Rathbones
Look forward

Rathbone Active Income and Growth Fund

Interim report for the half year ended 30 September 2021

Rathbone Active Income and Growth Fund

Authorised Fund Manager (the Manager)

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Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association

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Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
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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
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Financial Conduct Authority

Manager's report for the half year ended 30 September 2021

The fund returned 7.0%, net of fees, for the period under review, versus 4.3% from CPI + 3%.

The US Federal Reserve (the 'Fed') confirmed in September that a November announcement to taper quantitative easing (QE) was likely. That said, Fed Chair Powell indicated that the pace of reduction could be somewhat faster than expected, with conclusion of purchases 'around the middle of next year... likely appropriate.' This would be a steeper taper than in 2013-14, when the Fed took ten months to trim its asset purchase programme (which was smaller as well, at $85 billion a month versus $120 billion a month now). The speed of a taper will have a material effect on assets through all the usual QE channels, i.e. a faster taper equals a more rapid run down of support for the bond market; less pressure for investors to buy riskier assets, and less mortgage-backed support for housing.

The Fed's announcement on tapering should have been all but fully priced in, given the extensive telegraphing of it beforehand. With all details now out in the open, the market might finally remove the risk premium around the event and move on. However, bond yields rose towards the end of September as the 'inflation-is-transitory' narrative wore thin.

Real economy developments are also a worry. The combined effect of COVID-19 shocks and massive monetary and fiscal stimulus has broken long-established supply and demand relationships. Shortages of materials, components and labour may persist for a while. The semiconductor supply and demand mismatch may not be fixed until late 2022, if not 2023 – given strong demand, massive backlogs, and long lead times to bring on new capacity. A similar story can be told for shipping.

Such disorder is proving costly for firms. Automakers, for example, are sitting on big inventories of components but must wait for microchips, which means that revenues are either delayed or foregone, while companies must still finance inventories of the components they do have and depreciate fixed assets.

In textbook terms, the global economy has been experiencing a negative supply shock over the last six months, a leftward shift in the global economy's supply curve, due to COVID-19. A negative supply shock (permanent or not) does two things: it lowers growth and increases inflation. This is exactly what we have seen: inflation expectations are close to the year's highs, but real rates (the closest market equivalent to a measure of real growth) are still low. The greater the demand destruction from price rises, the bigger the negative effect on growth relative to inflation. This has been unfolding since May, in line with collapsing consumer confidence.

A supply side shock with strong demand destruction effects is consistent with a pessimistic reassessment of medium-term trend growth, encapsulated in low real neutral or equilibrium rates, or r*, as noted in the previous quarter's commentary. Much depends on the medium-term scarring effects of COVID-19 on the global economy.

Higher inflation should mean more hawkish central banks. But this belief rests on 30 years of demand shock management (i.e. making borrowing more expensive), where inflation has always been positively correlated to growth. A supply shock makes the central bank response more difficult: raising rates will only make the growth shock worse. Central banks' characterization of the current inflation shock as transitory is another way of saying that they currently prefer to accommodate rather than respond to the supply shock.

Looking further afield, China has helped to boost global growth since the start of the century. Systemic risks of the unfolding property developer crisis have, therefore, caused considerable concern. Evergrande is China's second largest developer, the collapse of which will spill over into the Chinese economy. But for this to be China's 'Lehman moment', one would need to see a lenders' strike across large parts of the financial system, a sharp increase in credit distress away from the real estate sector, and banks being unwilling to face each other in the interbank funding market, together with massive policy mistakes on the part of Chinese authorities.

The headline $300 billion figure that is Evergrande's total liabilities sounds impressive. But of this, a relatively small amount is financial securities. Evergrande by itself doesn't have enough liabilities to pose a risk to China's financial system, even if the authorities take no action to mitigate the effects of a 'hard' default. Also the big problem for policymakers for the last few years has been prices rising, not falling. The authorities have put macro-prudential regulations in place, capping bank lending, insisting on higher down-payments, guiding banks to raise mortgage rates and talking down the housing market. This stands in contrast to the US housing run-up in 2003-07, when macro-prudential restrictions were largely absent. And back in late 2007 and into 2008, markets worried about the quality of Lehman's assets. But in response to these fears on the asset side, something else had to occur; in late summer 2008, the wholesale funding markets turned on Lehman. Banks refused to face Lehman as a counterparty or extend credit. The firm suddenly couldn't roll over commercial paper, and then counterparty risk exploded, as banks became fearful of each other. With the US sovereign unwilling to step in, focusing instead on the 'moral hazard' associated with bailing the firm out, Lehman defaulted on its liabilities, sparking a full-fledged financial crisis.

China's situation is very different. Not only are the property sector's linkages to the financial system not on the same scale as a large investment bank, but the debt capital markets are not the only, or even the primary, means of funding. The country is, to a large extent, a command-and-control economy. If capital markets were to shut to all Chinese property firms, regulators could direct banks to lend to such firms, keeping them afloat and providing time for an extended 'work-out' if needed.

However, while parallels with Lehman are overblown, the manager is wary of the risk of indirect portfolio contagion. This is often sparked by portfolio investors hurriedly obliged to reduce risk or raise cash, who are then forced to sell not the assets they want, but the assets they can. If offshore bondholders were not to be treated on an equal footing with domestic creditors, they might take fright. But they would find little market for the bonds of Chinese developers, and to raise cash would be forced to sell other assets, such as emerging market equities. Disproportionate haircuts inflicted on the foreign holders of Evergrande bonds, coming hard on the heels of regulatory actions against Chinese tech companies, could persuade an increasing proportion of international players that Chinese markets are uninvestible. For this reason the manager sold the Ashmore Emerging Market Debt Fund at the start of September.

China is also linked to the spike in energy prices. China's exit from lockdown triggered a huge lift in power demand to well above pre-virus levels (in response to stimulus and to a surge in global goods demand); coal delivers c.60% of China's total power, so a surge in coal prices ensued. Why should the price of coal affect Europe, which has significantly reduced its coal-fired capacity? Because baseload power generation in Asia and America is designed to switch between coal and gas. High coal prices (thanks to Chinese demand) led to a partial switch to gas by Asian power industries. Thus coal and gas prices are highly correlated in the short term (and in the long term in line with the factors that drive all commodity markets, for example, interest rates).

This is before considering Europe's own issues: a heavy stock drawdown last winter and a high dependency on base load gas-fired plants as nuclear and coal plants were retired. Europe must now compete for spot LNG supplies with Asia, at a time when Russian flows have been limited by pipeline maintenance issues and by the need to refill its own gas storage system. How long the price spike persists will be a function of the relative strength in Asian LNG demand and indications on how cold the winter could be this year. Furthermore, much of the reduction in supply from nuclear and coal was made up by an increase in solar and wind generation, which is inherently unreliable. The result is increased dependence on natural gas as the main standby source of energy for electricity generation. There are added complications for the UK, as it has much less storage capacity than elsewhere – under 2% of its annual gas demand versus 25% on average stored in the EU27.

So it seems that the world is facing a full-blown energy crisis. But the world is not short of energy resources: broad energy demand is still lower than it was two years ago, and there is still plenty of spare capacity. While the immediate causes of the crunch differ widely (China banning imports of Australian coal, low water levels at the Brazil's hydroelectricity plants), there is a common thread: around the world shortages and price rises are typically the result of market distortions caused by deliberate policies. In the US, regional differentials between natural gas prices have been caused by a failure to invest in adequate infrastructure, with pipeline and terminal construction deterred by current environmental regulations and the fear that future policy decisions could leave investors sitting on worthless assets. China's troubles result largely from Beijing's urge to punish Australia for its perceived political transgressions, and to lower the environmental impact of domestic coal mining. In Europe, the decision to decommission coal plants (and Germany's nuclear plants) has increased dependence on natural gas imported from Russia. The desire to go green and the urge to improve efficiency are both laudable but have resulted in systems that are hugely vulnerable to disruption. Governments and central banks repeat that price rises are the result of COVID-19 induced disruptions and that they will be transitory.

They are thus sticking to their longer-term policy agendas – the which may be responsible for much of the rise in prices in the first place.

Thus it's clear that the obstacles to a further risk rally have started to accumulate. Markets are certainly expensive by historical measures, making further multiple expansion unlikely as a driver of equity performance. Given that growth indicators peaked in March, there has been no significant market correction for some time, and liquidity is tighter, the manager erred on the side of caution as the period under review progressed, buying a little more gold, this time sterling hedged – the Wisdomtree Physical Gold ETF – and buying a small element of portfolio protection in the form of a resettable put, the UBS 10114 S&P 90% Resettable Put April 2022.

UK equities were a significant contributor over the period. The Chilean-based copper miner Antofagasta performed strongly; the manager trimmed the position earlier in the year on concerns that the Chilean government would raise royalty payments from the company. With the proceeds, the manager diversified the regional bias of the Fund's copper exposure by buying First Quantum Minerals, the copper assets of which are mainly in Zambia and Panama.

While UK valuations look attractive, the UK market is unlikely to be an outperformer, being behind other markets in every single Value rally seen in the past ten years. The manager therefore further reduced the holding in the Vanguard FTSE All Share Index fund, in favour of directly held UK equities. This also helped to increase the transparency of the overall fund and to reduce underlying costs – the same rationale lay behind the reduction of the Vanguard S&P 500 ETF. Elsewhere in the US, GoDaddy, the website builder and host primarily for very small companies, proved to be a disappointment as competition from Google, Amazon and Microsoft proved too much to justify a valuation premium. The position was sold in mid-August.

In Europe the manager sold STM Microelectronics in mid-September, taking profits after a considerable gains and getting out before the peak of the semi-conductor upcycle. Meanwhile the global shortage of semi-conductor chips continued to weigh on car production at VW, the shares of which fell over the period. By contrast, benefiting from the control its entire value chain is the Swiss company Sensirion, up 38.95% since purchase in July. This was a spin-off from the Federal Institute of Technology, Zurich, and is a leader in environmental sensors. Its products monitor air quality for CO2, formaldehyde, particulates, temperature, humidity, etc.

During the period, a structured product delivering an annual income of 6% matured. This was replaced by the Barclays 1382 FTSE 100/S&P 500 Income Autocall, which yields 5.3% – a very attractive source of income in a low income environment.

James Codrington
21 October 2021

Net asset value per unit and comparative table

Income units

	30.09.21 pence per unit	31.03.21 pence per unit	31.03.20 pence per unit	31.03.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	138.47p	114.78p	128.35p	125.58p
Return before operating charges*	9.62p	27.47p	(8.50p)	7.75p
Operating charges	(0.26p)	(0.47p)	(0.68p)	(0.73p)
Return after operating charges*	9.36p	27.00p	(9.18p)	7.02p
Distributions on income units	(2.11p)	(3.31p)	(4.39p)	(4.25p)
Closing net asset value per unit	145.72p	138.47p	114.78p	128.35p
*after direct transactions costs[1] of:	0.01p	0.02p	0.05p	0.01p

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

Performance

Return after charges	6.76%	23.52%	(7.15%)	5.59%

Other information

Closing net asset value	£239,226,594	£231,112,995	£180,643,816	£189,537,917
Closing number of units	164,172,969	166,906,246	157,383,736	147,677,300
Operating charges	0.52%	0.53%	0.61%	0.85%
Direct transaction costs	–	0.02%	0.03%	0.01%

Prices**

Highest unit price	150.08p	140.66p	136.04p	134.85p
Lowest unit price	138.98p	112.58p	109.05p	121.45p

Ongoing Charges Figure

UCITS	0.52%	0.53%	0.61%	0.85%
PRIIPs***	0.64%	0.68%	0.77%	1.25%

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

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

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 30 September 2021

	2017	2018	2019	2020	2021
Rathbone Active Income and Growth Fund	10.32%	8.38%	4.15%	-0.73%	16.94%
UK Consumer Price Index +3%	5.96%	5.68%	4.83%	3.20%	6.32%

Source performance data Financial Express, mid to mid, 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 September 2021

Holding (Ordinary shares unless otherwise stated)		Value £	Percentage of total net assets
Debt Securities (31.03.21: 8.10%)			
Government Bonds (31.03.21: 2.67%)			
£2,971,010	UK Treasury 0.125% 2024**	4,127,848	1.73
£848,630	UK Treasury 0.125% 2028**	1,155,436	0.48
£700,000	UK Treasury 0.125% 2029**	1,131,801	0.47
Corporate Bonds (31.03.21: 5.43%)			
£4,283,040	Barclays Bank 1382 FTSE 100/S&P500 5.3% 2027**	4,220,936	1.76
£2,029,000	Goldman Sachs 3.125% 2029**	2,212,359	0.92
£1,069,000	Lloyds Banking 2.707% VRN 2035**	1,076,745	0.45
£1,721,000	PGH Capital 6.625% 2025**	2,050,489	0.86
£2,419,479	RBC Capital Markets 1303 New Issue FTSE Acceleration**	2,492,305	1.04
£2,040,000	Toyota Motor Credit Corporation 1% 2022**	2,052,231	0.86
Total Debt Securities		**20,520,150**	**8.57**
Bond Funds (31.03.21: 9.72%)			
169,099	Capital Global High Income Opportunities Fund*	6,058,830	2.53
632,496	Polar Capital Global Convertible Fund*	5,053,642	2.11
7,790,816	Rathbone High Quality Bond Fund*	7,767,444	3.25
Total Bond Funds		**18,879,916**	**7.89**
United Kingdom (31.03.21: 24.07%)			
Oil and Gas (31.03.21: 1.63%)			
401,588	BP	1,366,403	0.57
193,830	Royal Dutch Shell 'B'	3,197,420	1.34
		4,563,823	**1.91**
Basic Materials (31.03.21: 4.58%)			
160,739	Antofagasta	2,188,461	0.91
67,647	BHP	1,277,175	0.53
40,010	Croda International	3,418,454	1.43
490,440	Elementis	730,756	0.31
23,544	Johnson Matthey	631,921	0.26
13,833	Rhi Magnesita	453,446	0.19
35,918	Rio Tinto	1,764,831	0.74
		10,465,044	**4.37**

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

Holding (Ordinary shares unless otherwise stated)		Value £	Percentage of total net assets
Industrials (31.03.21: 2.69%)			
81,579	Ashtead	4,604,319	1.92
519,250	Breedon	512,500	0.21
105,714	Howden Joinery	946,986	0.40
283,590	Strix	968,460	0.40
		7,032,265	**2.93**
Consumer Goods (31.03.21: 1.19%)			
65,122	Nichols	853,098	0.36
46,619	Unilever	1,867,091	0.78
		2,720,189	**1.14**
Healthcare (31.03.21: 3.54%)			
35,168	AstraZeneca	3,149,646	1.32
64,106	Genus	3,503,393	1.46
119,795	GlaxoSmithKline	1,681,203	0.70
69,779	Smith & Nephew	898,056	0.38
		9,232,298	**3.86**
Consumer Services (31.03.21: 2.06%)			
94,556	Experian	2,939,746	1.23
151,173	Informa	830,242	0.35
32,200	RELX	691,334	0.29
114,911	S4 Capital	970,998	0.41
162,600	Sainsbury (J)	463,735	0.19
		5,896,055	**2.47**
Telecommunications (31.03.21: 0.52%)			
908,745	Vodafone	**1,029,608**	**0.43**
Utilities (31.03.21: 0.77%)			
34,305	Severn Trent	893,302	0.37
107,164	United Utilities	1,037,776	0.43
		1,931,078	**0.80**
Real Estate (31.03.21: 0.98%)			
71,564	Great Portland REIT	534,225	0.22
1,545,965	Regional REIT	1,365,087	0.57
119,347	Shaftesbury REIT	726,227	0.30
		2,625,539	**1.09**

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

Holding (Ordinary shares unless otherwise stated)		Value £	Percentage of total net assets
Financials (31.03.21: 3.84%)			
265,612	Aviva	1,051,558	0.44
679,793	Barclays	1,288,888	0.54
236,985	HSBC Holdings (London listed)	924,242	0.39
229,169	Legal & General	644,194	0.27
2,005,958	Lloyds Banking	933,974	0.39
138,790	M&G Prudential	282,576	0.12
96,357	Polar Capital	774,710	0.32
56,670	Prudential	824,265	0.34
113,404	Savills	1,530,954	0.64
213,789	Standard Chartered	932,120	0.39
		9,187,481	**3.84**
Technology (31.03.21: 0.25%)			
150,000	Alphawave IP	348,000	0.15
17,788	iomart	38,422	0.02
		386,422	**0.17**
UK Equity Funds (31.03.21: 2.02%)			
24,202	Vanguard FTSE All Share index Fund*	**2,759,360**	**1.15**
Total United Kingdom		**58,583,748**	**24.47**
Asia (31.03.21: 1.11%)			
65,690	Fidelity Asia Fund*	1,166,654	0.49
270,700	Orocobre	1,208,032	0.50
Total Asia		**2,374,686**	**0.99**
Canada (31.03.21: 0.00%)			
30,000	First Quantum Minerals	**409,740**	**0.17**
Channel Islands (31.03.21: 0.00%)			
5,563,962	Fair Oaks Income	**2,723,488**	**1.14**
Europe (31.03.21: 0.50%)			
5,670	Linde	**1,256,156**	**0.53**

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

Holding (Ordinary shares unless otherwise stated)		Value £	Percentage of total net assets
Japan (31.03.21: 11.11%)			
18,600	Advantest	1,238,829	0.52
94,900	Amada	733,629	0.31
36,100	Amano	687,963	0.29
72,416	Baillie Gifford Japan Income Fund*	1,344,041	0.56
783,701	Coupland Cardiff Japan Alpha Fund*	7,895,206	3.30
11,100	Daifuku	774,716	0.32
4,100	Daikin Industries	666,472	0.28
26,200	Hitachi	1,154,114	0.48
11,000	Hoya	1,277,368	0.53
39,600	JCU Corporation	1,171,347	0.49
36,700	Kyowa Exeo	670,368	0.28
2,600	Nintendo	930,138	0.39
14,200	Obic Business Consultants	536,126	0.22
70,700	Sanwa	683,305	0.29
55,600	Sekisui Chemical	711,806	0.30
34,000	Shimadzu	1,108,532	0.46
6,700	Shin-Etsu Chemical	841,496	0.35
29,300	Shoei	977,691	0.41
16,700	Sony	1,382,026	0.58
80,600	Topcon	1,042,042	0.44
Total Japan		**25,827,215**	**10.80**
Germany (31.03.21: 3.02%)			
36,286	Aurelius	830,874	0.35
16,385	Bayer	662,978	0.28
13,600	Porsche Preference	1,004,373	0.42
148,858	TAG Immobilien	3,256,282	1.36
6,513	Volkswagen Preference	1,088,948	0.46
Total Germany		**6,843,455**	**2.87**
Denmark (31.03.21: 0.38%)			
17,882	Novo Nordisk 'B'	**1,283,613**	**0.54**
Netherlands (31.03.21: 1.57%)			
3,903	ASML	2,166,835	0.91
6,841	Ferrari	1,063,408	0.44
8,558	Koninklijke DSM	1,269,992	0.53
Total Netherlands		**4,500,235**	**1.88**

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

Holding (Ordinary shares unless otherwise stated)		Value £	Percentage of total net assets
United States (31.03.21: 14.97 %)			
5,467	Accenture	1,296,819	0.54
678	Alphabet 'A'	1,343,223	0.56
32,308	Bank of America	1,016,671	0.42
5,125	Becton Dickinson	934,500	0.39
5,705	Berkshire Hathaway B	1,154,497	0.48
108,745	Brookfield Asset Management	4,313,113	1.80
155,397	Brown Advisory US Mid-Cap Growth Fund*	3,011,594	1.26
31,170	Citigroup	1,621,899	0.68
6,370	Clorox	782,248	0.33
29,992	Coca-Cola	1,166,671	0.49
14,510	Emerson Electric	1,013,392	0.42
4,500	Facebook	1,132,150	0.47
2,100	Fedex	341,426	0.14
61,900	Hewlett Packard Enterprise	654,648	0.27
1,416	Jackson Financial	27,241	0.01
6,930	Johnson & Johnson	829,688	0.35
5,233	Microsoft	1,093,250	0.46
37,500	Palantir Technologies	668,595	0.28
5,600	PayPal	1,080,254	0.45
8,250	Procter & Gamble	855,195	0.36
26,390	Pulte	898,358	0.38
122,052	Vanguard S&P 500 ETF#	7,453,105	3.12
7,342	Verisk Analytics	1,090,287	0.46
4,870	Visa 'A'	804,136	0.34
Total United States		**34,582,960**	**14.46**
Switzerland (31.03.21: 1.74%)			
11,781	Nestlé (registered)	1,055,207	0.44
4,064	Roche	1,104,685	0.46
9,379	Sensirion Holding	842,598	0.35
15,506	Swiss Reinsurance	987,456	0.41
3,750	Zur Rose AG	1,113,544	0.47
Total Switzerland		**5,103,490**	**2.13**
Italy (31.03.21: 1.20%)			
54,545	Finecobank Banca Fineco	734,190	0.31
270,209	Snam	1,112,725	0.47
Total Italy		**1,846,915**	**0.78**

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

Holding (Ordinary shares unless otherwise stated)		Value £	Percentage of total net assets
Sweden (31.03.21: 0.78%)			
93,393	Ericsson B	781,989	0.33
54,730	Sandvik	933,965	0.39
Total Sweden		**1,715,954**	**0.72**
France (31.03.21: 0.00%)			
3,900	Schneider Electric	**482.244**	**0.20**
Global (31.03.21: 0.53%)			
753,341	Lazard Global Listed Infrastructure Equity Fund*	**1,293,412**	**0.54**
Commodities (31.03.21: 2.87%)			
534,640	Elements Rogers Agriculture Total Return Fund*	3,164,184	1.32
267,954	ETFS GBP Daily Hedged Physical Gold ETC ETF#	2,557,621	1.07
23,719	Gold Bullion Securities*	2,883,186	1.20
Total Commodities		**8,604,991**	**3.59**
Alternatives (31.03.21: 4.45%)			
2,590,980	GCP Infrastructure Investments	2,601,344	1.09
13,157,895	S&P 500 Index Warrants 2022 UBS	263,158	0.11
5,091,926	Sequoia Economic Infrastructure Income	5,448,361	2.28
Total Alternatives		**8,312,863**	**3.48**
Emerging Markets (31.03.21: 1.89%)			
92,454	Vanguard FTSE Emerging Markets ETF#	**3,429,784**	**1.43**
Property Unit Trusts (31.03.21: 5.34%)			
15,019,814	Property Income Trust for Charities*	**13,282,021**	**5.55**
Total value of investments (31.03.21: 93.35%)		221,102,450	92.42
Net other assets (31.03.21: 6.65%)		18,124,144	7.58
Total value of the fund as at 30 Sepetember 2021		**239,226,594**	**100.00**

* Collectives
** Debt securities
\# Exchange Traded Funds
All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.

Summary of portfolio investments

	Value £	Percentage of total net assets
Equities	131,462,216	54.97
Bonds	20,520,150	8.57
Pooled investment vehicles	69,120,084	28.88
Total value of investments	**221,102,450**	**92.42**

Statement of total return for the half year ended 30 September 2021

	30.09.21 £	30.09.21 £	30.09.20 £	30.09.20 £
Income				
Net capital gains		**12,337,055**		21,405,357
Revenue	**3,567,694**		2,895,510	
Expenses	**(425,005)**		(367,369)	
Interest payable and similar charges	**(1,288)**		(838)	
Net revenue before taxation	**3,141,401**		2,527,303	
Taxation	**(93,976)**		(45,027)	
Net revenue after taxation		**3,047,425**		2,482,276
Total return before distributions		**15,384,480**		23,887,633
Distributions		**(3,466,147)**		(2,853,662)
Change in net assets attributable to unitholders from investment activities		**11,918,333**		21,033,971

Statement of change in net assets attributable to unitholders for the half year ended 30 September 2021

	30.09.21 £	30.09.21 £	30.09.20 £	30.09.20 £
Opening net assets attributable to unitholders		**231,112,995**		180,643,816
Amounts receivable on issue of units	**2,875,811**		1,242,540	
Amounts payable on cancellation of units	**(6,680,545)**		(1,920,643)	
In-specie transfer	**—**		9,929,530	
		(3,804,734)		9,251,427
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		**11,918,333**		21,033,971
Closing net assets attributable to unitholders		**239,226,594**		210,929,214

Balance sheet as at 30 September 2021

	30.09.21 £	30.09.21 £	31.03.21 £	31.03.21 £
Assets				
Fixed assets:				
Investments		**221,102,450**		215,746,145
Current assets:				
Debtors	**574,017**		1,987,401	
Cash and bank balances	**19,409,454**		15,334,579	
Total current assets		**19,983,471**		17,321,980
Total assets		**241,085,921**		233,068,125
Liabilities				
Creditors:				
Other creditors	**(86,259)**		(160,552)	
Bank overdrafts	**—**		(526,090)	
Distribution payable on income units	**(1,773,068)**		(1,268,488)	
Total liabilities		**(1,859,327)**		(1,955,130)
Net assets attributable to unitholders		**239,226,594**		231,112,995

Notes to the interim financial statements

Accounting policies

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

All accounting policies applied are consistent with those of the annual report for the year ended 31 March 2021 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 30 September 2021 were £10,532,009 and £17,683,335 respectively.

Distribution tables for the half year ended 30 September 2021

Distribution tables (pence per unit)

First Interim

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

Income units	Net income	Equalisation	Paid 31.08.21	Paid 28.08.20
Dividend Distribution				
Group 1	0.68	–	0.68	0.48
Group 2	0.31	0.37	0.68	0.48
Non-dividend Distribution				
Group 1	0.35	–	0.35	0.42
Group 2	0.16	0.19	0.35	0.42

Second Interim

Group 1 – Units purchased prior to 1 July 2021
Group 2 – Units purchased on or after 1 July 2021 and on or before 30 September 2021

Income units	Net income	Equalisation	Payable 30.11.21	Paid 30.11.20
Dividend Distribution				
Group 1	0.65	–	0.65	0.59
Group 2	0.39	0.26	0.65	0.59
Non-dividend Distribution				
Group 1	0.43	–	0.43	0.28
Group 2	0.25	0.18	0.43	0.28

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 Active Income and Growth Fund
19 November 2021

Authorised status

The Rathbone Active Income and Growth Fund is a non-UCITS retail scheme (NURS) and qualifies as an alternative investment fund within the meaning of AIFMD.

An application was made for the fund to become a TEF (tax elected fund) with effect from the beginning of its previous accounting year (1 April 2014) and authorisation was received from HMRC on 19 February 2014.

The currency of the fund is pounds sterling.

Investment objective, policy and strategy

The objective of the fund is to deliver an annual income of 2.5% averaged over any rolling five-year period. The fund also aims to deliver a greater total return than the CPI measure of inflation + 3%, after fees, over any rolling five-year period. The fund aims to deliver this return with no more than two-thirds of the volatility of the FTSE Developed stock market index. There is no guarantee that this investment objective will be achieved over five years, or any other time period. We use the CPI + 3% as a target for our fund's return because we aim to grow your investment above inflation. 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 in terms of the global stock market.

To meet the objective, the Fund Manager will invest globally in government and corporate bonds with no restriction on their credit quality, equities, structured products and commodities. Investment will be made directly in such assets or through collective investment schemes. The fund will not hold property directly but may make investments in property through other collective investment schemes. Collective investment schemes include authorised, unauthorised and alternative collective investment schemes including private equity funds. Derivatives may be used by the fund for the purposes of efficient portfolio management and hedging.

The Fund Manager defines restrictions on how much of the fund can be invested in different types of assets. 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 Manager may use all investment powers as permitted by the prospectus, outside the ranges described above, to ensure the fund is managed in the best interest of investors in times of market irregularities or stress.

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

The fund will not invest directly in any company that derives more than 20% of its sales from gambling, high-interest-rate lending, pornography or from the manufacture of tobacco or tobacco products, alcohol or armaments.

The ethical investment policy does not apply to investments made through collective investment schemes.

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.

AIFMD disclosure

The provisions of the Alternative Investment Fund Managers Directive (AIFMD) took effect in full on 22 July 2014. That legislation requires the fund manager, to establish and apply remuneration policies and practices that are consistent with, and promote, sound and effective risk management and that neither encourage risk taking which is inconsistent with the risk profiles, prospectuses, trust

deeds and deeds of constitution of the alternative investment funds to which it has been appointed (the Funds) nor impair compliance with the AIFM's duty to act in the best interests of the funds.

As the nature and range of the AIFM's activities, its internal organisation and operations are, in the Directors' opinion, limited in their nature, scale and complexity, that is, to the business of a management company engaging in collective portfolio management of investments of capital raised from the public, this is reflected in the manner in which the AIFM has addressed certain requirements regarding remuneration imposed upon it by the Regulations. The board of directors of the AIFM (the Board) consists of eleven directors (each a Director). The AIFM has delegated the performance of the investment of the fund to Rathbone Unit Trust Management Limited (the Fund Manager). As noted below, the AIFM relies on the remuneration policies and procedures of each delegate to ensure that their remuneration structures promote a culture of investor protection and mitigate conflicts of interest.

The Regulations provide that the remuneration policies and practices shall apply to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the funds.

The AIFM has appointed the Board and eleven Directors who are therefore considered to be those that have a material impact on the risk profile of the funds. Accordingly, the remuneration provisions of the Regulations only affect the AIFM with regard to the Board. Each Director is entitled to be paid a fixed director's fee based on an expected number of meetings and the work required to oversee the operations of the AIFM, which is considered to be consistent with the powers, tasks, expertise and responsibility of the Directors. The fee payable to each Director is reviewed from time to time, based on the evolution of the AIFM's activities and the aggregate fees payable are disclosed in the prospectus of the funds. The Directors do not receive performance based variable remuneration, therefore avoiding any potential conflicts of interest. In addition, each of the Directors has waived the fees to which they would otherwise be entitled.

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 dispatch 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 £10,000 which may be varied by the Manager. Thereafter holders may invest additional amounts to the value of £2,000 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.

The Manager currently receives an annual remuneration for managing the property of the fund at the rate of 0.3%.

Statements

A distribution statement showing the rate per unit and your unit holding will be sent semi-annually on 31 March and 30 September.

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

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

Prices

The prices of units are available on request from the Manager.

Other information

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

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

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

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

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

ISA eligibility

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

Risk factors

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

Value Assessment

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

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

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

You can view the value assessments for the Funds four months after their period end on our website rathbonefunds.com

Other funds

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

Rathbone Core Investment Fund for Charities
Rathbone Dragon Trust
Rathbone Ethical Bond Fund
Rathbone Global Opportunities Fund
Rathbone Heritage Fund
Rathbone Income Fund
Rathbone Strategic Bond Fund
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Defensive Growth Fund
Rathbone Dynamic Growth Fund
Rathbone Enhanced Growth Portfolio
Rathbone Greenbank Defensive Growth Portfolio
Rathbone Greenbank Dynamic Growth Portfolio
Rathbone Greenbank Global Sustainability Fund
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

Further details

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

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

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

Data protection

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

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

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

Rathbones
Look forward

Rathbone Unit Trust Management Limited
8 Finsbury Circus, London EC2M 7AZ
Tel 020 7399 0000

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