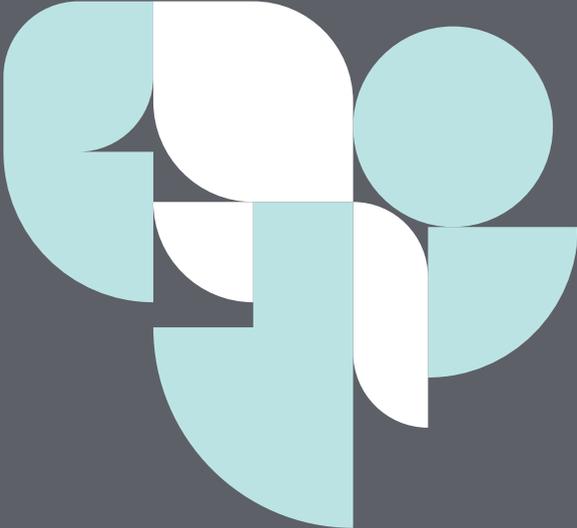


Rathbones

Look forward

Rathbone High Quality Bond Fund

Annual report for the year ended 30 April 2021



Rathbone High Quality Bond Fund

Authorised Corporate Director (ACD)

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**

The Company

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

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

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the ACD

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**

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**

Depository

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

ACD's report for the year ended 30 April 2021

Over the 12 months to 30 April 2021, our fund gained 2.62%. Over the same period our target benchmark, the Bank of England Base Rate + 0.5%, returned 0.60%. Our fund aims to offer a portfolio of highly liquid, quality bonds that should outperform the interest rates you might get at a bank, while protecting the value of your investment.

The last 12 months saw big changes in the COVID-19 pandemic's impact on everyday life. A year 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.

During the period we bought **Places for People 3.625% 2028**. Housing Associations have very strong fundamentals, especially as they have recession-proof cash flows. Sadly, demand for social housing tends to increase during recessionary periods, which means their occupancy rates remain high. These institutions are managed in a cautious way, giving them strong balance sheets and moderate leverage.

We also added to our holdings in building societies, which have some of the best capital positions of any UK lenders. This means they are less susceptible to property market downswings than many of their for-profit peers. We added to the **Coventry Building Society 1% 2025** and bought the newly issued the **Leeds Building Society 1.5% VRN 2027**.

During the period we sold down our short-dated floating-rate investments whose yields had fallen to very low levels along with the Bank of England's Base rate. These included the **Royal Bank of Canada 1.35% Floating Rate 2024** and **Leeds Building Society Floating Rate 2025**.

We also took profits in short-dated fixed-rate bonds that had rallied significantly and were trading at very low yields. We sold the **London Stock Exchange 4.75% 2021**, **Korea Development Bank 1.75% 2022**, using the cash to buy more attractive bonds elsewhere.

In March 2021, ratings agencies downgraded our **National Grid Gas 7% 2024** bonds from A- to BBB+ because of a slower-than-expected bounce back in its US business, along with higher capital investment and dividends. The credit spread didn't really move at all, so we decided to sell at the premium price and reinvest the cash into the A- and above rated bonds that our fund focuses on.

Late in the period, the government bond market selloff had begun to ease. Indeed, the 10-year US Treasury yield was back to 1.57% by mid-April. But the intense selling pressure at the longer end of government bond markets (which is most sensitive to changes in yields/interest rates) has ensured that the yield curve has steepened significantly. We see this as no bad thing: a steeper yield curve often signals that the economy is recovering or expanding.

We took advantage of this steepening by selling some of our shorter-term debt and investing that money in longer-dated bonds that offer greater yields. The purchases included the **JP Morgan Chase 0.991% VRN 2026** and **Bank of America 7% 2028**.

When markets turn very volatile, as they have several times in the past year, 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.

Noelle Cazalis
Fund Manager
19 May 2021

Bryn Jones
Fund Manager

Net asset value per share and comparative tables

I-class income shares

	30.04.21	30.04.20***
	pence per share	pence per share
Change in net assets per share		
Opening net asset value per share	97.94p	100.00p
Return before operating charges*	2.93p	(0.23p)
Operating charges	(0.39p)	(0.31p)
Return after operating charges*	2.54p	(0.54p)
Distributions on income shares	(2.47p)	(1.52p)
Closing net asset value per share	98.01p	97.94p
*after direct transaction costs ¹ of:	0.00p	0.00p

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

Performance

Return after charges	2.59%	(0.54%)
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Other information

Closing net asset value	£30,156,666	£8,424,516
Closing number of shares	30,769,644	8,602,031
Operating charges	0.40%	0.41%
Direct transaction costs	0.00%	0.00%

Prices**

Highest share price	100.73p	100.81p
Lowest share price	98.12p	96.46p

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

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

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

I-class accumulation shares

	30.04.21	30.04.20***
	pence per share	pence per share
Change in net assets per share		
Opening net asset value per share	99.67p	100.00p
Return before operating charges*	2.99p	(0.03p)
Operating charges	(0.41p)	(0.30p)
Return after operating charges*	2.58p	(0.33p)
Distributions on accumulation shares	(2.54p)	(1.61p)
Retained distributions on accumulation shares	2.54p	1.61p
Closing net asset value per share	102.25p	99.67p

*after direct transaction costs¹ of: 0.00p 0.00p

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

Performance

Return after charges 2.59% (0.33%)

Other information

Closing net asset value	£5,757,878	£3,296,090
Closing number of shares	5,631,395	3,306,856
Operating charges	0.40%	0.41%
Direct transaction costs	0.00%	0.00%

Prices**

Highest share price	103.75p	101.51p
Lowest share price	99.85p	97.58p

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

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

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

S-class income shares

	30.04.21 pence per share	30.04.20 pence per share	30.04.19*** pence per share
Change in net assets per share			
Opening net asset value per share	99.51p	100.57p	100.00p
Return before operating charges*	3.00p	1.62p	1.57p
Operating charges	(0.25p)	(0.28p)	(0.18p)
Return after operating charges*	2.75p	1.34p	1.39p
Distributions on income shares	(2.51p)	(2.40p)	(0.82p)
Closing net asset value per share	99.75p	99.51p	100.57p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p

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

Performance

Return after charges	2.76%	1.33%	1.39%
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Other information

Closing net asset value	£243,976,145	£193,385,432	£85,608,086
Closing number of shares	244,581,322	194,329,497	85,122,486
Operating charges	0.25%	0.27%	0.38%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest share price	102.46p	102.83p	101.39p
Lowest share price	99.70p	98.00p	99.76p

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

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

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

S-class accumulation shares

	30.04.21 pence per share	30.04.20 pence per share	30.04.19*** pence per share
Change in net assets per share			
Opening net asset value per share	102.79p	101.40p	100.00p
Return before operating charges*	3.10p	1.67p	1.57p
Operating charges	(0.26p)	(0.28p)	(0.17p)
Return after operating charges*	2.84p	1.39p	1.40p
Distributions on accumulation shares	(2.62p)	(2.54p)	(0.82p)
Retained distributions on accumulation shares	2.62p	2.54p	0.82p
Closing net asset value per share	105.63p	102.79p	101.40p

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

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

Performance

Return after charges 2.76% 1.37% 1.40%

Other information

Closing net asset value	£19,093,462	£13,144,117	£7,253,958
Closing number of shares	18,076,114	12,787,108	7,154,136
Operating charges	0.25%	0.27%	0.36%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest share price	107.13p	104.64p	101.58p
Lowest share price	102.97p	100.62p	99.81p

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

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

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

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



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

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

Discrete annual performance, quarter ending 31 March 2021

	2017	2018	2019	2020	2021
I-class shares	–	–	–	0.69%	4.23%
S-class shares	–	–	–	-0.35%	4.39%
Bank of England Base Rate +0.5%	–	–	–	1.23%	0.60%

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

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

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

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Corporate Bonds (30.04.20: 94.02%)		
£2,975,800 A2D Funding 4.5% 2026	3,383,842	1.13
£3,355,600 A2D Funding 4.75% 2022	3,516,266	1.18
\$5,000,000 Apple 1.2% 2028	3,516,422	1.18
\$2,667,000 Apple 1.65% 2031	1,855,597	0.62
£5,000,000 Athene Global Funding 1.75% 2027	4,996,273	1.67
£5,000,000 Athene Global Funding 1.875% 2028	4,973,938	1.66
£2,390,000 Aviva 6.125% VRN perp	2,554,125	0.85
£480,000 AWG Parent 6.875% 2023 Step	548,615	0.18
£3,100,000 Banco Santander 1.375% 2024	3,137,202	1.05
£1,900,000 Banco Santander 1.5% 2026	1,889,930	0.63
£4,000,000 Banco Santander 1.75% 2027	4,002,500	1.34
£3,100,000 Banco Santander 2.75% 2023	3,237,020	1.08
£3,250,000 Bank of America 2.3% 2025	3,429,745	1.15
£3,700,000 Bank of America 7% 2028	5,077,241	1.70
£1,200,000 Bank of Montreal 1.5% 2024	1,228,134	0.41
£1,500,000 Bank of Nova Scotia 1.375% 2023	1,525,605	0.51
£4,200,000 Banque Federative du Credit Mutuel 0.875% 2027	4,071,637	1.36
£1,900,000 Banque Federative du Credit Mutuel 1.25% 2025	1,915,608	0.64
£1,000,000 Banque Federative du Credit Mutuel 1.75% 2024	1,030,712	0.35
£756,000 Barclays 1.7% VRN 2026	765,721	0.26
£600,000 Barclays 3% 2026	641,778	0.21
£1,686,000 BMW International Investment 0.75% 2024	1,685,972	0.56
£4,000,000 BNP Paribas 3.375% 2026	4,360,841	1.46
£4,300,000 BPCE 1% 2025	4,291,742	1.44
£2,500,000 BPCE 1.375% 2026	2,519,915	0.84
£4,512,000 Citigroup 2.75% 2024	4,736,343	1.58
£3,554,000 Close Brothers Finance 1.625% 2030	3,442,335	1.15
£3,800,000 Close Brothers Finance 2.75% 2026	4,077,248	1.36
£1,400,000 Close Brothers Finance 3.875% 2021	1,406,356	0.47
£1,700,000 Co-operatieve Rabobank 1.25% 2025	1,712,794	0.57
£6,100,000 Coventry Building Society 1% 2025	6,075,280	2.03
£3,300,000 Coventry Building Society 1.5% 2023	3,342,449	1.12
£2,600,000 Coventry Building Society 1.875% 2023	2,669,503	0.89
£1,677,000 Coventry Building Society 2% 2030	1,672,573	0.56
£1,350,000 Coventry Building Society 5.875% 2022	1,446,457	0.48
£2,600,000 Deutsche Pfandbriefbank 1.75% 2022	2,631,329	0.88
\$6,000,000 Electricite de France 4.5% 2028	5,015,235	1.68

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£857,000	Enel Finance International 1% 2027	838,403	0.28
£2,500,000	Euroclear Bank 1.25% 2024	2,545,006	0.85
£3,429,000	First Abu Dhabi Bank 0.875% 2025	3,393,954	1.14
£2,700,000	First Abu Dhabi Bank 1.375% 2023	2,727,000	0.91
£2,600,000	Friends Life 8.25% 2022	2,790,159	0.93
£4,035,000	Friends Life 12% 2021	4,055,054	1.36
£3,900,000	GlaxoSmithKline Capital 1.25% 2028	3,853,317	1.29
£2,143,000	Goldman Sachs 1.5% 2027	2,133,466	0.71
£550,000	Goldman Sachs 4.25% 2026	624,438	0.21
£3,250,000	HSBC 6.5% 2024	3,787,314	1.27
£4,286,000	HSBC Holdings 1.75% VRN 2027	4,310,193	1.44
£4,860,000	HSBC Holdings 2.175% VRN 2023	4,945,220	1.65
£2,650,000	HSBC Holdings 2.256% VRN 2026	2,746,777	0.92
£2,450,000	Industrial and Commercial Bank of China 1.5% 2022	2,468,707	0.83
£3,400,000	ING Groep 1.125% VRN 2028	3,297,904	1.10
£5,680,000	JP Morgan Chase 0.991% VRN 2026	5,675,467	1.90
£1,760,000	Land Securities Capital Markets 1.974% 2026	1,802,468	0.60
£3,000,000	LBBW 1.125% 2025	3,011,355	1.01
£1,300,000	LBBW 1.5% 2025	1,321,808	0.44
£6,320,000	Leeds Building Society 1.5% VRN 2027	6,285,961	2.10
£3,400,000	Lloyds Bank 1.875% VRN 2026	3,471,569	1.16
£5,557,000	Lloyds Bank 2.25% 2024	5,769,099	1.93
£3,377,000	Lloyds Bank Corporate Markets 1.75% 2024	3,457,590	1.16
£3,025,000	Logicor 2019-1 UK 1.875% 2026	3,137,848	1.05
£1,663,000	London and Quadrant Housing Trust 2.625% 2026	1,779,528	0.60
£4,361,000	London Stock Exchange 1.625% 2030	4,340,155	1.45
£1,200,000	LVMH Moët Hennessy Louis Vuitton 1.125% 2027	1,198,572	0.40
£3,524,000	Macquarie Bank 1.125% 2025	3,525,451	1.18
\$4,000,000	MassMutual Global Funding II 2.15% 2031	2,869,853	0.96
£1,600,000	Munich Re 6.625% VRN 2042	1,697,029	0.57
£3,634,000	National Grid Electricity Transmission 1.125% 2028	3,520,316	1.18
£1,485,000	National Grid Gas 1.125% 2033	1,337,706	0.45
£2,647,000	Nationwide Building Society FRN 2031	2,646,746	0.89
£2,600,000	Nats En Route 1.375% 2031	2,592,049	0.87
£1,770,000	NatWest Markets 6.875% 2025	2,097,396	0.70
AUD\$5,000,000	NBN 1% 2025	2,737,519	0.92
\$2,647,000	NBN 1.45% 2026	1,909,369	0.64
£2,720,000	New York Life Global Funding 0.75% 2028	2,597,948	0.87

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
£1,645,000 New York Life Global Funding 1.25% 2026	1,657,320	0.55
£1,358,700 Paragon 6.125% 2022	1,402,192	0.47
£4,940,000 PGH Capital 5.75% 2021	4,981,279	1.67
£570,500 Places for People Finance 4.25% 2023	584,672	0.20
£484,000 Places for People Homes 1% Index-Linked 2022	626,485	0.21
£5,100,000 Places for People Homes 3.625% 2028	5,805,244	1.94
£5,109,000 Places for People Treasury 2.875% 2026	5,531,275	1.85
£848,000 Principality Building Society 2.375% 2023	874,420	0.29
£811,000 Procter and Gamble 1.2% 2030	547,761	0.18
\$3,000,000 Prologis 1.625% 2031	2,040,397	0.68
£150,000 Retail Charity Bonds 4% 2029	151,968	0.05
\$2,679,000 Royal Bank of Canada 1.2% 2026	1,928,923	0.65
£3,632,000 Scottish Widows 5.5% 2023	3,964,415	1.33
£3,720,000 Segro 2.375% 2029	3,963,546	1.33
\$2,800,000 Shell International Finance 2.375% 2029	2,061,041	0.69
£2,200,000 Siemens Financieringsmaatschappij 1% 2025	2,214,850	0.74
£2,979,000 Skipton Building Society 2% VRN 2026	3,036,595	1.02
£670,000 Telereal Securitisation 1.3657% 2033	671,815	0.22
£600,000 Tesco Personal Finance 3.5% 2025	631,129	0.21
£1,792,000 Total Capital International 1.75% 2025	1,856,262	0.62
£1,650,000 Toyota Motor Credit 0.75% 2026	1,621,681	0.54
£2,577,000 UBS 8.75% 2025	3,318,753	1.11
£3,800,000 UK Municipal Bonds Agency Finance FRN 2025	3,838,000	1.28
£2,929,000 Verizon Communications 1.125% 2028	2,823,257	0.94
£750,000 Wells Fargo 2% 2025	773,910	0.26
£1,350,000 Workspace 2.25% 2028	1,328,913	0.44
£2,351,000 Yorkshire Water Finance 1.75% 2026	2,407,541	0.81
\$4,875,000 Zurich Finance 3% VRN 2051	3,441,777	1.15
£5,848,000 Zurich Finance 6.625% VRN perp	6,283,239	2.10
	292,052,657	97.68
Mortgage Bonds (30.04.20: 3.97%)		
£2,967,000 China Development Bank 1.25% 2023	2,988,267	1.00
	2,988,267	1.00

Portfolio and net other assets as at 30 April 2021 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
Forward Foreign Exchange Contracts (30.04.20: 0.00%)		
Buy £24,610,062 Sell \$34,342,392	(190,706)	(0.06)
Buy £2,693,078 Sell AUD\$4,833,575	(3,833)	0.00
	(194,539)	(0.06)
Total value of investments (30.04.20: 99.13%)	294,846,385	98.62
Net other assets (30.04.20: 0.87%)	4,137,766	1.38
Total value of the fund as at 30 April 2021	298,984,151	100.00

Sectors eliminated since the beginning of the year:

Supranational Bonds	1.14%
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Summary of portfolio investments

	Value £	Percentage of total net assets
Corporate Bonds	292,052,657	97.68
Mortgage Bonds	2,988,267	1.00
Forwards	(194,539)	(0.06)
Total value of investments	294,846,385	98.62

Statement of total return for the year ended 30 April 2021

	Note	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Income					
Net capital gains/(losses)	2		2,412,799		(1,439,280)
Revenue	3	4,412,544		2,905,045	
Expenses	4	(703,284)		(468,490)	
Interest payable and similar charges		(448)		(827)	
Net revenue before taxation		3,708,812		2,435,728	
Taxation	5	—		—	
Net revenue after taxation			3,708,812		2,435,728
Total return before distributions			6,121,611		996,448
Distributions	6		(6,728,301)		(4,369,279)
Change in net assets attributable to shareholders from investment activities			(606,690)		(3,372,831)

Statement of change in net assets attributable to shareholders for the year ended 30 April 2021

	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Opening net assets attributable to shareholders		218,250,155		92,862,044
Amounts receivable on issue of shares	111,214,618		139,902,377	
Amounts payable on cancellation of shares	(30,472,623)		(11,490,857)	
		80,741,995		128,411,520
Dilution adjustment		—		12,509
Change in net assets attributable to shareholders from investment activities (see Statement of total return above)		(606,690)		(3,372,831)
Retained distributions on accumulation shares		598,691		336,913
Closing net assets attributable to shareholders		298,984,151		218,250,155

Balance sheet as at 30 April 2021

	Note	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Assets					
Fixed assets:					
Investments			295,040,924		216,349,101
Current assets:					
Debtors	7	5,057,765		3,374,538	
Cash and bank balances		5,484,233		1,056,799	
Total current assets			10,541,998		4,431,337
Total assets			305,582,922		220,780,438
Liabilities					
Investment liabilities			(194,539)		–
Creditors:					
Distribution payable on income shares		(1,731,634)		(1,236,162)	
Other creditors	8	(4,672,598)		(1,294,121)	
Total liabilities			(6,598,771)		(2,530,283)
Net assets attributable to shareholders			298,984,151		218,250,155

Notes to the financial statements

1 Accounting policies

a) Basis of accounting

The annual financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014, and as amended in June 2017.

As stated in the Statement of the ACD's responsibilities in relation to the report and the financial statements of the Company on page 31, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the fund.

b) Recognition of revenue

Bank and other interest receivable is accrued up to the accounting date, and this forms part of the distribution.

Revenue on debt securities has been accounted for on a coupon accounting method.

c) Treatment of expenses

All expenses are charged against capital.

d) Distribution policy

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

For the purpose of calculating the distribution available to shareholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis. A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 6.

In order to conduct a controlled dividend flow to shareholders, interim distributions will be made at the ACD's discretion, up to a maximum of the distributable income available for the year. All remaining revenue is distributed in accordance with the regulations.

e) Basis of valuation of investments

The quoted investments of the fund have been valued at the closing bid-market prices excluding any accrued interest in the case of debt securities ruling on the principal markets on which the stocks are quoted on the last business day of the accounting year. If no market price is available we use two different vendors (at least one being independent) to obtain a price and verify it against. If the Stock Exchange quotation of an investment has been suspended, and in the opinion of the ACD it is unlikely to be reinstated, this has been indicated in the portfolio of investments. Suspended investments are valued based on the latest financial statements of the respective company and agreed with the Depositary.

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

All assets are recognised and derecognised on trade date. Any trades occurring between valuation point and close of business are included in the financial statements.

f) Exchange rates

The functional currency of the fund is pound sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting year are translated into sterling at the closing middle exchange rates ruling on that date.

1 Accounting policies *(continued)*

g) Taxation/Deferred Tax

i) Corporation tax is provided for at 20% on taxable revenue, after deduction of expenses.

ii) Where overseas tax has been deducted from taxable overseas revenue, that tax can, in some instances, be set off against the corporation tax payable by the fund, by way of double taxation relief.

iii) The charge for deferred tax is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax assets can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Notes to the financial statements *(continued)*

2 Net capital gains /(losses)

	30.04.21 £	30.04.20 £
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	1,997,668	(1,429,248)
Currency gains	51,826	—
Forward currency contracts	367,625	—
Transaction charges	(4,320)	(10,032)
Net capital gains/(losses)	2,412,799	(1,439,280)

3 Revenue

	30.04.21 £	30.04.20 £
Interest on debt securities	4,412,544	2,899,408
Bank interest	—	5,637
Total revenue	4,412,544	2,905,045

4 Expenses

	30.04.21 £	30.04.21 £	30.04.20 £	30.04.20 £
Payable to the ACD, associates of the ACD and agents of either of them:				
ACD's charge		569,685		353,410
Payable to the Depositary, associates of the Depositary and agents of either of them:				
Depositary's fees	56,690		36,701	
Safe custody and other bank charges	32,951		25,077	
		89,641		61,778
Other expenses:				
Administration fees	12,089		23,793	
Audit fee*	11,640		12,660	
Printing and publication costs	2,696		2,543	
Listing fees	3,530		3,540	
Registration fees	14,003		10,766	
		43,958		53,302
Total expenses		703,284		468,490

* Audit fees for 2020 are £9,700 excluding VAT (30.04.20: £9,300 excluding VAT).

5 Taxation

	30.04.21	30.04.20
	£	£
a) Analysis of charge in the year		
Corporation tax	—	—
Total tax charge (note 5b)	—	—

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (20%) (30.04.20: 20%). The differences are explained below.

	30.04.21	30.04.20
	£	£
Net revenue before taxation	3,708,812	2,435,728
Corporation tax at 20%	741,762	487,146
Effects of:		
Tax deductible interest distributions	(741,762)	(487,146)
Total tax charge for the year (note 5a)	—	—

c) Deferred tax

At the year end the fund had no surplus management expenses (30.04.20: £nil) and no deferred tax asset has been recognised.

6 Distributions

The distributions take account of amounts received on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	30.04.21 £	30.04.20 £
First Interim	1,504,722	655,184
Second Interim	1,726,138	764,608
Third Interim	1,893,773	1,924,232
Final	1,889,348	1,336,231
	7,013,981	4,680,255
Add: Amounts deducted on cancellation of shares	115,173	44,415
Deduct: Amounts received on issue of shares	(400,853)	(355,391)
Net distribution for the year	6,728,301	4,369,279

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

Net distribution for the year	6,728,301	4,369,279
Expenses allocated to Capital:		
ACD's periodic charge	(569,685)	(353,410)
Depository's fees	(56,690)	(36,701)
Safe custody and other bank charges	(32,951)	(25,077)
Administration fees	(12,089)	(23,793)
Audit fee	(11,640)	(12,660)
Printing and publication costs	(2,696)	(2,543)
Listing fees	(3,530)	(3,540)
Registration fees	(14,003)	(10,766)
Effective yield amortisation	(2,319,402)	(1,472,312)
Equalisation on conversion	(17)	(3)
Balance brought forward	(10,153)	(2,899)
Balance carried forward	13,367	10,153
Net revenue after taxation	3,708,812	2,435,728

7 Debtors

	30.04.21 £	30.04.20 £
Amounts receivable for issue of shares	206,642	948,906
Sales awaiting settlement	1,683,616	—
Accrued revenue	3,167,507	2,425,632
Total debtors	5,057,765	3,374,538

8 Other creditors

	30.04.21 £	30.04.20 £
Amounts payable for cancellation of shares	79,267	5,125
Purchases awaiting settlement	4,497,109	1,220,342
Accrued expenses	42,849	32,121
Accrued ACD's charge	53,373	36,533
Total other creditors	4,672,598	1,294,121

9 Reconciliation of shares

	I-class income	I-class accumulation	S-class income	S-class accumulation
Opening shares issued at 01.05.20	8,602,031	3,306,856	194,329,497	12,787,108
Share movements 01.05.20 to 30.04.21				
Shares issued	22,991,775	4,472,672	75,403,248	7,292,326
Shares cancelled	(1,517,150)	(2,148,133)	(24,439,949)	(2,032,457)
Shares converted	692,988	—	(711,474)	29,137
Closing shares at 30.04.21	30,769,644	5,631,395	244,581,322	18,076,114

10 Related parties

ACD fees paid to Rathbone Unit Trust Management Limited (the ACD) are disclosed in note 4 and amounts outstanding at the year end in note 8.

Details of shares created and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and note 6.

There were no commissions paid to stockbroking of the ACD in respect of dealings in the investments of Rathbone High Quality Bond Fund during the year (30.04.20: nil).

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

At the year end there were no significant shareholders (30.04.20: nil).

11 Shareholder funds

The fund has two share class: I-class and S-class. The annual ACD charge on the fund is 0.35% and 0.20% respectively.

The net asset value, the net asset value per share and the number of shares in issue are given in the net asset value per share and comparative tables on pages 3 to 6.

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.04.20: nil).

13 Risk disclosures on financial instruments

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for liquidations and debtors for accrued revenue.

The fund is exposed to credit risk as a result of its investment in bonds. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions.

The main risks arising from the financial instruments are:

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

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

	30.04.21	30.04.20
	£	£
Currency:		
Australian dollar	2,745,028	–
US dollar	25,076,171	–
Pound sterling	271,162,952	218,250,155
	298,984,151	218,250,155
Net assets	298,984,151	218,250,155

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £2,529,200 (30.04.20: £nil). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £3,091,244 (30.04.20: £nil). These calculations assume all other variables remain constant.

13 Risk disclosures on financial instruments *(continued)*

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

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

	30.04.21	30.04.20
	£	£
Fixed rate assets:		
Australian dollar	2,737,519	–
US dollar	21,744,597	–
Pound sterling	214,387,386	141,376,132
	238,869,502	141,376,132
Floating rate assets:		
US dollar	5,349,365	–
Pound sterling	53,659,544	76,029,768
	59,008,909	76,029,768
Assets on which no interest is paid:		
Australian dollar	11,342	–
US dollar	80,502	–
Pound sterling	7,612,667	3,374,538
	7,704,511	3,374,538
Liabilities on which no interest is paid:		
Australian dollar	(3,833)	–
US dollar	(2,098,293)	–
Pound sterling	(4,496,645)	(2,530,283)
	(6,598,771)	(2,530,283)
Net assets	298,984,151	218,250,155

If interest rates had increased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £14,724,364 (30.04.20: £7,953,240). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £14,724,364 (30.04.20: £7,953,240). These calculations assume all other variables remain constant.

13 Risk disclosures on financial instruments *(continued)*

(ii) Interest rate risk *(continued)*

The floating rate financial assets and liabilities comprise bank balances, floating rate securities and index linked bonds that earn or pay interest at rates linked to the UK base rate or its international equivalents.

	30.04.21		30.04.20	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
Bond credit ratings				
Investment grade	277,057,159	92.65	206,884,491	94.79
Below investment grade	17,983,765	6.03	9,464,610	4.34
Total bonds	295,040,924	98.68	216,349,101	99.13

There are no material amounts of non-interest bearing financial assets and liabilities.

(iii) Market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than currency or interest rate movements.

The investment portfolio is exposed to market price fluctuations which are monitored by the ACD in pursuance of the investment objective and policy set out in the Prospectus. Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation and Prospectus and the rules of the FCA's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £29,484,638 (30.04.20: £21,634,910). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £29,484,638 (30.04.20: £21,634,910). These calculations assume all other variables remain constant.

(iv) Counterparty risk, being the risk that the counterparty will not deliver the investments for a purchase, or the cash for a sale after the fund has fulfilled its responsibilities.

(v) Fair value. There is no material difference between the carrying value and fair value of the financial instruments disclosed in the balance sheet.

(vi) Leverage. In accordance with the IA SORP issued in May 2014 we are required to disclose any leverage of the fund. There is no significant leverage in Rathbone High Quality Bond Fund which would increase its exposure.

14 Portfolio transaction cost

For the year ended 30 April 2021

Analysis of total purchase costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	249,248,028	—	—	—	—
Total purchases before transaction costs	249,248,028	—	—	—	—
Total purchases including commission and taxes	249,248,028				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	133,079,800	—	—	—	—
Corporate actions	37,153,796	—	—	—	—
Total sales including transaction costs	170,233,596	—	—	—	—
Total sales net of commission and taxes	170,233,596				

The fund had paid £nil as commission on purchases and sale derivative transactions for the year ended 30 April 2021.

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

14 Portfolio transaction cost *(continued)*

For the year ended 30 April 2020

Analysis of total purchase costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	226,656,592	—	—	—	—
Total purchases before transaction costs	226,656,592	—	—	—	—
Total purchases including commission and taxes	226,656,592				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	44,103,506	—	—	—	—
Corporate actions	53,552,784	—	—	—	—
Total sales including transaction costs	97,656,290	—	—	—	—
Total sales net of commission and taxes	97,656,290				

The fund had paid £nil as commission on purchases and sale derivative transactions for the year ended 30 April 2020.

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

In the case of shares, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.34% (30.04.20: 0.43%).

15 Fair value of investments

The fair value of investments has been determined using the following hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 30 April 2021

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Bonds	–	295,040,924	–	295,040,924
	–	295,040,924	–	295,040,924

Category	1	2	3	Total
	£	£	£	£
Investment liabilities				
Derivatives	–	(194,539)	–	(194,539)
	–	(194,539)	–	(194,539)

For the year ended 30 April 2020

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Bonds	–	216,349,101	–	216,349,101
	–	216,349,101	–	216,349,101

16 Share price movement since the balance sheet date

Subsequent to the year end, the net asset value per share of the fund has increased using the share prices at the year end date compared to 22 June 2021. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments.

Share type	30.04.21 mid price	22.06.21 mid price
I-class income	98.81p	98.49p
I-class accumulation	102.43p	102.75p
S-class income	100.57p	100.27p
S-class accumulation	105.82p	106.17p

Distribution tables for the year ended 30 April 2021

Distribution tables (pence per share)

First Interim

Group 1 – Shares purchased prior to 1 May 2020

Group 2 – Shares purchased on or after 1 May 2020 and on or before 31 July 2020

I-class income* shares	Net income	Equalisation	Paid 30.09.20	Paid 30.09.19
Group 1	0.57	–	0.57	0.02
Group 2	0.18	0.39	0.57	0.02
I-class accumulation* shares	Net income	Equalisation	Accumulated 30.09.20	Accumulated 30.09.19
Group 1	0.59	–	0.59	0.02
Group 2	0.20	0.39	0.59	0.02
S-class income shares	Net income	Equalisation	Paid 30.09.20	Paid 30.09.19
Group 1	0.59	–	0.59	0.44
Group 2	0.25	0.34	0.59	0.44
S-class accumulation shares	Net income	Equalisation	Accumulated 30.09.20	Accumulated 30.09.19
Group 1	0.60	–	0.60	0.45
Group 2	0.27	0.33	0.60	0.45

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

Distribution tables for the year ended 30 April 2021 *(continued)*

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

Second Interim

Group 1 – Shares purchased prior to 1 August 2020

Group 2 – Shares purchased on or after 1 August 2020 and on or before 31 October 2020

I-class income* shares	Net income	Equalisation	Paid 31.12.20	Paid 31.12.19
Group 1	0.63	–	0.63	0.43
Group 2	0.37	0.26	0.63	0.43
I-class accumulation* shares	Net income	Equalisation	Accumulated 31.12.20	Accumulated 31.12.19
Group 1	0.64	–	0.64	0.43
Group 2	0.26	0.38	0.64	0.43
S-class income shares	Net income	Equalisation	Paid 31.12.20	Paid 31.12.19
Group 1	0.64	–	0.64	0.44
Group 2	0.30	0.34	0.64	0.44
S-class accumulation shares	Net income	Equalisation	Accumulated 31.12.20	Accumulated 31.12.19
Group 1	0.67	–	0.67	0.44
Group 2	0.24	0.43	0.67	0.44

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

Distribution tables for the year ended 30 April 2021 *(continued)*

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

Third Interim

Group 1 – Shares purchased prior to 1 November 2020

Group 2 – Shares purchased on or after 1 November 2020 and on or before 31 January 2021

I-class income* shares	Net income	Equalisation	Paid 31.03.21	Paid 31.03.20
Group 1	0.65	–	0.65	0.48
Group 2	0.03	0.62	0.65	0.48
I-class accumulation* shares	Net income	Equalisation	Accumulated 31.03.21	Accumulated 31.03.20
Group 1	0.66	–	0.66	0.57
Group 2	0.27	0.39	0.66	0.57
S-class income shares	Net income	Equalisation	Paid 31.03.21	Paid 31.03.20
Group 1	0.65	–	0.65	0.91
Group 2	0.29	0.36	0.65	0.91
S-class accumulation shares	Net income	Equalisation	Accumulated 31.03.21	Accumulated 31.03.20
Group 1	0.68	–	0.68	1.02
Group 2	0.34	0.34	0.68	1.02

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

Distribution tables for the year ended 30 April 2021 *(continued)*

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

Final

Group 1 – Shares purchased prior to 1 February 2021

Group 2 – Shares purchased on or after 1 February 2021 and on or before 30 April 2021

I-class income* shares	Net income	Equalisation	Payable 30.06.21	Paid 30.06.20
Group 1	0.62	–	0.62	0.59
Group 2	0.45	0.17	0.62	0.59
I-class accumulation* shares	Net income	Equalisation	Allocated 30.06.21	Accumulated 30.06.20
Group 1	0.65	–	0.65	0.59
Group 2	0.33	0.32	0.65	0.59
S-class income shares	Net income	Equalisation	Payable 30.06.21	Paid 30.06.20
Group 1	0.63	–	0.63	0.61
Group 2	0.27	0.36	0.63	0.61
S-class accumulation shares	Net income	Equalisation	Allocated 30.06.21	Accumulated 30.06.20
Group 1	0.67	–	0.67	0.63
Group 2	0.35	0.32	0.67	0.63

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

Notes for corporate shareholders

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

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

Equalisation

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

Directors' statement

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

MM Webb JR Chillingworth
for Rathbone Unit Trust Management Limited
ACD of Rathbone High Quality Bond Fund
14 July 2021

Statement of the ACD's responsibilities in relation to the report and accounts of the Rathbone High Quality Bond Fund

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue and of the net capital gains or losses on the property of the Company for that year. In preparing those financial statements, the ACD is required to:

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the SORP relating to financial statements of UK authorised funds issued by The Investment Association;
4. follow United Kingdom Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 to 'The Financial Reporting Standard applicable in the UK and Republic of Ireland';
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation; and
6. keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the Collective Investment Schemes Sourcebook. The ACD has general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

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

The ACD has considered the activities of the Company together with the factors likely to affect its future development, including those related to the COVID-19 pandemic. The assets of the Rathbone Global High Quality Bond Fund consist predominantly of cash and liquid securities that are readily realisable and therefore has adequate resources to continue in operational existence for the foreseeable future. The ACD has also considered the impact of the COVID-19 pandemic on the operations of the ACD and material third party service providers which continue to be maintained and fully functioning. Accordingly, the ACD continues to adopt the going concern basis in the preparation of the financial statements.

In accordance with COLL 4.5.8 R, the Annual Report and the audited financial statements were approved by the board of directors of the ACD of the Scheme and authorised for issue on 14 July 2021.

Statement of the Depositary's responsibilities and report of the Depositary to the shareholders of Rathbone High Quality Bond Fund (the Company) for the year ended 30 April 2021

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together the Regulations), the Company's Instrument of Incorporation and Prospectus (together the Scheme documents) as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

1. the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
2. the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
3. the value of shares in the Company is calculated in accordance with the Regulations;
4. any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
5. the Company's income is applied in accordance with the Regulations; and
6. the instructions of the Authorised Fund Manager (the AFM) are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited
Depositary of Rathbone High Quality Bond Fund
14 July 2021

Independent Auditor's Report to the shareholders of Rathbone High Quality Bond Fund

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Rathbone Spenser fund (the 'company'):

- give a true and fair view of the financial position of the company as at 30 April 2021 and of the net revenue and the net capital gains on the property of the company for the year ended 30 April 2021; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

We have audited the financial statements which comprise for each sub-fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the distribution tables; and
- Individual notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the authorised corporate director's (ACD's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the shareholders of Rathbone High Quality Bond Fund *(continued)*

Other information

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

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

We have nothing to report in this regard.

Responsibilities of depositary and ACD

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Collective Investment Schemes Sourcebook and relevant tax legislation; and

Independent Auditor's Report to the shareholders of Rathbone High Quality Bond Fund *(continued)*

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Open-Ended Investment Companies Regulations 2001.

We discussed among the audit engagement team including relevant internal specialists such as valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reviewing correspondence with HMRC and the FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Company and its sub-fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 April 2021 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Use of our report

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
14 July 2021

General information

UCITS Remuneration

In line with the requirements of the UCITS Directive, Rathbone Unit Trust Management Limited (the Manager) has adopted a remuneration policy which is consistent with the remuneration principles applicable to UCITS management companies. Its purpose is to ensure that the remuneration of the staff of the Manager is consistent with and promotes sound and effective risk management, does not encourage risk-taking which is inconsistent with the risk profiles of the Manager and the UCITS that it manages and does not impair the Manager's compliance with its duty to act in the best interests of the UCITS it manages. The remuneration policy applies to staff of the Manager whose professional activities have a material impact on the risk profile of the Manager or the UCITS that it manages (known as Remuneration Code Staff).

The aggregate remuneration paid by the Manager to its staff, and to those staff who are identified as Remuneration Code Staff, is disclosed below.

	Fixed remuneration £'000	Variable remuneration £'000	Total remuneration £'000	Headcount
Senior Management	1,371	5,459	6,830	6
Risk takers	1,390	3,318	4,708	14
Control functions	272	33	305	3
Other	114	159	273	1
Total remuneration code staff	3,147	8,969	12,116	24
Non-remuneration code staff	743	315	1,058	21
Total for the Manager	3,890	9,284	13,174	45

The variable remuneration disclosed in the table above is for the financial year ended 31 December 2020, which is the most recent period for which data are available. Variable remuneration is determined annually based on, inter alia, the results of the Manager and the investment performance of the UCITS that it manages for discrete annual periods ending on 31 December each year. Consequently, it is not possible to apportion the variable award between calendar years.

Authorised status

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

Investment objective, policy and strategy

Investment objective

The objective of the fund is to preserve capital and pay an income by delivering a greater total return than the Bank of England's Base Rate + 0.5%, after fees, over any rolling three-year period. There is no guarantee that this investment objective will be achieved over three years, or any other time period. We use the Bank of England's Base Rate + 0.5% as a target for our fund's return because we aim to provide a return in excess of what you would receive in a UK savings account. This is an investment product, not a cash savings account. Your capital is at risk.

Investment policy

To meet the objective, the fund manager will invest at least 80% of the fund in government and corporate bonds with high credit ratings (AAA to A-). The remaining 20% of the fund is invested in investment grade government and corporate bonds with lower credit ratings (BBB+ to BBB-) or bonds with no rating at all. Up to 10% of the fund can be invested directly in contingent convertible bonds. If a bond's rating falls below BBB-, otherwise known as high yield, the fund manager will sell it within six months.

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 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.

Investment strategy

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 C 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

Finally, we compare prices to determine the best value bonds to include in our fund.

Fund benchmark

Bank of England's Base Rate + 0.5%.

Valuation of the sub-funds

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

Stewardship code

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

Buying and selling of shares

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

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

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

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

The minimum initial and additional investment for S-class shares is set at £100,000,000 or Fund Manager's discretion. Any number of shares may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

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

Statements

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

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

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

Prices

Prices are available on our website rathbonefunds.com

Other information

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

The Register of Shareholders can be inspected during normal business hours at the office of the Registrar, 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.

General information *(continued)*

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

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

ISA eligibility

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

Risk factors

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

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 assessment for this fund on rathbones.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 Ethical Bond Fund
Rathbone Global Opportunities Fund
Rathbone Heritage Fund
Rathbone Income Fund
Rathbone Spenser Fund
Rathbone Strategic Bond Fund
Rathbone UK Opportunities Fund

General information *(continued)*

and the Authorised Corporate Director of:

Rathbone Defensive Growth Portfolio
Rathbone Dynamic Growth Portfolio
Rathbone Enhanced Growth Portfolio
Rathbone Global Sustainability Fund
Rathbone Greenbank Defensive Growth Portfolio
Rathbone Greenbank Dynamic Growth Portfolio
Rathbone Greenbank Strategic Growth Portfolio
Rathbone Greenbank Total Return Portfolio
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 require further details of this fund or any of the other funds managed by Rathbone Unit Trust Management Limited, a Prospectus, Key Investor Information Document and Supplementary Information Document or an application form for the purchase of shares or units, please write to:

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

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

Data protection

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

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

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

Rathbones

Look forward

Rathbone Unit Trust Management Limited

8 Finsbury Circus, London EC2M 7AZ
Tel 020 7399 0000

Information line

020 7399 0399
rutm@rathbones.com
rathbonefunds.com

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