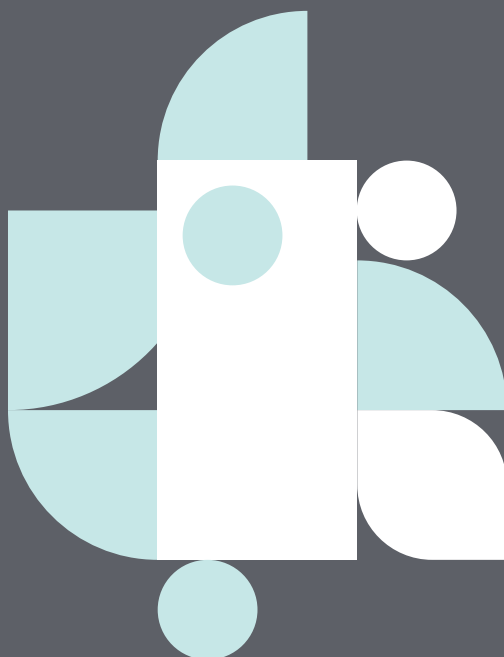


# Rathbones

Look forward

## Rathbone Income Fund

Interim report for the half year ended 31 March 2021



# Rathbone Income 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

## Performance review

In the six months to 31 March 2021, our fund gained 21.4%, just below the IA UK Equity Income sector average rise of 23.4%, and well ahead of the FTSE All-Share Index's 18.5%.

We are pleased to report that we increased our interim distribution by 4% at the end of the period.

The last six months have seen much of the world start to emerge from the grip of COVID-19 on the back of huge vaccination programmes. Investor sentiment has pivoted from misery to optimism about the prospect of a sustained economic recovery as life starts to get back to something approaching normal.

The UK's remarkably successful vaccine rollout suggests our economy should restart more quickly than others. The fact that more people will need to stay in the UK for their holidays, combined with a healthier employment rate than we might have expected and a high savings ratio, all augur well for the domestic economy. Some analysts are already forecasting a bumper summer.

As confidence in the UK's 'great reopening' has gathered pace, last year's Brexit-related anxieties have steadily receded. There's clearly much to work through in terms of how the exit deal agreed with the EU may impact chunks of the UK economy. But it has put an end to well over four years of Brexit-related uncertainty. This should bolster investor confidence in UK stocks as an asset class (and, therefore, help support market performance overall) since there's nothing investors like less than uncertainty.

Over the period, UK stock markets clawed back much of the ground lost to pandemic and Brexit-driven sell-offs last year as investors, as ever, tried to get ahead of the 'real' world and to price in a vaccine-led recovery. By the end of the period, the FTSE All-Share Index was at its highest level since late February 2020. Investor focus on how reopening might impact on specific sectors and businesses drove a sharp rotation into better valued, more 'cyclical' stocks whose share prices had slumped during shutdowns because their businesses depend

on a healthy and fully functioning economy. These stocks looked cheap relative to the 'quality' or 'safe haven'/'defensive' stocks that thrived when the pandemic was at its peak. As the rotation into value gathered pace, quality stocks began to lag.

Midway through 2020 we repositioned the fund to benefit from a rotation towards value – we believe this trend may have further to run.

## Principal trades over the period

Our trading over the last six months reflects our gradual tilting towards stocks that are more geared into reopening (particularly of the UK economy) and less into simply surviving a COVID-dominated environment.

In October, we added to our position in plumbing and supplies merchant Ferguson, which does all its business in North America. The company benefited from big home improvement demand last year and we felt it was well positioned to thrive as a boom in US housing sales has shown no signs of abating. As we grew more confident that an industrial and manufacturing recovery beckoned, we initiated new holdings in construction and industrial equipment rental company Ashtead and in global valve manufacturer IMI early in 2021.

Banks and insurance companies are deemed cyclical businesses because they depend heavily on the vagaries of economic cycles. When economic growth strengthens, their earnings and profits tend to follow suit. We added to our holdings in Lloyds Banking Group and in insurance giant Aviva because we like their exposure to a rebounding UK economy post-COVID and post-Brexit uncertainties. Lloyds restarted dividend payouts this year, while Aviva's shares offer a generous dividend yield with growth potential.

We have held Natwest Group in the fund since May 2020 and its shares have done extremely well for us. But we significantly reduced this position in March, believing that much of the heavy lifting in terms of its share price recovery had already occurred. In addition, we were concerned about the unwelcome risks associated with a criminal case accusing the bank of weak money laundering controls.

## Manager's report for the half year ended 31 March 2021 *(continued)*

As we added to exposure likely to benefit from a great reopening, we opted to trim our holdings in so-called 'COVID beneficiaries' – stocks boosted by pandemic-specific conditions. Since May, we have steadily reduced our exposure to consumer staples giants Unilever and Reckitt Benckiser, arguing that too much emphasis was being placed on the strength of their pandemic-driven sales (like hand sanitisers and other hygiene products) and not enough scrutiny afforded to their inadequacies. Having peaked at the start of October, shares in both businesses have reversed meaningfully versus the FTSE All-Share Index.

We also trimmed food packaging and workplace safety gear distributor Bunzl. It's another direct COVID beneficiary as the pandemic drove soaring demand for its disposable masks and gloves.

In a further move out of defensive stocks expected to generate highly predictable earnings even in difficult conditions, we sold our holding in tobacco group Imperial Brands in February.

### **Outlook**

There's a huge caveat to all the recent good news about reopening and recovery. COVID is here to stay in some form or other. The faster our economy opens up, the greater the risk of another wave of infections. While we are investing to take advantage of any economic rebound, we are acutely aware that things could change. We always invest with a 'margin of safety'. Currently, we're finding that margin through our belief that the UK market is still very cheap relative to other geographies and asset classes. We regard this as our 'insurance' against less benign scenarios.

Last year proved particularly painful for income-hungry investors with many companies cutting or suspending their dividends. Things are certainly improving and we are forecasting healthy dividend payments in 2021.

We are confident in our ability to grow our fund's dividend by a meaningful amount this year. This confidence is bolstering our intention to engineer steady and predictable real growth in dividends as opposed to a roller-coaster ride. It's frustrating that we had to rebase our dividend last year. But, as we hoped at the time, we believe this decision will stand us in good stead in 2021.

**Carl Stick**  
Fund Manager  
*23 April 2021*

**Alan Dobbie**  
Fund Manager  
*23 April 2021*

## Net asset value per unit and comparative tables

### R-class income units

	<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	681.96p	872.21p	901.81p	921.12p
Return before operating charges*	145.50p	(148.36p)	21.57p	30.68p
Operating charges	(5.81p)	(11.97p)	(13.25p)	(14.05p)
Return after operating charges*	139.69p	(160.33p)	8.32p	16.63p
Distributions on income units	(13.40p)	(29.92p)	(37.92p)	(35.94p)
Closing net asset value per unit	808.25p	681.96p	872.21p	901.81p
*after direct transactions costs <sup>1</sup> of:	0.39p	0.77p	0.68p	0.56p

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

### Performance

Return after charges	20.48%	(18.38%)	0.92%	1.81%
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### Other information

Closing net asset value	£64,118,143	£58,522,091	£85,923,816	£122,151,497
Closing number of units	7,932,998	8,581,509	9,851,278	13,545,156
Operating charges	1.53%	1.53%	1.53%	1.54%
Direct transaction costs	0.05%	0.10%	0.08%	0.06%

### Prices\*\*

Highest unit price	826.07p	917.35p	929.72p	967.84p
Lowest unit price	654.63p	591.16p	792.58p	845.18p

\*\* 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	1,298.66p	1,589.49p	1,570.00p	1,540.81p
Return before operating charges*	277.05p	(268.77p)	42.78p	52.91p
Operating charges	(11.05p)	(22.06p)	(23.29p)	(23.72p)
Return after operating charges*	266.00p	(290.83p)	19.49p	29.19p
Distributions on accumulation units	(23.46p)	(55.04p)	(66.79p)	(60.79p)
Retained distributions on accumulation units	23.46p	55.04p	66.79p	60.79p
Closing net asset value per unit	1,564.66p	1,298.66p	1,589.49p	1,570.00p

\*after direct transactions costs<sup>1</sup> of: 0.75p 1.42p 1.19p 0.94p

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

### Performance

Return after charges 20.48% (18.30%) 1.24% 1.89%

### Other information

Closing net asset value	£62,082,258	£57,171,363	£86,639,150	£105,321,024
Closing number of units	3,967,774	4,402,339	5,450,735	6,708,339
Operating charges	1.53%	1.53%	1.53%	1.54%
Direct transaction costs	0.05%	0.10%	0.08%	0.06%

### Prices\*\*

Highest unit price	1,573.09p	1,671.74p	1,621.23p	1,642.46p
Lowest unit price	1,246.62p	1,077.30p	1,385.10p	1,418.47p

\*\* 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>	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	738.64p	937.54p	954.51p	968.53p
Return before operating charges*	157.85p	(160.01p)	30.90p	31.85p
Operating charges	(3.22p)	(6.60p)	(7.25p)	(7.66p)
Return after operating charges*	154.63p	(166.61p)	23.65p	24.19p
Distributions on income units	(14.25p)	(32.29p)	(40.62p)	(38.21p)
Closing net asset value per unit	879.02p	738.64p	937.54p	954.51p
*after direct transactions costs <sup>1</sup> of:	0.43p	0.83p	0.73p	0.59p

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

### Performance

Return after charges	20.93%	(17.77%)	2.48%	2.50%
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### Other information

Closing net asset value	£225,645,609	£208,227,849	£296,405,206	£282,533,398
Closing number of units	25,670,200	28,190,591	31,615,327	29,599,756
Operating charges	0.78%	0.78%	0.78%	0.79%
Direct transaction costs	0.05%	0.10%	0.08%	0.06%

### Prices\*\*

Highest unit price	898.08p	987.94p	974.66p	1,004.69p
Lowest unit price	709.47p	637.73p	847.29p	898.23p

\*\* 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	1,375.45p	1,670.86p	1,630.82p	1,589.37p
Return before operating charges*	293.91p	(283.53p)	52.49p	54.09p
Operating charges	(5.99p)	(11.88p)	(12.45p)	(12.64p)
Return after operating charges*	287.92p	(295.41p)	40.04p	41.45p
Distributions on accumulation units	(24.32p)	(58.07p)	(69.97p)	(63.21p)
Retained distributions on accumulation units	24.32p	58.07p	69.97p	63.21p
Closing net asset value per unit	1,663.37p	1,375.45p	1,670.86p	1,630.82p

\*after direct transactions costs<sup>1</sup> of: 0.80p      1.50p      1.25p      0.98p

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

### Performance

Return after charges 20.93%      (17.68%)      2.46%      2.61%

### Other information

Closing net asset value	£306,470,987	£285,016,845	£428,636,984	£483,463,460
Closing number of units	18,424,693	20,721,707	25,653,643	29,645,474
Operating charges	0.78%	0.78%	0.78%	0.79%
Direct transaction costs	0.05%	0.10%	0.08%	0.06%

### Prices\*\*

Highest unit price	1,672.33p	1,760.67p	1,687.84p	1,669.78p
Lowest unit price	1,321.12p	1,136.55p	1,448.01p	1,474.38p

\*\* 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>	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	757.36p	958.75p	973.51p	985.13p
Return before operating charges*	161.94p	(163.81p)	31.67p	32.53p
Operating charges	(2.21p)	(4.52p)	(4.94p)	(5.23p)
Return after operating charges*	159.73p	(168.33p)	26.73p	27.30p
Distributions on income units	(14.47p)	(33.06p)	(41.49p)	(38.92p)
Closing net asset value per unit	902.62p	757.36p	958.75p	973.51p
*after direct transactions costs <sup>1</sup> of:	0.44p	0.85p	0.74p	0.60p

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

### Performance

Return after charges	21.09%	(17.56%)	2.75%	2.77%
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### Other information

Closing net asset value	£76,751,146	£71,089,586	£106,460,656	£105,845,411
Closing number of units	8,503,126	9,386,441	11,104,098	10,872,591
Operating charges	0.52%	0.52%	0.52%	0.53%
Direct transaction costs	0.05%	0.10%	0.08%	0.06%

### Prices\*\*

Highest unit price	922.03p	1,011.08p	996.33p	1,024.24p
Lowest unit price	727.61p	652.98p	864.82p	914.94p

\*\* 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> 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	1,399.46p	1,695.60p	1,650.69p	1,604.52p
Return before operating charges*	299.22p	(288.07p)	53.35p	54.73p
Operating charges	(4.08p)	(8.07p)	(8.44p)	(8.56p)
Return after operating charges*	295.14p	(296.14p)	44.91p	46.17p
Distributions on accumulation units	(24.48p)	(59.00p)	(70.93p)	(63.90p)
Retained distributions on accumulation units	24.48p	59.00p	70.93p	63.90p
Closing net asset value per unit	1,694.60p	1,399.46p	1,695.60p	1,650.69p

\*after direct transactions costs<sup>1</sup> of: 0.81p      1.52p      1.27p      0.99p

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

### Performance

Return after charges 21.09%      (17.47%)      2.72%      2.88%

### Other information

Closing net asset value	£76,307,980	£69,444,322	£103,737,328	£92,733,171
Closing number of units	4,503,009	4,962,209	6,118,018	5,617,856
Operating charges	0.52%	0.52%	0.52%	0.53%
Direct transaction costs	0.05%	0.10%	0.08%	0.06%

### Prices\*\*

Highest unit price	1,703.72p	1,788.13p	1,712.08p	1,689.39p
Lowest unit price	1,344.47p	1,154.82p	1,466.64p	1,490.37p

\*\* 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)*

### 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	16.45%	(5.02%)	5.32%	(20.28%)	29.16%
I-class units	17.32%	(4.30%)	6.08%	(19.67%)	30.12%
S-class units	17.63%	(4.05%)	6.35%	(19.46%)	30.46%
IA UK Equity Income sector	15.14%	0.29%	3.59%	(20.64%)	32.62%

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 March 2021

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Oil and Gas</b> (30.09.20: 5.31%)		
8,664,000 BP	25,528,476	3.15
1,947,500 Royal Dutch Shell 'B'	25,999,125	3.20
	<b>51,527,601</b>	<b>6.35</b>
<b>Mining</b> (30.09.20: 6.88%)		
1,380,000 BHP Group	28,897,200	3.56
485,000 Rio Tinto	26,917,500	3.32
	<b>55,814,700</b>	<b>6.88</b>
<b>Aerospace and Defence</b> (30.09.20: 2.57%)		
3,800,000 BAE Systems	<b>19,182,400</b>	<b>2.36</b>
<b>Industrial Engineering</b> (30.09.20: 3.43%)		
475,000 DCC	29,868,000	3.68
825,000 IMI	10,997,250	1.36
	<b>40,865,250</b>	<b>5.04</b>
<b>Construction and Materials</b> (30.09.20: 4.08%)		
580,000 Bellway	19,737,400	2.43
366,000 Berkeley	16,239,420	2.00
	<b>35,976,820</b>	<b>4.43</b>
<b>Real Estate</b> (30.09.20: 1.94%)		
1,400,000 Big Yellow	<b>15,610,000</b>	<b>1.92</b>
<b>Support Services</b> (30.09.20: 5.49%)		
420,000 Ashtead	18,169,200	2.24
740,500 Bunzl	17,201,815	2.12
142,500 Ferguson	12,349,050	1.52
	<b>47,720,065</b>	<b>5.88</b>
<b>Food Producers</b> (30.09.20: 3.60%)		
325,000 Unilever	<b>13,182,000</b>	<b>1.62</b>
<b>Household Goods</b> (30.09.20: 6.34%)		
775,000 Persimmon	22,777,250	2.81
240,000 Reckitt Benckiser	15,595,200	1.92
	<b>38,372,450</b>	<b>4.73</b>

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

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Tobacco</b> (30.09.20: 8.36%)		
496,048 Altria	18,397,316	2.27
993,000 British American Tobacco	27,540,855	3.39
	<b>45,938,171</b>	<b>5.66</b>
<b>Pharmaceuticals and Biotechnology</b> (30.09.20: 8.21%)		
342,000 Dechra Pharmaceuticals	11,730,600	1.45
1,710,000 GlaxoSmithKline	22,021,380	2.71
125,000 Novartis	7,774,325	0.96
30,000 Roche	7,056,962	0.87
	<b>48,583,267</b>	<b>5.99</b>
<b>Food and Drug Retailers</b> (30.09.20: 2.06%)		
44,924 Greggs	1,008,095	0.12
1,900,000 UDG Healthcare	14,924,500	1.84
	<b>15,932,595</b>	<b>1.96</b>
<b>Beverages</b> (30.09.20: 2.41%)		
285,000 Anheuser Busch	<b>13,049,306</b>	<b>1.61</b>
<b>General Retailers</b> (30.09.20: 1.92%)		
6,272,021 Halfords	<b>23,833,680</b>	<b>2.94</b>
<b>Media</b> (30.09.20: 5.95%)		
15,200,000 ITV	18,262,800	2.25
1,120,000 Relx	20,372,800	2.51
2,090,000 WPP	19,236,360	2.37
	<b>57,871,960</b>	<b>7.13</b>
<b>Electricity</b> (30.09.20: 3.22%)		
1,805,000 SSE	<b>26,262,750</b>	<b>3.24</b>
<b>Gas, Water and Multiutilities</b> (30.09.20: 3.62%)		
2,800,000 National Grid	<b>24,192,000</b>	<b>2.98</b>
<b>Banks</b> (30.09.20: 6.10%)		
1,144,455 Close Brothers	17,750,497	2.19
65,000,000 Lloyds Banking Group	27,647,750	3.41
7,500,000 Natwest Group	14,718,750	1.81
	<b>60,116,997</b>	<b>7.41</b>

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

Holding (Ordinary shares unless otherwise stated)	Value £	Percentage of total net assets
<b>Non-Life Insurance</b> (30.09.20: 1.66%)		
1,320,000 Hiscox	<b>11,357,280</b>	<b>1.40</b>
<b>General Financial</b> (30.09.20: 10.79%)		
7,600,000 Aviva	31,023,200	3.82
5,813,559 Jupiter Fund Management	16,184,948	2.00
11,600,000 Legal & General	32,375,600	3.99
713,000 Sampo Oyj	23,420,202	2.89
	<b>103,003,950</b>	<b>12.70</b>
<b>General Industrials</b> (30.09.20: 1.26%)		
237,500 Smurfit Kappa	<b>8,084,500</b>	<b>1.00</b>
<b>Software and Computer Services</b> (30.09.20: 0.83%)		
1,963,183 Micro Focus International	<b>10,860,328</b>	<b>1.34</b>
<b>Total value of investments</b> (30.09.20: 96.03%)	767,338,070	94.57
<b>Net other assets</b> (30.09.20: 3.97%)	44,038,053	5.43
<b>Total value of the fund as at 31 March 2021</b>	<b>811,376,123</b>	<b>100.00</b>

## Summary of portfolio investments

	Value £	Percentage of total net assets
Equity Securities	767,338,070	94.57
<b>Total value of investments</b>	<b>767,338,070</b>	<b>94.57</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>139,256,296</b>		(251,794,556)
Revenue	<b>15,078,159</b>		19,627,238	
Expenses	<b>(3,387,385)</b>		(4,481,994)	
Net revenue before taxation	<b>11,690,774</b>		15,145,244	
Taxation	<b>(171,106)</b>		(365,904)	
Net revenue after taxation		<b>11,519,668</b>		14,779,340
<b>Total return before distributions</b>		<b>150,775,964</b>		(237,015,216)
Distributions		<b>(13,218,098)</b>		(15,529,693)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>137,557,866</b>		(252,544,909)

## 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>749,472,056</b>		1,107,803,140
Amounts receivable on issue of units	<b>5,269,371</b>		13,880,148	
Amounts payable on cancellation of units	<b>(87,445,157)</b>		(79,053,283)	
		<b>(82,175,786)</b>		(65,173,135)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>137,557,866</b>		(252,544,909)
Retained distributions on accumulation units		<b>6,514,062</b>		8,014,378
Unclaimed distributions		<b>7,925</b>		6,171
<b>Closing net assets attributable to unitholders</b>		<b>811,376,123</b>		798,105,645

## 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>767,338,070</b>		719,721,603
<b>Current assets:</b>				
Debtors	<b>4,701,634</b>		6,230,867	
Cash and bank balances	<b>53,104,737</b>		34,644,417	
Total current assets		<b>57,806,371</b>		40,875,284
<b>Total assets</b>		<b>825,144,441</b>		760,596,887
<b>Liabilities</b>				
<b>Creditors:</b>				
Other creditors	<b>(7,816,890)</b>		(2,624,408)	
Distribution payable on income units	<b>(5,951,428)</b>		(8,500,423)	
<b>Total liabilities</b>		<b>(13,768,318)</b>		(11,124,831)
<b>Net assets attributable to unitholders</b>		<b>811,376,123</b>		749,472,056

## 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 £60,431,519 and £152,244,848 respectively.



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

### Distribution tables (pence per unit)

#### 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 March 2021

<b>R-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Payable 28.05.21</b>	<b>Paid 29.05.20</b>
Group 1	13.40	–	13.40	12.88
Group 2	8.01	5.39	13.40	12.88
<b>R-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Allocated 28.05.21</b>	<b>Accumulated 29.05.20</b>
Group 1	23.46	–	23.46	22.56
Group 2	11.21	12.25	23.46	22.56
<b>I-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Payable 28.05.21</b>	<b>Paid 29.05.20</b>
Group 1	14.25	–	14.25	13.70
Group 2	6.96	7.29	14.25	13.70
<b>I-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Allocated 28.05.21</b>	<b>Accumulated 29.05.20</b>
Group 1	24.32	–	24.32	23.38
Group 2	12.66	11.66	24.32	23.38
<b>S-class income units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Payable 28.05.21</b>	<b>Paid 29.05.20</b>
Group 1	14.47	–	14.47	13.91
Group 2	5.25	9.22	14.47	13.91
<b>S-class accumulation units</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Allocated 28.05.21</b>	<b>Accumulated 29.05.20</b>
Group 1	24.48	–	24.48	23.54
Group 2	8.40	16.08	24.48	23.54

## 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	100.00%
Unfranked investment income	0.00%
Depository net liability to corporation tax	nil pence per unit

### Equalisation

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

## Directors' statement

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

MM Webb                      JR Chillingworth  
for Rathbone Unit Trust Management Limited  
Manager of Rathbone Income Fund  
*28 May 2021*

## General information

### Authorised status

The Rathbone Income Fund is an authorised unit trust scheme, established by a Trust Deed dated 12 February 1971 and launched in February 1971.

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 an annual income that is in line with or better than that of the FTSE All-Share Index over any rolling three-year period. The fund also aims to increase income payments in line with the CPI measure of inflation over any rolling five-year period. The fund aims to generate a greater total return than the FTSE All-Share Index, after fees, over any 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 FTSE All-Share Index as a target for our fund's return and the income we pay because we want to offer you a better income and higher returns than the UK stock market. Increasing your income payments at least in line with the CPI measure of inflation protects your future spending power.

To meet the objective, the fund manager will invest at least 80% of our fund in UK-listed shares, with the remainder in global shares, cash, short-term deposits and UK government debt. Derivatives may be used by the fund for the purposes of efficient portfolio management and hedging. 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.

This is a stock-picking fund, which means we invest in a small number of UK-listed stocks. We invest in businesses which offer the best investment opportunities at the most attractive prices. When choosing investments we use our own trinity of risk framework: price, business and financial. We look for businesses that offer good value and make strong and consistent profits with high quality earnings – those that are backed by real cash rather than accounting contrivance. Companies shouldn't have more debt than they can handle. We buy these companies because we believe they should grow generate good earnings backed by cash over many years. A healthy cash flow gives companies the flexibility to repay debts, reinvest in their businesses, and pay a dividend that increases over time.

### 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.

## General information *(continued)*

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 the R-class is £100,000,000. The minimum initial investment for I-class units is £1,000. The minimum initial investment for 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 1.50%.

The Manager currently receives an annual remuneration for managing the I-class property of the fund at the rate of 0.75%.

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

### 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 30 June and 31 December, 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, 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, SS&C Financial Services Europe 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 income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable. Where periodic charge is wholly or partly taken out of the fund's capital, distributable income will be increased at the expense of capital which will either be eroded or future growth restrained.

### 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 for Charities Fund  
Rathbone Dragon Trust  
Rathbone Ethical Bond Fund  
Rathbone Global Opportunities Fund  
Rathbone Heritage 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 Alpha Fund  
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**

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Financial Conduct Authority

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Investment Association

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