 £	31.12.19 £	31.12.18 £	31.12.18 £
Opening net assets attributable to unitholders		180,064,849		116,089,851
Amounts receivable on issue of units	35,725,172		33,148,128	
Amounts payable on cancellation of units	(12,474,074)		(2,924,883)	
		23,251,098		30,223,245
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		1,649,325		(3,491,197)
Retained distributions on accumulation units		1,711,949		1,272,289
Closing net assets attributable to unitholders		206,677,221		144,094,188

Balance sheet as at 31 December 2019

	31.12.19 £	31.12.19 £	30.06.19 £	30.06.19 £
Assets				
Fixed assets:				
Investments		199,232,624		173,901,466
Current assets:				
Debtors	1,784,860		3,812,008	
Cash and bank balances	6,634,758		6,826,297	
Total current assets		8,419,618		10,638,305
Total assets		207,652,242		184,539,771
Liabilities				
Investment liabilities		–		(35,244)
Creditors:				
Other creditors	(170,673)		(3,754,396)	
Distribution payable on income units	(804,348)		(685,282)	
Total liabilities		(975,021)		(4,474,922)
Net assets attributable to unitholders		206,677,221		180,064,849

Notes to the interim financial statements

Accounting policies

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

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

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 December 2019 were £148,936,230 and £125,439,589 respectively.

Distribution tables for the half year ended 31 December 2019

Distribution tables (pence per unit)

First Interim

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

I-class income units	Net Income	Equalisation	Paid 30.11.19	Paid 30.11.18
Group 1	0.79	–	0.79	0.96
Group 2	0.17	0.62	0.79	0.96

I-class accumulation units	Net Income	Equalisation	Accumulated 30.11.19	Accumulated 30.11.18
Group 1	1.02	–	1.02	1.19
Group 2	0.34	0.68	1.02	1.19

Second Interim

Group 1 – Units purchased prior to 1 October 2019

Group 2 – Units purchased on or after 1 October 2019 and on or before 31 December 2019

I-class income units	Net Income	Equalisation	Payable 28.02.20	Paid 28.02.19
Group 1	0.98	–	0.98	1.02
Group 2	0.52	0.46	0.98	1.02

I-class accumulation units	Net Income	Equalisation	Allocated 28.02.20	Accumulated 28.02.19
Group 1	1.27	–	1.27	1.29
Group 2	0.63	0.64	1.27	1.29

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%
Depositary net liability to corporation tax	nil pence per unit

Equalisation

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

Directors' statement

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

MM Webb **JR Chillingworth**
for Rathbone Unit Trust Management Limited
Manager of Rathbone Strategic Bond Fund
20 February 2020

General information

Authorised status

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

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

Investment objective, policy and strategy

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

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

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

Valuation of the fund

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

Stewardship code

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

Buying and selling of units

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

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

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

General information *(continued)*

Unitholders may sell units on submitting the purchase contract note and a duly executed Deed of Transfer. The issue and redemption of units will not take place if dealing in the units is suspended by operation of law or any statute for the time being in place.

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

There is no preliminary charge for I-class units.

The Manager currently receives an annual remuneration for managing the I-class property of the fund at the rate of 0.50%.

Statements

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

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

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

Prices

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

Post balance sheet event

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

Other information

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

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

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

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

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

ISA eligibility

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

Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the revenue from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

Other funds

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

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

and the Authorised Corporate Director of:

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

Further details

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

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

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

Data protection

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

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

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

Rathbones

Look forward

Rathbone Unit Trust Management Limited

8 Finsbury Circus, London EC2M 7AZ

Tel 020 7399 0000

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Financial Conduct Authority

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Investment Association

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