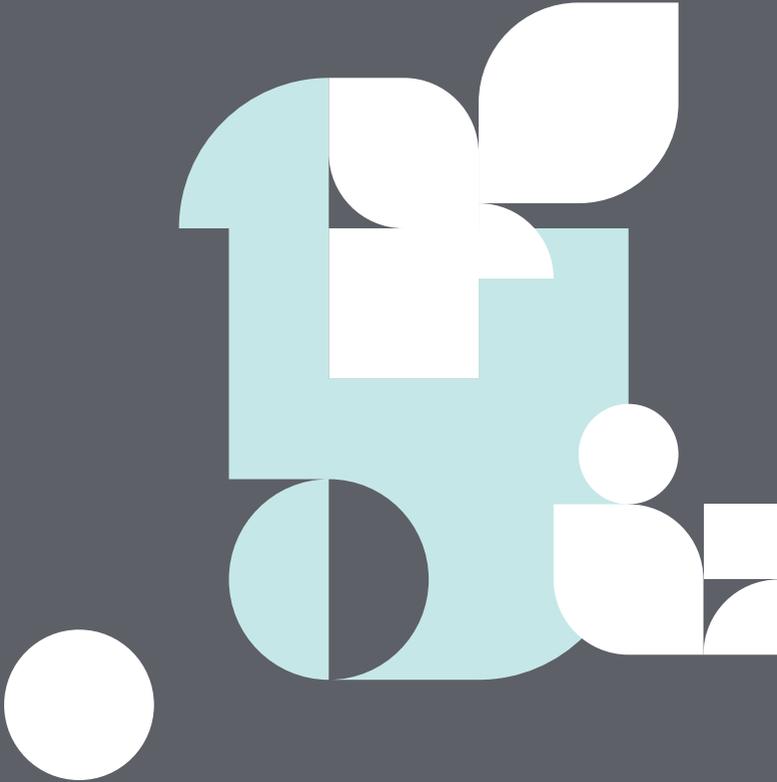


Rathbones

Look forward

# Rathbone Strategic Bond Fund

Annual report for the year ended 30 June 2021



# Rathbone Strategic Bond Fund

## **Authorised Fund Manager (the Manager)**

Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ  
Telephone 020 7399 0399  
Facsimile 020 7399 0057  
**A member of the Rathbone Group  
Authorised and regulated by the  
Financial Conduct Authority and member  
of The Investment Association**

## **Dealing office**

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

## **Registrar**

SS&C Financial Services International Limited  
SS&C House  
St Nicholas Lane  
Basildon  
Essex SS15 5FS  
Telephone 0330 123 3810  
Facsimile 0330 123 3812  
**Authorised and regulated by the  
Financial Conduct Authority**

## **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX

## **Directors of the Manager**

**RP Stockton** – Chairman  
**MM Webb** – Chief Executive Officer  
**JR Chillingworth** – Chief Investment Officer  
**JM Ardouin** – Finance Director  
**MS Warren** – Non-Executive Director  
**J Lowe** – Non-Executive Director

## **Administrator**

HSBC Securities Services  
1-2 Lochside Way  
Edinburgh Park  
Edinburgh EH12 9DT  
**Authorised and regulated by the  
Financial Conduct Authority**

## **Trustee**

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

## Manager's report for the year ended 30 June 2021

In the year ended 30 June 2021, our Fund returned 7.86%, while our benchmark, the IA Sterling Strategic Bond sector, made 6.13%.

The period saw big moves in government bond markets. The yield on US 10-year Treasuries (which rises as prices fall) shot up from 0.66% at the start of the period to end it at 1.47%. And the yield on 10-year gilts surged from 0.17% to 0.72%.

Credit spreads – the extra return above government bond yields for taking on the risk of default – narrowed considerably. The iTraxx Crossover European high yield spread index began the period at 383 basis points and finished it at 232 basis points.

To revert to the old football cliché, the past 12-month period really was a game of two halves. It started with much of the developed world firmly in the grip of COVID-19-driven lockdowns and financial markets reflecting intense investor risk aversion. Prices of the safest assets (i.e. government bonds) were very high, while riskier assets (like stocks) remained volatile even if they had tentatively begun to recover from the worst of the COVID doldrums.

Midway through the period, everything began to change. Vaccine breakthroughs allowed the world to start opening up again and economists ratcheted up their growth and inflation forecasts. By early February these suggested that pent-up demand, fuelled by the sizeable savings many accumulated during lockdowns, could lead to a red-hot recovery.

The first turning point came in November 2020 when a raft of highly viable inoculations was announced. This drove government bond yields significantly higher. We felt the market reaction was disproportionate, so we took advantage of the spike in yields to get buying in areas that we had avoided or kept only small holdings in because we thought prices were too steep. Namely, longer-dated 'higher-duration' government bonds whose prices are more sensitive to changes in prevailing yields/interest rates. When yields spiked (prices fell) we bought the UK Treasury 1¼% 2041 and UK Treasury 4.75% 2030. When the yields on these bonds fell back in December, we sold some of them again.

We used that cash to add to our riskier assets. Some of that went towards developing world debt, including the Barings Emerging Markets Debt Blended Total Return and Ninety One Emerging Markets Local Currency Debt funds. With developed world bond yields extremely low, emerging market debt looked like a relatively cheap pocket of value. Some emerging market debt then rallied sharply and we began to sell the Barings and Ninety One funds from early 2021 onwards.

By this stage, several of the world's biggest economies had made decisive moves to reopen as the vaccine rollout had gathered momentum. Bond yields climbed as optimism about an economic rebound grew – alongside expectations that reflation (a recovery in prices as economies got back to full throttle) would soon follow.

In early February, bond investors began to fear that reflation might morph into full-blown inflation, which could drive big central banks to remove stimulus and hike interest rates sooner than expected. (Higher rates can tame rising prices because they make it more expensive to borrow and, therefore, curb propensity to spend.)

This drove a scramble to sell out of government bonds, whose value would decline if rates went up. Selling pressure was most intense at the longer end of government bond markets, leading the yield curve to steepen significantly. That's to say, the yields on longer-dated bonds rose relative to those on shorter-dated bonds. We saw this as no bad thing: a steeper yield curve often signals that the economy is recovering or expanding. We took advantage of yield curve steepening to buy in areas where prices had previously been too expensive, namely, longer-dated government bonds, like the UK Treasury 1 ½% 2047.

## Manager's report for the year ended 30 June 2021 *(continued)*

We didn't let the market tumult of early 2021 prevent us from making the most of our active role and exploring new opportunities when they arose. In February, we ventured into new territory for our Fund by buying the iShares China CNY Bond ETF, which invests in Chinese government and policy bank bonds (the latter are issued by government-controlled institutions that lend to official projects). The exchange traded fund provides an accessible way to gain exposure to these bonds, which are now included in one of the world's most important global bond indices. China is a highly rated sovereign and these bonds offer an attractive yield relative to high-quality alternatives. We added to this purchase in May.

By April, the government bond selloff had begun to ease even though inflation data stayed on the boil. The 10-year Treasury yield settled into a narrowish range of below 1.50% where it broadly stayed through to the end of June, way below its 2021 peak of around 1.78%. Yields seemed to steady because bond investors started to accept the US Federal Reserve's (Fed) oft-repeated insistence that the inflation spike would prove "transitory".

At its June policy-setting meeting, the Fed acknowledged that inflation and growth were coming in higher than it had expected. But it stressed that it wanted to see substantial progress in repairing pandemic-inflicted labour market damage before pencilling in interest rate rises. The Fed conceded that it was gearing up to kick off discussion on when to slow the pace of its quantitative easing (QE) bond purchases. This would be a first step in reining in its easy policies as QE helps keep a lid on bond yields.

By the end of the period, it felt like we were in 'wait-and-see' mode. The recovery rebound (and attendant inflationary pressures) may begin to ease back a bit - or they might keep hotting up. Whatever happens, bond investors seem more confident in central bankers' insistence that eventual policy tightening is going to be slow and gradual, and also signalled well ahead of time.

As ever, we've stayed focused on adding to opportunities that we believe will benefit our Fund's long-term return and income potential. We've allowed a little cash to build up so that we can swiftly put it to work when we find particularly compelling opportunities. Towards the end of the period we have been paring back our exposure to some longer duration bonds most sensitive to yield/rate changes, like the UK Treasury 1½% 2047. Longer-dated debt could prove particularly vulnerable if prolonged bouts of market volatility break out in future.

**Bryn Jones**  
Fund Manager  
*19 July 2021*

**Noelle Cazalis**  
Fund Manager

## Net asset value per unit and comparative tables

### I-class income units

	<b>30.06.21</b> pence per unit	30.06.20 pence per unit	30.06.19 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	113.23p	114.00p	114.45p
Return before operating charges*	9.49p	3.72p	4.11p
Operating charges	(0.66p)	(0.63p)	(0.64p)
Return after operating charges*	8.83p	3.09p	3.47p
Distributions on income units	(4.56p)	(3.86p)	(3.92p)
Closing net asset value per unit	117.50p	113.23p	114.00p
*after direct transaction costs <sup>1</sup> of:	0.00p	0.00p	0.00p

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

### Performance

Return after charges	7.80%	2.71%	3.03%
----------------------	-------	-------	-------

### Other information

Closing net asset value	£96,102,477	£81,096,195	£76,589,061
Closing number of units	81,789,803	71,621,862	67,184,480
Operating charges	0.80%	0.84%	0.67%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices\*\*

Highest unit price	120.20p	117.03p	115.68p
Lowest unit price	113.64p	105.88p	111.65p

### Ongoing Charges Figure

UCITS	0.80%	0.84%	0.67%
PRIIPs***	0.93%	0.95%	0.76%

\*\* 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.

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

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

### I-class accumulation units

	<b>30.06.21</b> pence per unit	30.06.20 pence per unit	30.06.19 pence per unit
<b>Change in net assets per unit</b>			
Opening net asset value per unit	151.03p	146.96p	142.63p
Return before operating charges*	12.75p	4.89p	5.13p
Operating charges	(0.89p)	(0.82p)	(0.80p)
Return after operating charges*	11.86p	4.07p	4.33p
Distributions on accumulation units	(6.17p)	(5.05p)	(4.94p)
Retained distributions on accumulation units	6.17p	5.05p	4.94p
Closing net asset value per unit	162.89p	151.03p	146.96p

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

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

### Performance

Return after charges 7.85% 2.77% 3.04%

### Other information

Closing net asset value	£112,046,504	£87,893,259	£103,475,788
Closing number of units	68,785,577	58,195,977	70,412,225
Operating charges	0.80%	0.84%	0.67%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices\*\*

Highest unit price	163.36p	153.39p	147.45p
Lowest unit price	151.37p	138.60p	141.41p

### Ongoing Charges Figure

UCITS	0.80%	0.84%	0.67%
PRIPs***	0.93%	0.95%	0.76%

\*\* 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.

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

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

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



Lower potential risk/reward  
(Not risk-free)

Higher potential risk/reward

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

### Discrete annual performance, year ending 30 June 2021

	2017	2018	2019	2020	2021
I-class units	8.79%	1.91%	3.20%	2.83%	7.86%
IA Sterling Strategic Bond Sector	6.85%	0.33%	5.33%	3.79%	6.13%

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 30 June 2021

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>United Kingdom</b> (30.06.20: 45.56%)		
<b>Government Bonds</b> (30.06.20: 5.92%)		
£300,000 UK Treasury 1.50% 2047	317,190	0.15
£3,800,000 UK Treasury 4.75% 2030	5,192,966	2.49
	<b>5,510,156</b>	<b>2.64</b>
<b>Government Index-Linked Bonds</b> (30.06.20: 3.65%)		
£1,520,000 UK Treasury 0.125% Index-Linked 2026	2,047,251	0.98
£2,900,000 UK Treasury 1.875% Index-Linked 2022	4,581,544	2.20
	<b>6,628,795</b>	<b>3.18</b>
<b>Corporate Bonds</b> (30.06.20: 32.66%)		
£318,000 A2Dominion Housing 3.5% 2028	349,765	0.17
\$1,596,156 Ardonagh Midco 2 11.5% 2027	1,265,186	0.61
£102,000 Aviva 4% VRN 2055	113,475	0.05
£300,000 Aviva 4.375% VRN 2049	339,921	0.16
£1,600,000 Aviva 6.875% VRN 2058	2,524,381	1.21
£400,000 Barclays Bank 3.25% 2033	444,178	0.21
€1,100,000 Barclays Bank 4.75% VRN perp	908,430	0.44
\$1,000,000 Barclays Bank 6.278% VRN Perp	968,649	0.47
£500,000 Brit Insurance 6.625% VRN 2030	482,500	0.23
£514,000 Bruntwood 6% 2025	525,822	0.25
£727,000 BUPA Finance 4.125% 2035	815,941	0.39
£550,000 BUPA Finance 5% 2026	642,213	0.31
£1,260,000 Burford Capital 6.125% 2024	1,314,306	0.63
£500,000 Channel Link FRN 2050	403,070	0.19
£773,000 Close Brothers 2% VRN 2031	777,190	0.37
£400,000 Co Operative Bank Finance 9.5% VRN 2029	424,253	0.20
£250,000 CYBG 3.125% VRN 2025	262,330	0.13
£300,000 Dignity Finance 4.6956% 2049	298,516	0.14
£200,000 Direct Line Insurance 4% 2032	224,741	0.11
£400,000 Finance for Residential Social Housing 8.569% 2058	358,665	0.17
£300,000 Grainger 3% 2030	316,382	0.15
£347,000 Grainger 3.375% 2028	374,978	0.18
£45,000 HBOS 5.75% VRN perp	45,900	0.02
£700,000 HSBC Holdings 3% VRN 2028	754,327	0.36
£1,500,000 Iceland Bondco 4.375% 2028	1,411,383	0.68
£740,000 Investec Bank 4.25% VRN 2028	777,400	0.37
£700,000 JRP 9% 2026	925,976	0.45
£629,000 Jupiter Fund Management 8.875% VRN 2030	737,691	0.35

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£1,557,000	Just 7% VRN 2031	1,808,863	0.87
£100,000	Just 8.125% 2029	130,840	0.06
£599,000	Legal & General 3.75% VRN 2049	651,642	0.31
£245,000	Legal & General 4.5% VRN 2050	281,652	0.14
\$400,000	Legal & General 5.25% VRN 2047	323,215	0.16
£225,000	Legal & General 5.375% VRN 2045	259,111	0.12
£200,000	Legal & General 5.5% VRN 2064	254,556	0.12
£455,000	Legal & General 5.625% VRN perp	509,600	0.24
£832,000	Liverpool Victoria Friendly Society 6.5% VRN 2043	902,569	0.43
\$500,000	Lloyds Banking Group FRN perp	351,442	0.17
\$500,000	Lloyds Banking Group FRN perp	351,985	0.17
£3,200,000	Lloyds Banking Group 2.707% VRN 2035	3,269,559	1.57
£257,000	M&G 3.875% VRN 2049	272,808	0.13
£300,000	M&G 5% VRN 2055	360,826	0.17
£1,378,000	M&G 5.625% VRN 2051	1,660,829	0.80
£600,000	M&G 6.25% VRN 2068	789,803	0.38
\$700,000	National Westminster Bank FRN perp	503,547	0.24
£1,100	Nationwide Building Society 10.25% VRN perp	205,150	0.10
\$850,000	Nationwide Building Society 4.125% VRN 2032	671,831	0.32
£414,000	Nationwide Building Society 5.75% VRN perp	464,715	0.22
£560,000	Nationwide Building Society 5.769% perp	606,162	0.29
£300,000	Nationwide Building Society 7.859% VRN perp	367,696	0.18
£750,000	NatWest 2.105% VRN 2031	753,452	0.36
\$2,100,000	NatWest 2.5404% VRN perp	1,501,140	0.72
£1,656,000	Paragon 6% 2024	1,827,987	0.88
£448,000	Paragon 6.125% 2022	459,060	0.22
£625,000	Paragon 4.375% VRN 2031	656,262	0.32
£1,401,000	Pension Insurance 3.625% 2032	1,494,816	0.72
£500,000	Pension Insurance 4.625% 2031	572,902	0.28
£900,000	Pension Insurance 5.625% 2030	1,104,942	0.53
£1,500,000	Pension Insurance 7.375% VRN perp	1,818,750	0.87
£600,000	Pension Insurance 8% 2026	783,252	0.38
£335,000	Places For People Finance 4.25% 2023	341,570	0.16
£655,400	Places for People Homes 1% Index-Linked 2022	852,761	0.41
£1,000,000	Places for People Homes 3.625% 2028	1,144,358	0.55
£500,000	Reassure Group 5.867% 2029	612,781	0.29
£2,600,000	RL Finance Bonds 4.875% VRN 2049	2,963,117	1.42
£700,000	RL Finance Bonds 6.125% 2028	868,802	0.42
£500,000	RL Finance Bonds 6.125% VRN 2043	555,365	0.27
£2,040,000	Rothsay Life 3.375% 2026	2,195,741	1.05

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets	
£605,000	Rothsay Life 5.5% VRN 2029	674,097	0.32
£429,000	Royal Bank of Scotland 3.622% VRN 2030	457,609	0.22
£850,000	RSA Insurance 5.125% VRN 2045	969,013	0.47
£171,000	Sage 1.625% 2031	167,194	0.08
£1,100,000	Santander UK 2.92% VRN 2026	1,166,023	0.56
£300,000	Santander UK 3.625% 2026	329,593	0.16
£2,040,000	Santander UK 7.037% VRN perp	2,279,700	1.10
£300,000	Scottish Widows 5.5% 2023	325,687	0.16
£1,111,000	Scottish Widows 7% 2043	1,677,862	0.81
£500,000	Shawbrook 9% VRN 2030	510,585	0.25
£1,405,000	Skipton Building Society 2% VRN 2026	1,434,168	0.69
\$1,000,000	Standard Chartered 7.014% VRN perp	991,712	0.48
£115,000	Telereal Securitisation 4.0902% VRN 2033	116,574	0.06
£200,000	Tesco Personal Finance 3.5% 2025	210,252	0.10
£500,000	Virgin Money UK 8.75% VRN perp	511,875	0.25
£484,000	Virgin Money UK 2.625% VRN 2031	490,579	0.24
£200,000	Virgin Money UK 5.125% VRN 2030	223,019	0.11
£709,000	Yorkshire Building Society 3.375% VRN 2028	763,918	0.37
		<b>67,592,488</b>	<b>32.47</b>
<b>Collective Investment Schemes (30.06.20: 3.22%)</b>			
3,750,000	Investec Emerging Markets Fund*	2,621,250	1.26
3,106,137	M&G Global Macro Bond Fund*	3,211,435	1.54
		<b>5,832,685</b>	<b>2.80</b>
<b>Equities (30.06.20: 0.11%)</b>			
125,000	Santander UK 10.375% preference perp	221,250	0.11
		<b>85,785,374</b>	<b>41.20</b>
<b>Australia (30.06.20: 0.33%)</b>			
<b>Corporate Bonds (30.06.20: 0.33%)</b>			
£557,000	Australia and New Zealand Banking Group 1.809% VRN 2031	558,120	0.27
£525,000	AMP Finance 6.875% 2022	552,023	0.27
\$1,330,000	Australia and New Zealand Banking FRN Perp	904,991	0.43
		<b>2,015,134</b>	<b>0.97</b>
<b>Public Authorities (30.06.20: 0.00%)</b>			
AUD 1,000,000	Queensland Treasury 1.25% 2031	521,589	0.25
		<b>2,536,723</b>	<b>1.22</b>

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Bermuda (30.06.20: 1.01%)</b>		
<b>Corporate Bonds (30.06.20: 0.92%)</b>		
£1,480,000 Hiscox 6.125% VRN 2045	1,710,149	0.82
<b>Non Equity Invest Instruments (30.06.20 : 0.00%)</b>		
133,197 CATCo Reinsurance Opportunities Fund	50,137	0.02
<b>Total Bermuda</b>	<b>1,760,286</b>	<b>0.84</b>
<b>Cayman Islands (30.06.20: 1.21%)</b>		
<b>Corporate Bonds (30.06.20: 1.21%)</b>		
\$400,000 Phoenix 5.375% 2027	330,104	0.16
£200,000 Phoenix 5.625% 2031	244,197	0.12
£1,800,000 Phoenix 5.75% VRN perp	1,944,000	0.93
<b>Total Cayman Islands</b>	<b>2,518,301</b>	<b>1.21</b>
<b>Channel Islands (30.06.20: 3.86%)</b>		
<b>Corporate Bonds (30.06.20: 2.32%)</b>		
£1,437,900 Burford Capital 5% 2026	1,456,535	0.70
£1,150,000 HSBC 5.844% VRN perp	1,623,352	0.78
\$1,000,000 HSBC Capital Funding LP 10.176% VRN perp	1,202,751	0.58
€330,000 Main Capital Funding 5.5% perp	296,749	0.14
€652,000 Main Capital Funding 5.75% perp	583,841	0.28
£1,565,000 Rothschild 9% perp	1,807,278	0.87
	<b>6,970,506</b>	<b>3.35</b>
<b>Non-Equity Investment Trusts (30.06.20: 1.54%)</b>		
5,440,000 Chenavari Toro	2,381,672	1.14
900,000 CVC Credit Partners European Opportunities	931,500	0.45
566,645 KKV Secured Loan Fund	192,659	0.09
	<b>3,505,831</b>	<b>1.68</b>
<b>Total Channel Islands</b>	<b>10,476,337</b>	<b>5.03</b>
<b>China (30.06.20: 0.00%)</b>		
<b>Non-Equity Investment Trusts (30.06.20: 0.00%)</b>		
1,400,000 iShares China Bond ETF	5,497,340	2.64

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>France (30.06.20: 1.09%)</b>		
<b>Corporate Bonds (30.06.20: 1.09%)</b>		
€200,000 AXA SA 0% VRN perp	152,827	0.07
£706,000 AXA SA 5.625% VRN 2054	897,494	0.43
\$1,500,000 AXA SA 6.379% VRN perp	1,513,857	0.73
€1,000,000 Banque Federative du Credit Mutu 0.117% VRN perp	815,523	0.39
\$1,510,000 BNP Paribas SA FRN perp	1,026,225	0.49
£800,000 BPCE SA 5.25% 2029	987,862	0.47
€650,000 Caisse Federale du Credit Mutuel 0.329% VRN Perp	531,485	0.26
£600,000 Credit Agricole SA 1.874% VRN 2031	601,555	0.29
\$480,000 Credit Agricole 6.637% VRN perp	338,705	0.16
\$1,240,000 Orange SA 9% 2031 Step	1,411,475	0.68
<b>Total France</b>	<b>8,277,008</b>	<b>3.97</b>
<b>Germany (30.06.20: 0.00%)</b>		
<b>Corporate Bonds (30.06.20: 0.00%)</b>		
\$400,000 Allianz SE 3.5% VRN perp	299,323	0.14
€2,200,000 Fuerstenberg Capital II GmbH 5.625% Perp	933,998	0.45
	<b>1,233,321</b>	<b>0.59</b>
<b>Hong Kong (30.06.20: 0.20%)</b>		
<b>Corporate Bonds (30.06.20: 0.20%)</b>		
\$550,000 HSBC FRN perp	<b>373,283</b>	<b>0.18</b>
<b>Ireland (30.06.20: 18.65%)</b>		
<b>Collective Investment Schemes (30.06.20: 17.78%)</b>		
87,000 Angel Oak Multi Strategy Income Fund*	7,875,327	3.78
18,000 Barings Emerging Market Debt Balanced Total Return*	2,049,840	0.98
980,000 BNY Mellon Global Short Dated High Yield Bond Fund*	1,127,000	0.54
100,000 Eaton Vance*	992,000	0.48
4,600 El Sturdza Strategic Fund*	3,326,938	1.60
3,000 Muzinich Americayield Fund*	400,080	0.19
80,000 Muzinich Asia Credit Opportunities Fund*	7,338,400	3.53
22,000 Muzinich Emerging Markets Short Duration 'G' GBP*	2,065,140	0.99
15,000 Muzinich Global Short Duration Investment Grade Fund Hedged GBP*	1,486,050	0.71
530,000 Pacific G10 Macro Rates Fund Class GBP 'Z'*	5,604,750	2.69
250,000 Royal London Short Duration Global High Yield Bond Fund 'Z'*	206,800	0.10
	<b>32,472,325</b>	<b>15.59</b>

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Corporate Bonds (30.06.20: 0.87%)</b>		
\$1,382,000 Beazley Insurance DAC 5.5% 2029	1,115,444	0.54
\$1,420,000 Beazley 5.875% 2026	1,149,969	0.55
\$3,482,000 Zurich Finance 3% VRN 2051	2,502,014	1.20
	<b>4,767,427</b>	<b>2.29</b>
<b>Total Ireland</b>	<b>37,239,752</b>	<b>17.88</b>
<b>Italy (30.06.20: 0.43%)</b>		
<b>Corporate Bonds (30.06.20: 0.43%)</b>		
€500,000 Banca Farmafactoring SpA 5.875% VRN 2027	<b>442,100</b>	<b>0.21</b>
<b>Luxembourg (30.06.20: 19.42%)</b>		
<b>Collective Investment Schemes (30.06.20: 19.31%)</b>		
95,500 Ashmore SICAV Emerging Markets Short Duration Fund*	7,063,180	3.39
4,100,000 L&G Emerging Markets Short Duration Bond Fund*	4,203,730	2.02
38,000 Ninety One Global Strategy Fund*	839,420	0.40
34,800 Pareto SICAV Pareto Nordic Corporate Bond Fund*	4,083,674	1.96
300,000 Reams Unconstrained Bond*	3,012,000	1.45
9,350 TCW Funds MetWest Unconstrained Bond IGHG*	8,263,041	3.97
	<b>27,465,045</b>	<b>13.19</b>
<b>Corporate Bonds (30.06.20: 0.11%)</b>		
€2,000,000 Mitsubishi UFJ Investor Services FRN CV 2050	872,747	0.42
<b>Total Luxembourg</b>	<b>28,337,792</b>	<b>13.61</b>
<b>Netherlands (30.06.20: 0.66%)</b>		
<b>Corporate Bonds (30.06.20: 0.66%)</b>		
€300,000 Aegon NV FRN perp	222,612	0.11
\$500,000 Natwest Market 7.125% 2093	637,012	0.31
€2,600,975 Stichting AK Rabobank 6.5% perp Step	3,004,450	1.44
<b>Total Netherlands</b>	<b>3,864,074</b>	<b>1.86</b>
<b>Norway (30.06.20: 0.34%)</b>		
<b>Corporate Bonds (30.06.20: 0.34%)</b>		
\$200,000 DNB Bank ASA FRN perp	135,618	0.07
\$1,100,000 DNB Bank ASA FRN perp	745,496	0.36
<b>Total Norway</b>	<b>881,114</b>	<b>0.43</b>

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

Holding (Bonds unless otherwise stated)	Value (note 1f) £	Percentage of total net assets
<b>Spain (30.06.20: 0.00%)</b>		
<b>Corporate Bonds (30.06.20: 0.00%)</b>		
€550,000 Banco Santander SA 1% VRN Perp	448,878	0.22
€450,000 Banco Santander SA FRN Perp	370,416	0.18
£1,500,000 Banco Bilbao Vizcaya Argent 3.104% VRN 2031	1,572,964	0.76
<b>Total Spain</b>	<b>2,392,258</b>	<b>1.16</b>
<b>Sweden (30.06.20: 0.00%)</b>		
<b>Corporate Bonds (30.06.20: 0.00%)</b>		
£100,000 Vattenfall AB 2.5% VRN 2083	<b>100,499</b>	<b>0.05</b>
<b>United States (30.06.20: 2.00%)</b>		
<b>Corporate Bonds (30.06.20: 0.67%)</b>		
\$300,000 BAC Capital Trust 4% VRN perp	219,063	0.11
\$300,000 Beyond Meat Inc CV 0% 2027	221,371	0.11
\$200,000 Burford Capital Global Finance L 6.25% 2028	152,053	0.07
£1,000,000 Citigroup 1.18744% VRN 2067	890,000	0.43
\$1,500,000 Dresdner Funding Trust 8.151% 2031	1,551,359	0.75
\$1,000,000 HSBC USA 7.2% 2097	1,260,821	0.61
£318,000 Verizon Communications 1.125% 2028	308,851	0.15
\$99,000 Verizon Communications 5.25% 2037	94,677	0.05
\$957,000 WK Kellogg Foundation Trust 2.443% 2050	656,710	0.32
<b>Total United States</b>	<b>5,354,905</b>	<b>2.60</b>
<b>Forward Foreign Exchange Contracts (30.06.20: (0.16%))</b>		
Buy £514,585 Sell AUD 940,464	3,413	–
Buy £11,572,869 Sell €13,469,871	(6,849)	–
Buy £31,867,593 Sell \$45,150,069	(809,866)	(0.39)
<b>Total Forward Foreign Exchange Contracts</b>	<b>(813,302)</b>	<b>(0.39)</b>
<b>Total value of investments (30.06.20: 94.60%)</b>	<b>196,257,165</b>	<b>94.29</b>
<b>Net other assets (30.06.20: 5.40%)</b>	<b>11,891,816</b>	<b>5.71</b>
<b>Total value of the fund as at 30 June 2021</b>	<b>208,148,981</b>	<b>100.00</b>

Sectors eliminated since the beginning of the period:

Other Bonds	1.33%
Equity Investment Instruments	0.09%

\* Collective Investment Schemes

VRN = Variable Rate Note

perp = perpetual

FRN = Floating Rate Note

## Summary of portfolio investments

	Value £	Percentage of total net assets
Debt Securities	122,025,854	58.65
Equity Securities	221,250	0.11
Pooled Investment Vehicles	74,823,363	35.92
Derivatives	(813,302)	(0.39)
<b>Total value of investments</b>	<b>196,257,165</b>	<b>94.29</b>

## Statement of total return for the year ended 30 June 2021

	Note	30.06.21 £	30.06.21 £	30.06.20 £	30.06.20 £
<b>Income</b>					
Net capital gains/(losses)	2		<b>7,604,267</b>		(1,315,687)
Revenue	3	<b>7,524,627</b>		6,473,460	
Expenses	4	<b>(1,072,034)</b>		(1,062,981)	
Interest payable and similar charges		<b>(1,096)</b>		(1,227)	
Net revenue before taxation		<b>6,451,497</b>		5,409,252	
Taxation	5	<b>(1,344)</b>		(1,837)	
Net revenue after taxation			<b>6,450,153</b>		5,407,415
<b>Total return before distributions</b>			<b>14,054,420</b>		4,091,728
Distributions	6		<b>(7,518,851)</b>		(6,468,071)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>6,535,569</b>		(2,376,343)

## Statement of change in net assets attributable to unitholders for the year ended 30 June 2021

	30.06.21 £	30.06.21 £	30.06.20 £	30.06.20 £
<b>Opening net assets attributable to unitholders</b>		<b>168,989,454</b>		180,064,849
Amounts receivable on issue of units	<b>50,558,936</b>		47,366,873	
Amounts payable on cancellation of units	<b>(21,960,381)</b>		(59,478,004)	
		<b>28,598,555</b>		(12,111,131)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		<b>6,535,569</b>		(2,376,343)
Retained distributions on accumulation units		<b>4,025,403</b>		3,412,079
<b>Closing net assets attributable to unitholders</b>		<b>208,148,981</b>		168,989,454

## Balance sheet as at 30 June 2021

	Note	30.06.21 £	30.06.21 £	30.06.20 £	30.06.20 £
<b>Assets</b>					
<b>Fixed assets:</b>					
Investments			<b>197,073,880</b>		160,153,775
<b>Current assets:</b>					
Debtors	7	<b>2,068,384</b>		9,230,227	
Cash and bank balances		<b>11,380,028</b>		3,226,255	
Total current assets			<b>13,448,412</b>		12,456,482
<b>Total assets</b>			<b>210,522,292</b>		172,610,257
<b>Liabilities</b>					
Investment liabilities			<b>(816,715)</b>		(288,506)
<b>Creditors:</b>					
Other creditors	8	<b>(395,181)</b>		(2,530,132)	
Distribution payable on income units		<b>(1,161,415)</b>		(802,165)	
<b>Total liabilities</b>			<b>(2,373,311)</b>		(3,620,803)
<b>Net assets attributable to unitholders</b>			<b>208,148,981</b>		168,989,454

# 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 Manager's responsibilities in relation to the report and accounts of the Company on page 32, the Manager continues to adopt the going concern basis in the preparation of the financial statements of the fund.

### b) Recognition of revenue

All dividends including distributions from collective investment schemes on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deducted at source and net of attributable tax credits. 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 an effective interest method.

Revenue received from investments in authorised collective investment schemes, which are purchased during the financial year, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares or units. The equalisation is treated as capital and deducted from the cost of the investment.

Management fee rebates arising from the holding of units or shares in underlying funds are recognised on an accrual basis. Where the policy of the underlying fund is to charge its management fee to capital, in determining its distributions, then the management fee rebates are recognised in capital. Otherwise, the management fee rebates are recognised in revenue.

### c) Treatment of scrip and special dividends

Any stock received in lieu of cash dividends is credited to capital in the first instance, followed by a transfer to revenue of the cash equivalent being offered, and this forms part of the distribution made by the fund.

Special dividends are treated as revenue or capital depending on the facts of each particular case.

### d) Treatment of expenses

All expenses are charged against capital.

### e) 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 unitholders.

For the purpose of calculating the distribution available to unitholders, all the expenses are deducted from capital, offsetting expenses against capital may constrain future growth in revenue and capital. For the purpose of calculating the distribution available to unitholders, 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 unitholders, interim distributions will be made at the Managers' discretion, up to a maximum of the distributable revenue available for the year. All remaining revenue is distributed in accordance with the regulations.

### f) 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 Manager, it is unlikely to be reinstated, this has been indicated in the portfolio of investments. Suspended investments are value based on the latest financial statements of the respective company and agreed with the Trustee.

Authorised collective investment schemes are valued at the bid price for dual price funds and at the quoted price for single price funds.

## 1 Accounting policies *(continued)*

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.

Unquoted investments are valued at fair value, which represents the Manager's view of the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. This does not assume that the underlying business is saleable at the reporting date or that its current shareholders have an intention to sell their holding in the near future.

The unquoted investments are valued by the Manager based upon information from an independent valuation firm, taking into account, where appropriate, latest dealing prices, achievement or not of key milestones, valuations from reliable sources, financial performance, and other relevant factors.

### g) 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 mid exchange rates ruling on that date.

### h) 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.

### i) Unit classes rights on termination, allocation of tax and distributable income

The fund may be terminated if an order declaring the fund to be an authorised unit trust scheme is revoked, or the Financial Conduct Authority (FCA) determines to revoke the order at the request of the Trustee or the Manager. In the case of a reconstruction or an amalgamation of the fund with another body or trust, on the passing of an extraordinary resolution of holders of units approving the amalgamation. The Trustee shall wind up the fund in accordance with that resolution.

On the termination of the fund in any other case, the Trustee shall sell the investments, and out of the proceeds of the sale shall settle the fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to unitholders and the Manager proportionally to their respective interests in the fund. Any unclaimed proceeds or cash held by the Trustee after the expiration of 12 months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain any expenses incurred by it in making such payment into court. On the completion of the winding-up the trustee must notify the FCA to revoke the relevant authorisation order.

Allocation of tax and distributable income is done proportionally to the unitholders respective interests in the fund.

## Notes to the financial statements *(continued)*

### 2 Net capital gains/(losses)

	30.06.21 £	30.06.20 £
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	<b>5,689,826</b>	(892,422)
Currency gains/(losses)	<b>105,291</b>	(87,359)
Forward currency contracts	<b>1,817,475</b>	(330,588)
Transaction charges	<b>(8,325)</b>	(5,318)
Net capital gains/(losses)	<b>7,604,267</b>	(1,315,687)

### 3 Revenue

	30.06.21 £	30.06.20 £
Dividends — UK Ordinary	<b>12,969</b>	12,969
— Overseas	<b>707,670</b>	256,009
Interest on debt securities	<b>6,789,265</b>	6,158,625
Rebates on annual management charges on underlying investments	<b>14,723</b>	11,933
Bank interest	—	33,924
Total revenue	<b>7,524,627</b>	6,473,460

### 4 Expenses

	30.06.21 £	30.06.21 £	30.06.20 £	30.06.20 £
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		<b>965,665</b>		965,400
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	<b>40,558</b>		40,547	
Safe custody and other bank charges	<b>18,047</b>		19,343	
		<b>58,605</b>		59,890
Other expenses:				
Administration fees	<b>22,356</b>		11,932	
Audit fee*	<b>12,000</b>		10,800	
Listing fee	<b>3,530</b>		3,540	
Printing and publication costs	<b>2,272</b>		2,363	
Registration fees	<b>7,606</b>		9,056	
		<b>47,764</b>		37,691
Total expenses		<b>1,072,034</b>		1,062,981

\* Audit fees for 2021 are £9,700 excluding VAT (30.06.20: £9,300 excluding VAT).

## 5 Taxation

	<b>30.06.21</b>	30.06.20
	<b>£</b>	£
a) Analysis of charge in the year		
Overseas tax	<b>1,344</b>	1,837
Total tax charge for the year (note 5b)	<b>1,344</b>	1,837

### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.06.20: 20%). The differences are explained below:

	<b>30.06.21</b>	30.06.20
	<b>£</b>	£
Net revenue before taxation	<b>6,451,497</b>	5,409,252
Corporation tax at 20%	<b>1,290,299</b>	1,081,850
Effects of:		
Revenue not subject to taxation	<b>(144,127)</b>	(53,795)
Tax deductible interest distributions	<b>(1,092,215)</b>	(1,016,520)
Tax relief on Index Linked Gilts	<b>(53,957)</b>	(11,535)
Corporate tax charge	—	—
Overseas tax	<b>1,344</b>	1,837
Total tax charge for the year (note 5a)	<b>1,344</b>	1,837

### c) Deferred tax

At the year end the fund had no surplus management expenses (30.06.20: £nil) and no deferred tax asset has been recognised.

## 6 Distributions

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

	<b>30.06.21</b>	30.06.20
	<b>£</b>	£
First Interim	<b>1,785,167</b>	1,358,286
Second Interim	<b>1,849,998</b>	1,751,132
Third Interim	<b>1,513,276</b>	1,609,515
Final	<b>2,502,734</b>	1,669,285
	<b>7,651,175</b>	6,388,218
Add: Amounts deducted on cancellation of units	<b>106,348</b>	281,362
Deduct: Amounts received on issue of units	<b>(238,672)</b>	(201,509)
Net distribution for the year	<b>7,518,851</b>	6,468,071

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

Net distribution for the year	<b>7,518,851</b>	6,468,071
Expenses charged to capital:		
Manager's periodic charge	<b>(965,665)</b>	(965,400)
Trustee fee	<b>(40,558)</b>	(40,547)
Audit fee	<b>(12,000)</b>	(10,800)
Safe custody fee	<b>(18,047)</b>	(19,343)
Administration fee	<b>(22,356)</b>	(11,932)
Printing and publication costs	<b>(2,272)</b>	(2,363)
Registration fee	<b>(7,606)</b>	(9,056)
Listing fee	<b>(3,530)</b>	(3,540)
Balance brought forward	<b>(10,678)</b>	(8,353)
Balance carried forward	<b>14,014</b>	10,678
Net revenue after taxation	<b>6,450,153</b>	5,407,415

## 7 Debtors

	30.06.21 £	30.06.20 £
Amounts receivable for issue of units	<b>381,555</b>	384,098
Sales awaiting settlement	–	7,205,960
Accrued revenue	<b>1,686,603</b>	1,640,169
Taxation recoverable	<b>226</b>	–
<b>Total debtors</b>	<b>2,068,384</b>	9,230,227

## 8 Other creditors

	30.06.21 £	30.06.20 £
Amounts payable for cancellation of units	<b>88,798</b>	931,377
Purchases awaiting settlement	<b>170,922</b>	1,500,252
Accrued expenses	<b>49,088</b>	27,618
Accrued Manager's periodic charge	<b>86,373</b>	70,885
<b>Total other creditors</b>	<b>395,181</b>	2,530,132

## 9 Reconciliation of units

	I-class income	I-class accumulation
Opening units issued at 01.07.20	71,621,862	58,195,977
Unit movements 01.07.20 to 30.06.21		
Units issued	18,721,510	18,091,311
Units cancelled	(8,553,569)	(7,501,711)
<b>Closing units issued at 30.06.21</b>	<b>81,789,803</b>	<b>68,785,577</b>

## 10 Related party transactions

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

Details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders and note 6.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Strategic Bond Fund during the year (30.06.20: 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 significant unitholders. Rathbone Nominees Limited held a total of 32% (30.06.20: 38%).

## 11 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.06.20: nil).

## 12 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.

There is little exposure to credit or cash flow risk. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions.

The fund holds a substantial number of Collective Investment Schemes that are designed to give overseas exposure. The fund has indirect exposure to foreign currency risk, interest rate risk and credit risk as a result of these holdings (see the portfolio statement on pages 7 to 13).

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 the fund's underlying investments will be affected by movements in exchange rate against sterling, in respect of non-sterling denominated rates.

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

	<b>30.06.21</b>	30.06.20
	<b>£</b>	£
Currency:		
Australian dollar	<b>527,069</b>	—
Euro	<b>11,986,083</b>	2,213,171
US dollar	<b>33,274,947</b>	10,042,232
Pound sterling	<b>162,360,656</b>	156,734,051
	<b>208,148,755</b>	168,989,454
Other net assets not categorised as financial instruments	<b>226</b>	—
<b>Net assets</b>	<b>208,148,981</b>	168,989,454

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 £4,162,575 (30.06.20: £1,361,711). 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 £5,087,592 (30.06.20: £1,114,128). These calculations assume all other variables remain constant.

**12 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 changes.

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

	<b>30.06.21</b>	30.06.20
	<b>£</b>	£
Fixed rate assets:		
Australian dollar	<b>521,589</b>	–
Euro	<b>5,412,066</b>	399,266
US dollar	<b>12,827,293</b>	4,015,846
Pound sterling	<b>41,205,125</b>	37,706,905
	<b>59,966,073</b>	42,122,017
Floating rate assets:		
Euro	<b>4,188,682</b>	324,328
US dollar	<b>12,248,307</b>	2,767,760
Pound sterling	<b>57,002,819</b>	47,094,323
	<b>73,439,808</b>	50,186,411
Assets on which no interest is paid:		
Australian dollar	<b>5,480</b>	–
Euro	<b>2,392,184</b>	1,528,738
US dollar	<b>9,180,031</b>	4,709,816
Pound sterling	<b>65,538,490</b>	74,063,275
	<b>77,116,185</b>	80,301,829
Liabilities on which no interest is paid:		
Euro	<b>(6,849)</b>	(39,161)
US dollar	<b>(980,684)</b>	(1,451,190)
Pound sterling	<b>(1,385,778)</b>	(2,130,452)
	<b>(2,373,311)</b>	(3,620,803)
Other net assets not categorised as financial instruments	<b>226</b>	–
<b>Net assets</b>	<b>208,148,981</b>	168,989,454

If interest rates had increased by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £25,570,135 (30.06.20: £10,005,925). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £25,570,135 (30.06.20: £10,005,925). These calculations assume all other variables remain constant.

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.

**12 Risk disclosures on financial instruments** *(continued)*

(ii) Interest rate risk *(continued)*

	30.06.21		30.06.20	
	Value (note 1f) £	Percentage of total net assets	Value (note 1f) £	Percentage of total net assets
<b>Bond credit ratings</b>				
Investment grade	<b>67,679,001</b>	<b>32.51</b>	45,936,638	27.18
Below investment grade	<b>54,346,852</b>	<b>26.11</b>	43,145,535	25.53
<b>Total bonds</b>	<b>122,025,853</b>	<b>58.62</b>	89,082,173	52.71

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities and collective investment schemes, which do not have maturity dates.

(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 Manager 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 Trust Deed 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 £19,625,716 (30.06.20: £15,986,527). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £19,625,716 (30.06.20: £15,986,527). 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 Strategic Bond which would increase its exposure.

### 13 Portfolio transaction cost

For the year ended 30 June 2021

#### Analysis of total purchase costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	2,395,070	796	0.03	—	—
Bond transactions	93,948,187	—	—	—	—
Fund transactions	47,011,522	2,402	0.01	—	—
Corporate actions	4,082,430	—	—	—	—
Total purchases before transaction costs	147,437,209	3,198		—	
Total purchases including commission and taxes	147,440,407				

#### Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	40,981,684	—	—	—	—
Fund transactions	45,738,597	—	—	—	—
Corporate actions	29,520,435	—	—	—	—
Total sales including transaction costs	116,240,716	—		—	
Total sales net of commission and taxes	116,240,716				

Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%

**13 Portfolio transaction cost** *(continued)*

**For the year ended 30 June 2020**

**Analysis of total purchase costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	212,454,131	—	—	—	—
Fund transactions	51,098,661	—	—	—	—
Total purchases before transaction costs	263,552,792	—		—	
Total purchases including commission and taxes	263,552,792				

**Analysis of total sales costs**

	Value	Commissions		Taxes	
	£	£	%	£	%
Equity transactions	1,315,601	987	0.08	1	—
Bond transactions	127,386,792	—	—	—	—
Fund transactions	15,828,730	—	—	—	—
Corporate actions	131,801,338	—	—	—	—
Total sales including transaction costs	276,332,461	987		1	
Total sales net of commission and taxes	276,331,473				

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 0.59% (30.06.20: 0.63%).

#### 14 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 June 2021

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Equities	221,250	–	–	221,250
Bonds	12,660,540	108,962,243	403,070	122,025,853
Pooled investment vehicles	9,053,309	65,770,055	–	74,823,364
Derivatives	–	3,413	–	3,413
	21,935,099	174,735,711	403,070	197,073,880
<b>Investment liabilities</b>				
Derivatives	–	(816,715)	–	(816,715)
	–	(816,715)	–	(816,715)

##### For the year ended 30 June 2020

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Equities	190,625	–	–	190,625
Bonds	16,159,641	72,514,905	407,627	89,082,173
Pooled investment vehicles	2,762,535	68,107,280	–	70,869,815
Derivatives	–	11,162	–	11,162
	19,112,801	140,633,347	407,627	160,153,775
<b>Investment liabilities</b>				
Derivatives	–	(288,506)	–	(288,506)
	–	(288,506)	–	(288,506)

### 15 Unit price movement since the balance sheet date

Subsequent to the year end, the net asset value per unit of the fund has increased using the unit prices at the year end date compared to 17 August 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.

<b>Unit type</b>	<b>30.06.21 mid price</b>	<b>17.08.21 mid price</b>
I-class income	119.26p	119.02p
I-class accumulation	163.36p	164.66p

## Distribution tables for the year ended 30 June 2021

### Distribution tables (pence per unit)

#### First Interim

Group 1 – Units purchased prior to 1 July 2020

Group 2 – Units purchased on or after 1 July 2020 and on or before 30 September 2020

I-class income units	Net income	Equalisation	Paid 30.11.20	Paid 30.11.19
Group 1	1.17	–	1.17	0.79
Group 2	0.42	0.75	1.17	0.79

I-class accumulation units	Net income	Equalisation	Accumulated 30.11.20	Accumulated 30.11.19
Group 1	1.56	–	1.56	1.02
Group 2	0.83	0.73	1.56	1.02

#### Second Interim

Group 1 – Units purchased prior to 1 October 2020

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

I-class income units	Net income	Equalisation	Paid 26.02.21	Paid 28.02.20
Group 1	1.09	–	1.09	0.98
Group 2	0.41	0.68	1.09	0.98

I-class accumulation units	Net income	Equalisation	Accumulated 26.02.21	Accumulated 28.02.20
Group 1	1.46	–	1.46	1.27
Group 2	0.89	0.57	1.46	1.27

#### Third Interim

Group 1 – Units purchased prior to 1 January 2021

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

I-class income units	Net income	Equalisation	Paid 28.05.21	Paid 29.05.20
Group 1	0.88	–	0.88	0.97
Group 2	0.38	0.50	0.88	0.97

I-class accumulation units	Net income	Equalisation	Accumulated 28.05.21	Accumulated 29.05.20
Group 1	1.20	–	1.20	1.27
Group 2	0.49	0.71	1.20	1.27

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

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

#### Final

Group 1 – Units purchased prior to 1 April 2021

Group 2 – Units purchased on or after 1 April 2021 and on or before 30 June 2021

I-class income units	Net income	Equalisation	Payable 31.08.21	Paid 28.08.20
Group 1	1.42	–	1.42	1.12
Group 2	0.83	0.59	1.42	1.12

I-class accumulation units	Net income	Equalisation	Allocated 31.08.21	Accumulated 28.08.20
Group 1	1.95	–	1.95	1.49
Group 2	1.21	0.74	1.95	1.49

#### Notes for corporate unitholders

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

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

#### Equalisation

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

## Directors' statement

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

MM Webb                      JR Chillingworth  
for Rathbone Unit Trust Management Limited  
Manager of Rathbone Strategic Bond Fund  
27 August 2021

# Statement of the Manager's responsibilities in relation to the annual report and accounts of the Rathbone Strategic Bond Fund

The Financial Conduct Authority's Collective Investment Schemes Sourcebook requires the Manager to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the fund and of the net revenue and of the net capital gains or losses on the property of the fund for that year. In preparing those financial statements, the Manager 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 UK generally accepted accounting principles, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by The Investment Association in May 2014;
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the scheme in accordance with its Trust Deed, Prospectus and the Financial Conduct Authority's Collective Investment Schemes Sourcebook and for the system of internal controls and for safeguarding the assets of the Scheme. The Manager has general responsibility for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Manager is aware:

1. there is no relevant audit information of which the fund's auditor is unaware; and
2. the Manager 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 Manager 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 fund has adequate resources to continue in operational existence for the foreseeable future.

The Manager has considered the activities of the fund together with the factors likely to affect its future development, including those related to the COVID-19 pandemic. The assets of the Rathbone Strategic 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 Manager has also considered the impact of the COVID-19 pandemic on the operations of the AFM and material third party service providers which continue to be maintained and fully functioning. Accordingly, the Manager 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 27 August 2021.

## Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone Strategic Bond Fund (the Scheme) for the year ended 30 June 2021

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Trustee must ensure that:

1. the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
2. the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
3. the value of units in the Scheme is calculated in accordance with the Regulations;
4. any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
5. the Scheme'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 Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

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

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

**NatWest Trustee and Depository Services Limited**  
Trustee of Rathbone Strategic Bond Fund  
*27 August 2021*

# Independent Auditor's Report to the unitholders of Rathbone Strategic Bond Fund

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Rathbone Strategic Bond Fund (the "fund"):

- give a true and fair view of the financial position of Rathbone Strategic Bond Fund as at 30 June 2021 and of the net revenue and the net capital gains on the property of the fund for the year ended 30 June 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 Trust Deed.

We have audited the financial statements of the fund which comprise:

- 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 15.

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 Trust Deed.

### 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 fund 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 manager'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 fund'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 manager with respect to going concern are described in the relevant sections of this report.

### 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 manager 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.

# Independent Auditor's Report to the unitholders of Rathbone Strategic Bond Fund *(continued)*

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 trustee and manager**

As explained more fully in the trustee's responsibilities statement and the manager's responsibilities statement, the trustee is responsible for the safeguarding the property of the fund and the manager 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 manager 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 manager is responsible for assessing the fund'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 manager either intends to liquidate the fund 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](http://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 fund's industry and its control environment, and reviewed the fund'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 fund 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
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the fund's ability to operate or to avoid a material penalty.

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.

# Independent Auditor's Report to the Unitholders of Rathbone Strategic Bond Fund *(continued)*

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 Fund 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 June 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 fund's unitholders, 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 fund's unitholders 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 fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Deloitte LLP**  
Statutory Auditor  
Glasgow, United Kingdom  
*27 August 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	1,355	5,459	6,814	6
Risk takers	1,422	3,318	4,740	14
Control functions	274	33	307	3
Other	115	159	274	1
Total remuneration code staff	3,166	8,969	12,135	24
Non-remuneration code staff	837	315	1,152	21
<b>Total for the Manager</b>	<b>4,003</b>	<b>9,284</b>	<b>13,287</b>	<b>45</b>

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.

## General information *(continued)*

### Authorised status

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

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

### Investment objective

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

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

### 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 Cs Plus approach to evaluate creditworthiness. We assess:

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

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

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

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

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

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

### Investment policy

To meet the objective, the fund manager will invest in government and corporate bonds, with no restriction on their credit quality. Up to 10% of the fund can be invested directly in contingent convertible bonds. The fund will also use a mixture of specialist funds and direct investment in bonds, with no limits on either.

The fund manager defines restrictions on how much of the fund can be invested in different types of bonds. The restrictions are set at the discretion of the fund manager and will change over time. The restrictions are reviewed annually and in response to market events. Further details in relation to the current restrictions may be obtained by contacting Rathbone Unit Trust Management.

The fund may invest globally but at least 80% of the portfolio will be invested in sterling denominated assets or hedged back to sterling.

Derivatives may be used by the fund for investment purposes, efficient portfolio management and hedging. The use of derivatives for investment purposes may increase the volatility of the fund's Net Asset Value and may increase its risk profile.

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

### Valuation of the fund

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

### Stewardship code

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

### Buying and selling of units

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

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

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

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

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

There is no preliminary charge for I-class units.

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

### Statements

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

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

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

### Prices

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

### Other information

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

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

## General information *(continued)*

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

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

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

### ISA eligibility

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

### Risk factors

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

### Other funds

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

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

and the Authorised Corporate Director of:

Rathbone Defensive Growth Portfolio  
Rathbone Dynamic Growth Portfolio  
Rathbone Enhanced Growth Portfolio  
Rathbone Greenbank Global Sustainability Fund  
Rathbone Greenbank Defensive Growth Portfolio  
Rathbone Greenbank Dynamic Growth Portfolio  
Rathbone Greenbank Strategic Growth Portfolio  
Rathbone Greenbank Total Return Portfolio  
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

## General information *(continued)*

### **Further details**

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

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

All literature is available free of charge.  
Information is also available on our website:  
[rathbonefunds.com](http://rathbonefunds.com)

### **Data protection**

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

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

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

# Rathbones

Look forward

**Rathbone Unit Trust Management Limited**

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

**Information line**

020 7399 0399  
rutm@rathbones.com  
rathbonefunds.com

Authorised and regulated by the  
Financial Conduct Authority

A member of The  
Investment Association

A member of the Rathbone Group.  
Registered No. 02376568