

# Rathbones

Look forward

## Rathbone Ethical Bond Fund

Interim report for the half year ended 31 March 2021



# 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**

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

## **Registrar**

SS&C Financial Services International Limited  
SS&C 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**

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

## **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 March 2021

In the six months ended 31 March 2021, our fund rose 2.35%, compared with the IA Sterling Corporate Bond sector's average fall of 0.04%. At 30 September 2020, 10-year gilts yielded 0.23%; they closed on 31 March at 0.85%.

The six months under review saw big changes in the COVID-19 pandemic's impact on everyday life. Six months ago, many big economies were firmly in the grip of the pandemic and effectively shut down. Now, in the UK at least, the vaccine rollout means that something approaching 'life as normal' beckons.

Investor sentiment has pivoted from despair to optimism about the prospect of a sharp recovery as economies open up. This shift has helped global equity markets bounce back from the doldrums, while government bond yields have climbed sharply (yields move in the opposite direction of prices). As bond investors have begun to anticipate an economic recovery, and consequently higher inflation and higher interest rates in the years ahead, yield curves have steepened significantly. That's to say, the yields on longer-dated bonds have risen relative to those on shorter-dated bonds.

For the most part, we kept our duration (yield/interest-rate sensitivity) low in the fourth quarter of 2020 and going into 2021. We added some duration in November when gilt yields briefly rallied as a raft of effective COVID vaccines were announced, but scaled it back as yields retreated into year-end. We did this by trading the **European Investment Bank 5.625% 2032** and **International Bank for Reconstruction and Development (World Bank) 5.75% 2032** bonds. When the yield curve steepened again in February, we added to these bonds once more.

Over the period, we maintained an emphasis on bonds issued by selected banks and insurance companies. Some of our shorter-duration, lower-yielding financial bonds began to look less attractive as the yield curve steepened. As a result, we sold some shorter-dated bonds, like **Santander's Floating Rate Notes 2021**, South African **Investec Bank's 4.5% senior bonds 2022** and **Barclays Bank 10% bonds 2021**. But we added to our longer-dated financials, like UK insurer **Phoenix Group 5.87% 2029** (formerly ReAssure) and retirement and insurance company **Just Group 9% 2026** (previously known as JRP). In both cases, we felt these bonds offered good value for money.

One of the attractions of the financials space is the opportunity it offers to buy 'legacy' financial debt – bonds that banks and insurers issued to bolster their regulatory capital soon after the global financial crisis. As the regulatory regime changes, some issuers are buying back these bonds and replacing them with new borrowing on more generous terms to bondholders. Legacy so-called DISCO bonds are due to be phased out pretty soon as banks and insurers move over to new-style securities. This gives us scope to lock in price gains when we exchange or tender our legacy bonds with the issuers. Over the quarter, we bought legacy US dollar **NatWest Floating Rate 2.68% Perpetual-2027**.

We favoured investments that have thrived in a COVID-dominated world and which we expected to stay profitable and solvent long after the 'great reopening'. We bought US dollar-denominated bonds issued by European telecoms group **Orange 8.5% Senior 2031**. Orange has benefited from our greater reliance on technology during lockdowns. In our view, appetite for faster data speeds and better network support will likely increase even as offices, schools, shops and cinemas open up again.

When markets turn very volatile, as they did in February, it's easy to get panicked. We don't join short-term selling (or buying) stampedes just because that's what lots of other people are doing. We tune out market noise and instead stay focused on opportunities that we believe will benefit our fund's long-term return and income potential.

Bryn Jones  
Fund Manager  
*23 April 2021*

Noelle Cazalis  
Fund Manager

## Net asset value per unit and comparative tables

### R-class income units

	<b>31.03.21</b> pence per unit	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	95.96p	94.94p	91.00p	94.88p
Return before operating charges*	2.61p	5.69p	8.94p	1.16p
Operating charges	(0.63p)	(1.22p)	(1.19p)	(1.23p)
Return after operating charges*	1.98p	4.47p	7.75p	(0.07p)
Distributions on income units	(1.64p)	(3.45p)	(3.81p)	(3.81p)
Closing net asset value per unit	96.30p	95.96p	94.94p	91.00p
*after direct transactions costs <sup>1</sup> of:	0.00p	0.00p	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	2.06%	4.71%	8.52%	(0.07%)
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### Other information

Closing net asset value	£7,345,949	£7,477,251	£7,495,694	£8,827,773
Closing number of units	7,628,440	7,792,452	7,894,922	9,701,103
Operating charges	1.28%	1.28%	1.29%	1.29%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

### Prices\*\*

Highest unit price	100.71p	98.11p	96.10p	99.21p
Lowest unit price	96.35p	86.50p	88.82p	91.90p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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

	<b>31.03.21</b> pence per unit	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	222.78p	212.52p	195.81p	196.04p
Return before operating charges*	5.99p	13.03p	19.31p	2.34p
Operating charges	(1.46p)	(2.77p)	(2.60p)	(2.57p)
Return after operating charges*	4.53p	10.26p	16.71p	(0.23p)
Distributions on accumulation units	(3.84p)	(7.81p)	(8.32p)	(7.99p)
Retained distributions on accumulation units	3.84p	7.81p	8.32p	7.99p
Closing net asset value per unit	227.31p	222.78p	212.52p	195.81p
*after direct transactions costs <sup>1</sup> of:	0.00p	0.00p	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	2.03%	4.83%	8.53%	(0.12%)
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### Other information

Closing net asset value	£21,292,511	£20,333,628	£17,756,539	£17,227,929
Closing number of units	9,367,033	9,127,328	8,355,391	8,798,462
Operating charges	1.28%	1.28%	1.29%	1.29%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

### Prices\*\*

Highest unit price	235.00p	224.41p	213.12p	205.32p
Lowest unit price	223.70p	195.40p	192.86p	195.69p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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

	<b>31.03.21</b> pence per unit	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	101.74p	100.03p	95.32p	98.78p
Return before operating charges*	2.76p	6.01p	9.36p	1.19p
Operating charges	(0.34p)	(0.66p)	(0.65p)	(0.66p)
Return after operating charges*	2.42p	5.35p	8.71p	0.53p
Distributions on income units	(1.75p)	(3.64p)	(4.00p)	(3.99p)
Closing net asset value per unit	102.41p	101.74p	100.03p	95.32p
*after direct transactions costs <sup>1</sup> of:	0.00p	0.00p	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	2.38%	5.35%	9.14%	0.54%
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### Other information

Closing net asset value	£699,468,573	£595,834,591	£505,980,931	£392,185,352
Closing number of units	682,991,386	585,653,621	505,837,528	411,423,568
Operating charges	0.65%	0.66%	0.66%	0.67%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

### Prices\*\*

Highest unit price	106.95p	103.63p	101.25p	102.31p
Lowest unit price	102.17p	91.40p	93.21p	96.27p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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

	<b>31.03.21</b> pence per unit	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	233.77p	221.61p	202.99p	201.96p
Return before operating charges*	6.29p	13.65p	20.02p	2.40p
Operating charges	(0.78p)	(1.49p)	(1.40p)	(1.37p)
Return after operating charges*	5.51p	12.16p	18.62p	1.03p
Distributions on accumulation units	(4.03p)	(8.17p)	(8.65p)	(8.27p)
Retained distributions on accumulation units	4.03p	8.17p	8.65p	8.27p
Closing net asset value per unit	239.28p	233.77p	221.61p	202.99p

\*after direct transactions costs<sup>1</sup> of: 0.00p 0.00p 0.00p 0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges 2.36% 5.49% 9.17% 0.51%

### Other information

Closing net asset value	£1,230,592,455	£975,737,239	£758,654,184	£578,028,086
Closing number of units	514,300,334	417,390,200	342,330,890	284,763,141
Operating charges	0.65%	0.66%	0.66%	0.67%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

### Prices\*\*

Highest unit price	247.01p	235.40p	222.24p	209.64p
Lowest unit price	234.75p	204.36p	200.16p	202.05p

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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

	<b>31.03.21</b> pence per unit	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit**
<b>Change in net assets per unit</b>				
Opening net asset value per unit	104.34p	102.45p	97.57p	100.00p
Return before operating charges*	2.84p	6.16p	9.51p	(0.14p)
Operating charges	(0.28p)	(0.54p)	(0.53p)	(0.25p)
Return after operating charges*	2.56p	5.62p	8.98p	(0.39p)
Distributions on income units	(1.79p)	(3.73p)	(4.10p)	(2.04p)
Closing net asset value per unit	105.11p	104.34p	102.45p	97.57p
*after direct transactions costs <sup>1</sup> of:	0.00p	0.00p	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	2.45%	5.49%	9.20%	(0.39%)
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### Other information

Closing net asset value	£206,915,106	£183,060,233	£78,591,016	£61,423,979
Closing number of units	196,855,553	175,441,571	76,713,992	62,955,219
Operating charges	0.52%	0.52%	0.53%	0.53%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

### Prices\*\*\*

Highest unit price	109.73p	106.20p	103.71p	101.54p
Lowest unit price	104.79p	93.68p	95.44p	98.52p

\*\* The S-class launched on 5 April 2018.

\*\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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

	<b>31.03.21</b> <b>pence per unit</b>	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit**
<b>Change in net assets per unit</b>				
Opening net asset value per unit	115.09p	108.95p	99.61p	100.00p
Return before operating charges*	3.10p	6.72p	9.89p	(0.13p)
Operating charges	(0.31p)	(0.58p)	(0.55p)	(0.26p)
Return after operating charges*	2.79p	6.14p	9.34p	(0.39p)
Distributions on accumulation units	(1.99p)	(4.02p)	(4.25p)	(2.05p)
Retained distributions on accumulation units	1.99p	4.02p	4.25p	2.05p
Closing net asset value per unit	117.88p	115.09p	108.95p	99.61p
*after direct transactions costs <sup>1</sup> of:	0.00p	0.00p	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	2.42%	5.64%	9.38%	(0.39%)
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### Other information

Closing net asset value	£31,783,280	£24,552,105	£1,402,183	£1,056,034
Closing number of units	26,962,719	21,333,012	1,286,957	1,060,215
Operating charges	0.52%	0.52%	0.53%	0.53%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

### Prices\*\*\*

Highest unit price	121.65p	115.89p	109.26p	101.61p
Lowest unit price	115.58p	100.53p	98.24p	99.54p

\*\* The S-class launched on 5 April 2018.

\*\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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<sup>†</sup>

	<b>31.03.21</b> <b>pence per unit</b>	30.09.20 pence per unit	30.09.19 pence per unit	30.09.18 pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	n/a	n/a	103.81p	106.89p
Return before operating charges*	n/a	n/a	3.96p	1.28p
Operating charges	n/a	n/a	(0.02p)	(0.04p)
Return after operating charges*	n/a	n/a	3.94p	1.24p
Distributions on income units	n/a	n/a	(1.13p)	(4.32p)
Redemption price	n/a	n/a	(106.62p)	–
Closing net asset value per unit	n/a	n/a	–	103.81p
*after direct transactions costs <sup>1</sup> of:	n/a	n/a	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	n/a	n/a	3.80%	1.16%
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### Other information

Closing net asset value	n/a	n/a	– £147,813,549	
Closing number of units	n/a	n/a	– 142,381,993	
Operating charges	n/a	n/a	–	0.04%
Direct transaction costs	n/a	n/a	0.00%	0.00%

### Prices\*\*

Highest unit price	n/a	n/a	106.68p	110.78p
Lowest unit price	n/a	n/a	101.68p	104.82p

<sup>†</sup> The X-class closed on 22 March 2019.

\*\* These prices may have been calculated on a different basis to the opening/closing net asset value per unit shown in the comparative table, this may result in the opening/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<sup>†</sup>

	<b>31.03.21</b>	30.09.20	30.09.19	30.09.18
	<b>pence per unit</b>	pence per unit	pence per unit	pence per unit
<b>Change in net assets per unit</b>				
Opening net asset value per unit	n/a	n/a	114.18p	112.89p
Return before operating charges*	n/a	n/a	4.35p	1.34p
Operating charges	n/a	n/a	(0.02p)	(0.05p)
Return after operating charges*	n/a	n/a	4.33p	1.29p
Distributions on accumulation units	n/a	n/a	(1.24p)	(4.63p)
Retained distributions on accumulation units	n/a	n/a	1.24p	4.63p
Redemption price	n/a	n/a	(118.51p)	–
Closing net asset value per unit	n/a	n/a	–	114.18p
*after direct transactions costs <sup>1</sup> of:	n/a	n/a	0.00p	0.00p

<sup>1</sup> Transaction costs include dealing costs, broker commission, stamp duty and other explicit investment costs.

### Performance

Return after charges	n/a	n/a	3.79%	1.14%
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### Other information

Closing net asset value	n/a	n/a	–	£20,119,330
Closing number of units	n/a	n/a	–	17,620,356
Operating charges	n/a	n/a	–	0.04%
Direct transaction costs	n/a	n/a	0.00%	0.00%

### Prices\*\*

Highest unit price	n/a	n/a	118.59p	117.49p
Lowest unit price	n/a	n/a	112.72p	112.95p

<sup>†</sup> The X-class closed on 22 March 2019.

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

## 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, quarter ending 31 March 2021

	2017	2018	2019	2020	2021
R-class units	9.24%	4.61%	2.65%	0.37%	12.23%
I-class units	9.92%	5.26%	3.26%	1.00%	12.93%
IA Sterling Corporate Bond sector	8.88%	1.70%	2.96%	0.78%	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 31 March 2021

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
<b>Bonds (30.09.20: 94.58%)</b>			
<b>Mortgage Bonds (30.09.20: 0.68%)</b>			
£9,123,625	Finance for Residential Social Housing 8.369% 2058	10,585,041	0.48
\$2,500,000	Goodgreen 2020-1 Trust 2.63% 2055	1,760,592	0.08
\$888,000	Hero Funding Trust 3.19% 2048	326,526	0.02
\$500,000	Hero Funding Trust 3.28% 2048	167,057	0.01
		<b>12,839,216</b>	<b>0.59</b>
<b>Supranational Bonds (30.09.20: 1.74%)</b>			
£2,074,000	EIB 0% 2028	1,922,687	0.09
\$4,500,000	EIB 0.75% 2030	2,964,518	0.13
£9,000,000	EIB 5% 2039	14,134,625	0.64
£4,148,000	KFW 5.75% 2032	6,116,346	0.28
		<b>25,138,176</b>	<b>1.14</b>
<b>Corporate Bonds (30.09.20: 92.16%)</b>			
£16,274,000	3i 3.75% 2040	17,899,229	0.81
£4,189,000	3i 5.75% 2032	5,560,355	0.25
£4,368,400	A2D Funding 4.5% 2026	4,973,074	0.23
£5,103,200	A2D Funding 4.75% 2022	5,359,891	0.24
£3,050,000	A2D Housing Group 3.5% 2028	3,320,738	0.15
€10,100,000	ACCIONA Financiacion Filiales SA 4.25% 2030	10,260,863	0.47
€3,700,000	Aegon NV FRN perp	2,680,209	0.12
£2,962,700	Aggregate Micro Power Infrastructure 8% 2036	2,962,056	0.13
\$4,200,000	Allianz SE 3.5% VRN perp	3,089,802	0.14
€1,363,000	Assicurazioni Generali 2.429% 2031	1,253,713	0.06
€9,300,000	Assicurazioni Generali 6.269% perp	10,532,250	0.48
£3,941,000	Aster Treasury 4.5% 2043	5,571,825	0.25
\$5,240,000	ATT 4.5% 2035	4,286,347	0.20
€9,300,000	Audax Renovables SA 4.2% 2027	7,909,547	0.36
£4,490,000	Aviva 4% VRN 2055	4,895,207	0.22
£11,122,000	Aviva 4.375% VRN 2049	12,473,532	0.57
£2,559,000	Aviva 5.125% VRN 2050	3,014,270	0.14
£18,080,000	Aviva 6.125% 2036	21,930,885	1.00
£4,060,000	Aviva 6.125% VRN perp	4,335,512	0.20
£28,237,000	Aviva 6.875% VRN 2058	43,348,070	1.97
€2,000,000	AXA SA 0% VRN perp	1,455,389	0.07
£25,722,000	AXA SA 5.453% VRN perp	29,603,041	1.35
£26,102,000	AXA SA 5.625% VRN 2054	32,681,549	1.49

## Portfolio and net other assets as at 31 March 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
\$22,550,000	AXA SA 6.379% VRN perp	22,662,639	1.03
£19,029,000	AXA SA 6.6862% VRN perp	23,141,643	1.05
\$2,353,000	BAC Capital Trust 4% VRN perp	1,675,598	0.08
£14,500,000	Banco Bilbao Vizcaya Argent 3.104% VRN 2031	14,961,438	0.68
£8,400,000	Banco Santander 1.75% 2027	8,400,279	0.38
€5,116,000	Banque Federative du Credit Mutuel 0.117% VRN perp	4,009,428	0.18
£7,564,000	Barclays Bank 1.7% VRN 2026	7,652,877	0.35
£600,000	Barclays Bank 3% 2026	639,929	0.03
£10,607,000	Barclays Bank 3.25% 2027	11,463,019	0.52
£10,000,000	Barclays Bank 3.75% VRN 2030	10,712,186	0.49
€12,120,000	Barclays Bank 4.75% VRN perp	9,712,412	0.44
£14,341,000	Bazalgette Finance 2.375% 2027	15,185,543	0.69
\$9,050,000	Beazley 5.875% 2026	7,223,536	0.33
\$9,179,000	Beazley Insurance DAC 5.5% 2029	7,294,900	0.33
\$5,840,000	BNP Paribas SA FRN perp	3,620,317	0.16
£19,900,000	BPCE SA 5.25% 2029	24,314,278	1.11
\$5,000,000	Bridge Housing 3.25% 2030	3,539,909	0.16
£3,300,000	Brit Insurance 6.625% VRN 2030	3,143,250	0.14
£2,876,000	British Telecom 3.5% Index-Linked 2025	6,078,972	0.28
£5,230,000	British Telecom 3.625% 2047	5,809,304	0.26
£3,098,000	Bromford Housing Group 3.125% 2048	3,637,376	0.17
£27,641,000	BUPA Finance 4.125% 2035	29,704,359	1.35
£4,297,000	BUPA Finance 5% 2026	4,972,562	0.23
£300,000	Burnham And Weston Energy CIC 5% Index-Linked 2036	279,072	0.01
\$4,545,000	California Endowment 2.498% 2051	3,019,762	0.14
£3,448,000	Canal & River Trust 2.85% Series A Senior 2043	3,991,405	0.18
£5,445,000	Catalyst Housing 3.125% 2047	6,239,589	0.28
£4,358,000	Channel Link FRN 2050	3,529,424	0.16
£5,189,000	Citigroup 1.18744% VRN 2067	4,566,339	0.21
£9,900,000	Clarion Funding 1.25% 2032	9,342,382	0.43
£7,225,000	Clarion Funding 1.875% 2035	7,083,174	0.32
£9,286,000	Close Brothers Finance 1.625% 2030	8,967,802	0.41
£500,000	Close Brothers Group 2.75% 2026	535,441	0.02
£9,350,000	Close Brothers Group 4.25% VRN 2027	9,579,786	0.44
€7,000,000	CNP Assurances 5.25% VRN perp	6,262,043	0.29
£175,000	Coigach Community CIC 5% Index-Linked 2030	167,549	0.01
£4,614,000	Co-operative Rabobank 5.25% 2027	5,534,582	0.25
£3,521,000	Coventry Building Society 6.875% VRN perp	3,925,915	0.18
\$2,977,000	Credit Agricole 6.637% VRN perp	2,094,602	0.10
£2,700,000	CYBG 4% VRN 2026	2,931,168	0.13

## Portfolio and net other assets as at 31 March 2021 *(continued)*

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
£19,500,000	CYBG 4% VRN 2027	21,398,832	0.97
£1,800,000	Direct Line Insurance Group 4% 2032	1,993,851	0.09
\$870,000	DNB Bank ASA FRN perp	546,233	0.03
\$2,900,000	DNB Bank ASA FRN perp	1,815,416	0.08
£162,000	Ecology Building Society 9.625% VRN perp	163,328	0.01
£175,000	Ellenbrook Developments 3.3894% Index-Linked 2032	170,679	0.01
\$10,071,000	Equinix 3.2% 2029	7,563,463	0.34
£6,817,000	Fidelity International 7.125% 2024	7,914,367	0.36
£1,917,847	Finance for Residential Social Housing 8.569% 2058	1,818,620	0.08
£600,000	Finance for Residential Social Housing 8.569% 2058	664,268	0.03
£195,000	Fixed Rate Unsecured Bonds 4.5% 2026	197,671	0.01
\$4,500,000	Ford Foundation 2.415% 2050	2,931,827	0.13
£130,000	Glasgow Together 4% 2021	52,000	—
£9,103,000	Grainger 3% 2030	9,470,486	0.43
£3,589,000	Grainger 3.375% 2028	3,853,375	0.18
£12,674,000	Greater Gabbard 4.137% 2032	11,294,292	0.51
£250,000	Greenwich Leisure 3% 2021	245,400	0.01
£9,930,000	Guinness Partner 2% 2055	9,506,063	0.43
£3,588,000	Guinness Partner 4% 2044	4,781,849	0.22
£1,002,500	Heylo Housing Secured Bond 1.625% Index-Linked 2028	999,492	0.05
£16,878,000	Hiscox 6.125% VRN 2045	19,621,632	0.89
£1,273,000	Home Group 3.125% 2043	1,412,448	0.06
£1,857,000	HSBC Bank 5.375% 2033	2,423,452	0.11
£40,229,000	HSBC Bank 5.844% VRN perp	56,421,172	2.57
\$4,400,000	HSBC Bank FRN perp	2,814,638	0.13
£2,210,000	HSBC Holdings 3% 2030	2,370,290	0.11
£10,621,000	HSBC Holdings 3% VRN 2028	11,395,292	0.52
£3,627,000	Hyde Housing Association 1.75% 2055	3,095,769	0.14
£8,600,000	ING Groep NV 1.125% VRN 2028	8,309,345	0.38
\$3,728,000	International Finance Facility 0.375% 2023	2,698,031	0.12
£10,952,000	Investec Bank 4.25% VRN 2028	11,487,589	0.52
£2,362,000	Jupiter Fund Management 8.875% VRN 2030	2,672,603	0.12
£1,322,000	Just Group 3.5% 2025	1,361,628	0.06
£18,680,000	Just Group 7% VRN 2031	21,352,103	0.97
£5,750,000	Just Group 8.125% 2029	7,155,875	0.33
£27,920,000	Just Group 9% 2026	36,333,675	1.65
£5,124,000	Korea Development Bank 1.75% 2022	5,230,477	0.24
£6,500,000	LBBW 1.5% 2025	6,604,076	0.30
£21,068,000	Leeds Building Society 1.5% VRN 2027	20,915,398	0.95

## Portfolio and net other assets as at 31 March 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£32,191,000	Legal & General 3.75% VRN 2049	34,063,225	1.55
£5,675,000	Legal & General 4.5% VRN 2050	6,301,938	0.29
\$13,200,000	Legal & General 5.25% VRN 2047	10,567,654	0.48
£8,239,000	Legal & General 5.375% VRN 2045	9,447,791	0.43
£29,492,000	Legal & General 5.5% VRN 2064	35,543,764	1.62
£10,877,000	Legal & General 5.625% VRN perp	11,853,646	0.54
£1,777,000	Libra Longhurst Group Treasury 3.25% 2043	2,007,080	0.09
£165,000	Linton Hydro Limited 5.25% Index-Linked 2033	164,505	0.01
£20,386,000	Liverpool Victoria Friendly Society 6.5% VRN 2043	22,269,546	1.01
£1,600,000	LiveWest Treasury 2.25% 2043	1,622,267	0.07
£4,100,000	Lloyds Banking Group 1.875% VRN 2026	4,178,152	0.19
£7,083,000	Lloyds Banking Group 2.25% 2024	7,345,276	0.33
£63,483,000	Lloyds Banking Group 2.707% VRN 2035	63,303,343	2.88
£7,104,000	Lloyds Banking Group 7.625% 2025	8,847,531	0.40
\$1,400,000	Lloyds Banking Group FRN perp	956,367	0.04
\$1,400,000	Lloyds Banking Group FRN perp	956,367	0.04
£4,395,000	Logicor Financing 2.75% 2030	4,535,599	0.21
£9,300,000	London and Quadrant Housing Trust 2% 2038	8,996,238	0.41
£6,102,000	London and Quadrant Housing Trust 2.25% 2029	6,362,998	0.29
£4,054,000	London and Quadrant Housing Trust 2.625% 2028	4,348,796	0.20
£400,000	London and Quadrant Housing Trust 3.75% 2049	508,875	0.02
£2,955,000	London Merchant Securities 6.5% 2026	3,599,008	0.16
£17,441,000	London Stock Exchange 1.625% 2030	17,293,624	0.79
£4,450,000	M&G 3.875% VRN 2049	4,703,649	0.21
£9,012,000	M&G 5% VRN 2055	10,340,261	0.47
£30,243,000	M&G 5.625% VRN 2051	35,269,181	1.61
£9,114,000	M&G 5.7% VRN 2063	11,422,318	0.52
£7,641,000	M&G 6.25% VRN 2068	9,568,374	0.44
€820,000	Main Capital Funding 5.5% perp	727,158	0.03
€820,000	Main Capital Funding 5.75% perp	727,158	0.03
\$4,593,000	Massachusetts Higher Education 2.673% 2031	3,300,808	0.15
\$590,000	MDIF Media Finance 4% 2023	291,579	0.01
£888,000	Metropolitan Funding 4.125% 2048	1,093,757	0.05
£3,636,000	Motability Operations Group 1.5% 2041	3,300,379	0.15
£4,500,000	Motability Operations Group 2.375% 2039	4,729,747	0.22
£888,000	Myriad Capital 4.75% 2043	1,209,198	0.06
\$8,000,000	National Westminster Bank FRN perp	5,608,176	0.26
\$12,600,000	National Westminster Bank FRN perp	8,831,050	0.40
£983,416	Nationwide Building Society 3.875% Index-Linked 2021	3,021,733	0.14



## Portfolio and net other assets as at 31 March 2021 *(continued)*

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
\$6,500,000	Nationwide Building Society 4.125% VRN 2032	5,093,611	0.23
\$1,000,000	Nationwide Building Society 4.302% VRN 2029	8,029,102	0.37
£6,172,000	Nationwide Building Society 5.75% VRN perp	6,809,259	0.31
£4,620,000	Nationwide Building Society 5.769% perp	4,857,699	0.22
£1,556,000	Nationwide Building Society 6.25% VRN perp	1,720,174	0.08
£3,000,000	Nationwide Building Society 7.859% VRN perp	3,672,469	0.17
£114,518	Nationwide Building Society 10.25% VRN perp	21,005,350	0.96
\$900,000	Nature Conservancy 1.154% 2027	623,789	0.03
\$39,600,000	Natwest Group 2.5404% VRN perp	27,966,549	1.27
\$9,000,000	Natwest Group 4.892% VRN 2029	7,433,061	0.34
\$2,350,000	Natwest Market NV 7.125% 2093	2,929,622	0.13
£871,800	NatWest Markets 3.9% VRN 2022	978,072	0.04
£2,393,000	NatWest Markets 6.875% 2025	2,840,004	0.13
£4,560,000	Notting Hill Genesis 2.875% 2029	4,910,308	0.22
£1,357,000	Notting Hill Housing 3.75% 2032	1,604,229	0.07
£3,800,000	Notting Hill Housing Trust 3.25% 2048	4,386,638	0.20
£200,000	Nottinghamshire YMCA 6% 2027	200,000	0.01
£4,091,000	Onward Homes 2.125% 2053	4,023,973	0.18
£6,500,000	Orange SA 3.25% 2032	7,313,432	0.33
\$20,740,000	Orange SA 9% 2031	23,184,070	1.06
£1,900,000	Orbit Capital 2% 2038	1,826,648	0.08
£9,097,000	Orbit Capital 3.375% 2048	10,768,541	0.49
£2,703,000	Orbit Capital 3.5% 2045	3,221,658	0.15
£10,571,000	Orsted AS 2.5% VRN 3021	10,448,528	0.48
£9,841,000	Orsted AS 4.875% 2032	12,693,472	0.58
£440,000	Our Power Social Purpose 6.5% 2021	—	—
£5,348,000	Paragon 6% 2024	5,821,187	0.27
£2,380,600	Paragon 6.125% 2022	2,454,994	0.11
£3,125,000	Paragon 4.375% VRN 2031	3,189,087	0.15
£550,000	Peabody Capital 5.25% 2043	821,458	0.04
£3,453,000	Peabody Capital No 2 3.25% 2048	4,042,323	0.18
£6,765,000	PGH Capital 4.125% 2022	7,030,199	0.32
£15,479,000	PGH Capital 6.625% 2025	18,525,595	0.84
\$15,224,000	Phoenix 4.75% VRN 2031	11,693,912	0.53
\$1,599,000	Phoenix 5.375% 2027	1,290,379	0.06
£3,000,000	Phoenix 5.625% 2031	3,538,390	0.16
£8,700,000	Phoenix 5.75% VRN perp	9,145,875	0.42
£1,874,300	Places for People Finance 4.25% 2023	1,920,962	0.09
£1,295,400	Places for People Homes 1% Index-Linked 2022	1,675,328	0.08
£10,568,000	Places for People Homes 3.625% 2028	11,998,687	0.55

## Portfolio and net other assets as at 31 March 2021 *(continued)*

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
£5,740,000	Places for People Treasury 2.875% 2026	6,213,222	0.28
£9,459,000	Principality Building Society 2.375% 2023	9,746,363	0.44
\$7,000,000	Prologis 1.25% 2030	4,605,224	0.21
\$10,000,000	Prologis 1.625% 2031	6,723,523	0.31
\$900,000	Prologis 3% 2050	626,482	0.03
£920,000	Quadrant Housing 7.93% 2033	1,121,425	0.05
AUD\$5,000,000	Queensland Treasury 1.25% 2031	2,573,455	0.12
£13,631,000	Quilter 4.478% VRN 2028	14,230,764	0.65
£17,150,000	Rabobank Nederland 4.625% 2029	20,152,699	0.92
£25,700,000	Reassure Group 5.867% 2029	30,554,252	1.39
£553,200	Retail Charity Bonds 3.9% 2029	564,585	0.03
£1,331,200	Retail Charity Bonds 4% 2029	1,348,612	0.06
£2,414,800	Retail Charity Bonds 4.25% 2026	2,395,506	0.11
£1,089,800	Retail Charity Bonds 4.25% 2028	1,123,562	0.05
£218,000	Retail Charity Bonds 4.375% 2021	217,017	0.01
£871,800	Retail Charity Bonds 4.4% 2027	887,580	0.04
£1,598,800	Retail Charity Bonds 4.5% 2026	1,591,909	0.07
£1,297,600	Retail Charity Bonds 5% 2026	1,419,250	0.06
£900,000	Retail Charity Bonds 5% 2030	940,050	0.04
£500,000	RHP Finance 3.25% 2048	577,806	0.03
£300,000	Riverside Finance 3.875% 2044	386,078	0.02
£28,270,000	RL Finance Bonds 4.875% VRN 2049	31,022,678	1.41
£22,852,000	RL Finance Bonds 6.125% 2028	27,850,407	1.27
£19,747,000	RL Finance Bonds 6.125% VRN 2043	21,992,060	1.00
£22,807,000	Rothsay Life 3.375% 2026	24,032,662	1.09
£6,723,000	Rothsay Life 5.5% VRN 2029	7,453,201	0.34
£19,262,000	Rothsay Life 8% 2025	24,051,111	1.09
£14,027,000	Rothschild 9% perp	16,269,076	0.74
£4,500,000	Royal Bank of Scotland 3.125% VRN 2027	4,838,544	0.22
£15,428,000	Royal Bank of Scotland 3.622% VRN 2030	16,425,497	0.75
\$5,320,000	Royal Bank of Scotland FRN perp	3,716,134	0.17
£22,510,000	RSA Insurance 5.125% VRN 2045	25,538,183	1.16
£2,572,000	Sage Group 1.625% 2031	2,486,839	0.11
£3,689,000	Sainsburys Bank 6% VRN 2027	3,840,249	0.17
£15,418,000	Santander UK 2.92% VRN 2026	16,322,768	0.74
£4,753,000	Santander UK 3.625% 2026	5,219,340	0.24
£916,000	Santander UK 5.875% 2031	1,060,478	0.05
£1,963,000	Santander UK 6.5% 2030	2,376,923	0.11
£1,400,000	Santander UK 7.037% VRN perp	1,613,500	0.07
€5,000,000	Scatec ASA FRN 2025	4,184,722	0.19

## Portfolio and net other assets as at 31 March 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£24,882,000	Scottish Widows 7% 2043	35,588,675	1.62
£24,920,000	Skipton Building Society 2% VRN 2026	25,438,201	1.16
€2,700,000	Societe Generale SA FRN perp	1,943,960	0.09
\$9,000,000	Societe Generale SA FRN perp	6,082,844	0.28
£91,500	South Bristol Sports Centre 7% 2023	57,417	—
£148,800	St Johns School Bond 3.25% 2022	149,574	0.01
\$12,031,000	Standard Life Aberdeen 4.25% 2028	9,213,128	0.42
£9,476,000	Standard Life Aberdeen 5.5% VRN 2042	10,068,421	0.46
€12,270,000	Stichting AK Rabobank 2.188% perp	13,522,563	0.62
£3,749,000	TC Dudgeon Ofto 3.158% 2038	4,013,202	0.18
£1,117,000	Telereal Securitisation 1.3657% 2033	1,121,845	0.05
£2,270,000	Telereal Securitisation 4.0902% VRN 2033	2,293,620	0.10
£5,169,000	Telereal Securitisation FRN 2033	4,964,901	0.23
£500,000	Thera Trust 5.5% 2024	500,650	0.02
£750,000	Thrive Renewables 5% 2024	766,500	0.03
£300,000	Triodos Bank 4% 2030	300,000	0.01
£4,615,000	Tritax Big Box REIT 1.5% 2033	4,365,563	0.20
£5,786,000	TSB Banking Group 5.75% VRN 2026	5,809,653	0.26
£6,700,000	UK Municipal Bonds Agency Finance FRN 2025	6,762,926	0.31
\$3,865,000	Vena Energy Capital 3.133% 2025	2,817,103	0.13
£8,370,000	Verizon Communications 1.125% 2028	8,032,572	0.37
£11,818,000	Verizon Communications 1.875% 2038	11,000,313	0.50
\$4,500,000	Verizon Communications 3.875% 2029	3,636,209	0.17
\$1,600,000	Verizon Communications 5.25% 2037	1,461,514	0.07
£3,000,000	Virgin Money UK 5.125% VRN 2030	3,290,935	0.15
£2,300,000	Vodafone 3% 2056	2,352,200	0.11
£2,043,000	Welltower 4.5% 2034	2,436,115	0.11
£700,000	Welltower 4.8% 2028	820,711	0.04
\$12,766,000	WK Kellogg Foundation Trust 2.443% 2050	8,228,454	0.37
£12,023,000	WoDS Transmission 3.446% 2034	10,979,405	0.50
£9,450,000	Workspace 2.25% 2028	9,301,037	0.42
£3,588,000	Wrekin Housing Group 2.5% 2048	3,752,007	0.17
£6,536,000	Yorkshire Building Society 3% VRN 2025	6,882,399	0.31
£27,614,000	Yorkshire Building Society 3.375% VRN 2028	29,302,430	1.33
£3,258,000	Yorkshire Water Finance 1.75% 2026	3,331,971	0.15
\$31,655,000	Zurich Finance Ireland 3% VRN 2051	22,203,033	1.01
		<b>2,100,052,685</b>	<b>95.57</b>
<b>Total Bonds</b>		<b>2,138,030,077</b>	<b>97.30</b>

## Portfolio and net other assets as at 31 March 2021 *(continued)*

	Value £	Percentage of total net assets
<b>Equities</b> (30.09.20: 0.12%)		
2,689,079 Greencoat Renewables*	<b>2,634,302</b>	<b>0.12</b>
<b>Forward Foreign Exchange Contracts</b> (30.09.20: 0.01%)		
Buy £2,529,549, Sell AUD\$4,540,070	23,085	–
Buy £65,862,181, Sell €76,758,400	385,116	0.02
Buy £259,985,760, Sell \$362,999,272	(3,050,697)	(0.14)
	<b>(2,642,496)</b>	<b>(0.12)</b>
<b>Total value of investments</b> (30.09.20: 95.45%)	2,138,021,883	97.30
<b>Net other assets</b> (30.09.20: 4.55%)	59,375,991	2.70
<b>Total value of the fund as at 31 March 2021</b>	<b>2,197,397,874</b>	<b>100.00</b>

Sector eliminated since the beginning of the period:

Alternatives 0.74%

\* Equity Security

## Summary of portfolio investments

	Value £	Percentage of total net assets
Investment grade	1,619,573,255	73.71
Below investment grade	518,456,822	23.59
Debt Securities	2,138,030,077	97.30
Equity Securities	2,634,302	0.12
Derivatives	(2,642,496)	(0.12)
<b>Total value of investments</b>	<b>2,138,021,883</b>	<b>97.30</b>

## Statement of total return for the half year ended 31 March 2021

	31.03.21 £	31.03.21 £	31.03.20 £	31.03.20 £
Income				
Net capital gains/(losses)		<b>12,230,222</b>		(95,263,101)
Revenue	<b>34,381,145</b>		26,614,723	
Expenses	<b>(6,558,197)</b>		(4,893,545)	
Interest payable and similar charges	<b>(5,293)</b>		(1,284)	
Net revenue before taxation	<b>27,817,655</b>		21,719,894	
Taxation	<b>(6,181)</b>		(5,851)	
Net revenue after taxation		<b>27,811,474</b>		21,714,043
<b>Total return before distributions</b>		<b>40,041,696</b>		(73,549,058)
Distributions		<b>(34,066,990)</b>		(26,365,779)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>5,974,706</b>		(99,914,837)

## Statement of change in net assets attributable to unitholders for the half year ended 31 March 2021

	31.03.21 £	31.03.21 £	31.03.20 £	31.03.20 £
<b>Opening net assets attributable to unitholders</b>		<b>1,806,995,047</b>		1,369,880,547
Amounts receivable on issue of units	<b>401,563,930</b>		251,961,875	
Amounts payable on cancellation of units	<b>(37,734,981)</b>		(67,851,297)	
		<b>363,828,949</b>		184,110,578
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>5,974,706</b>		(99,914,837)
Retained distributions on accumulation units		<b>20,599,172</b>		15,747,693
<b>Closing net assets attributable to unitholders</b>		<b>2,197,397,874</b>		1,469,823,981

## Balance sheet as at 31 March 2021

	31.03.21	31.03.21	30.09.20	30.09.20
	£	£	£	£
<b>Assets</b>				
<b>Fixed assets:</b>				
Investments		<b>2,141,072,580</b>		1,725,215,801
<b>Current assets:</b>				
Debtors	<b>47,301,225</b>		35,526,415	
Cash and bank balances	<b>42,983,626</b>		90,923,508	
Total current assets		<b>90,284,851</b>		126,449,923
<b>Total assets</b>		<b>2,231,357,431</b>		1,851,665,724
<b>Liabilities</b>				
Investment liabilities		<b>(3,050,697)</b>		(457,952)
<b>Creditors:</b>				
Other creditors	<b>(21,813,044)</b>		(36,936,445)	
Bank overdrafts	<b>(1,517,481)</b>		–	
Distribution payable on income units	<b>(7,578,335)</b>		(7,276,280)	
<b>Total liabilities</b>		<b>(33,959,557)</b>		(44,670,677)
<b>Net assets attributable to unitholders</b>		<b>2,197,397,874</b>		1,806,995,047

## 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 (and amended in June 2017).

All accounting policies applied are consistent with those of the annual report for the year ended 30 September 2020 and are detailed in full in those financial statements.

### Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 March 2021 were £851,660,177 and £433,661,475 respectively.

## Distribution tables for the half year ended 31 March 2021

### Distribution tables (pence per unit)

#### First Interim

Group 1 – Units purchased prior to 1 October 2020

Group 2 – Units purchased on or after 1 October 2020 and on or before 31 December 2020

<b>R-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Paid 26.02.21</b>	<b>Paid 28.02.20</b>
Group 1	0.85	–	0.85	0.88
Group 2	0.29	0.56	0.85	0.88
<b>R-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Accumulated 26.02.21</b>	<b>Accumulated 28.02.20</b>
Group 1	1.98	–	1.98	1.97
Group 2	0.92	1.06	1.98	1.97
<b>I-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Paid 26.02.21</b>	<b>Paid 28.02.20</b>
Group 1	0.90	–	0.90	0.93
Group 2	0.43	0.47	0.90	0.93
<b>I-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Accumulated 26.02.21</b>	<b>Accumulated 28.02.20</b>
Group 1	2.07	–	2.07	2.05
Group 2	1.06	1.01	2.07	2.05
<b>S-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Paid 26.02.21</b>	<b>Paid 28.02.20</b>
Group 1	0.92	–	0.92	0.94
Group 2	0.52	0.40	0.92	0.94
<b>S-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Accumulated 26.02.21</b>	<b>Accumulated 28.02.20</b>
Group 1	1.02	–	1.02	1.01
Group 2	0.42	0.60	1.02	1.01

## Distribution tables for the half year ended 31 March 2021 *(continued)*

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

#### Second Interim

Group 1 – Units purchased prior to 1 January 2021

Group 2 – Units purchased on or after 1 January 2021 and on or before 31 March 2021

R-class income units	Net income	Equalisation	Paid 28.05.21	Paid 29.05.20
Group 1	0.79	–	0.79	0.83
Group 2	0.34	0.45	0.79	0.83

R-class accumulation units	Net income	Equalisation	Allocated 28.05.21	Accumulated 29.05.20
Group 1	1.86	–	1.86	1.86
Group 2	0.82	1.04	1.86	1.86

I-class income units	Net income	Equalisation	Paid 28.05.21	Paid 29.05.20
Group 1	0.85	–	0.85	0.87
Group 2	0.36	0.49	0.85	0.87

I-class accumulation units	Net income	Equalisation	Allocated 28.05.21	Accumulated 29.05.20
Group 1	1.96	–	1.96	1.95
Group 2	0.86	1.10	1.96	1.95

S-class income units	Net income	Equalisation	Paid 28.05.21	Paid 29.05.20
Group 1	0.87	–	0.87	0.90
Group 2	0.40	0.47	0.87	0.90

S-class accumulation units	Net income	Equalisation	Allocated 28.05.21	Accumulated 29.05.20
Group 1	0.97	–	0.97	0.96
Group 2	0.39	0.58	0.97	0.96



## Distribution tables for the half year ended 31 March 2021 *(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  
28 May 2021

## General information

### 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 deliver a greater total return than the IA Sterling Corporate Bond sector, after fees, over any rolling five-year period.

There is no guarantee that this investment objective will be achieved over five years, or any other time period.

We use the IA Sterling Corporate Bond sector as a target for our fund's return because we aim to consistently outperform the average return of our competitors.

When picking our investments, there are three assessments we make. First, we look at the economic environment to determine which industries we want to own and the duration of our investments. Then we use the Four Cs Plus approach to evaluate creditworthiness. We assess:

**Character:** Whether a company's managers have integrity and competence

**Capacity:** Ensuring a company isn't over-borrowing and has the cash to pay its debts

**Collateral:** Are there assets backing the loan, which reduces the risk of a loan

**Covenants:** These loan agreements set out the terms of the bond and restrictions on the company

**Conviction:** The Plus: We think differently to the market; sometimes contrarian, sometimes sceptical of orthodox thinking, but always opinionated

Meanwhile, Rathbone Greenbank, an ethical research division of our company, assesses potential investments against positive and negative social and environmental criteria. Finally, we compare prices to determine the best value bonds to include in our fund.

To meet the objective, the fund manager will invest at least 80% of our fund in corporate bonds with an investment-grade rating (AAA to BBB-). The remaining 20% of the fund is invested in corporate bonds with a credit rating below BBB- or with no rating at all.

Up to 10% of the fund can be invested directly in contingent convertible bonds.

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 may be used by the fund for investment purposes, efficient portfolio management and 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.

The manager may use all investment powers as permitted by the prospectus, outside the ranges described above, to ensure the fund is managed in the best interest of investors in times of market irregularities or stress.

The fund may invest at the fund manager's discretion in other transferable securities, money market instruments, warrants, cash and near cash and deposits and units in collective investment schemes. Use may be made of stock lending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

The manager will apply ethical criteria and screening in order to avoid investing in companies involved in specific activities or engaged in behaviour that is considered to be of concern to ethical investors. The fund will seek to invest in companies that are aware of their wider responsibilities to society and the environment.

Further details in relation to the current ethical and sustainability criteria may be obtained by contacting Rathbone Unit Trust Management. Investors should be aware that these criteria may change over time. Product reference number: 196624.

### 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](http://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 is £100,000,000. The minimum initial investment for I-class units is £1,000. The minimum initial investment for the S-class units is £100,000,000.

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.

There is no preliminary charge for R-class, I class or S-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%.

The Manager currently receives an annual remuneration for managing the S-class property of the fund at a rate of 0.49%.

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

Prices are available on our website [rathbonefunds.com](http://rathbonefunds.com)

### 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, SS&C Financial Services International Limited, SS&C 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](http://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.

### Value Assessment

Our regulator, the Financial Conduct Authority (FCA), has asked us to assess the value of our funds. Assessing value is much more than just looking at the fees you pay or the performance of your fund in isolation. Considering this, we have designed an assessment which looks at nine criteria.

We have also appointed an independent research firm, Square Mile Investment Consulting & Research, to provide an impartial report on the value our funds offer compared with the market.

It is the responsibility of our board of directors to consider the outcomes of these assessments, ensure they are clear and fair, and then communicate to you, our investors, if we have delivered value or, if not, where we need to improve.

You can view the value assessments for the Funds four months after their period end on our website [rathbonefunds.com](http://rathbonefunds.com)

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

### 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](http://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

**Information line**

020 7399 0399  
rutm@rathbones.com  
rathbonefunds.com

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Financial Conduct Authority

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Investment Association

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