

Rathbones
Look forward

Rathbone High Quality Bond Fund
Interim report for the half year ended 31 October 2021



Rathbone High Quality Bond Fund

Authorised Corporate Director (ACD)

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**A member of the Rathbones Group
Authorised and regulated by the
Financial Conduct Authority and member
of The Investment Association**

The Company

Rathbone High Quality Bond Fund
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Telephone 0330 123 3810
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Independent Auditor

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Statutory Auditor
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Directors of the ACD

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

Administrator

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Depository

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

ACD's report for the half year ended 31 October 2021

Over the six months to 31 October 2021, our fund returned -0.39%. Over the same period our target benchmark, the Bank of England Base Rate + 0.5%, returned 0.30%. Our fund aims to offer a portfolio of highly liquid, quality bonds that should outperform the interest rates you might get at a bank, while protecting the value of your investment.

A year ago, many big economies were firmly in the grip of the pandemic and effectively shut down. That soon gave way to strong vaccination drives, reopenings and the promise of a return to something near normality. Household and business confidence rebounded as well, as people stepped out to enjoy their freedom and many businesses boomed.

This recovery pushed global GDP growth higher, taking inflation with it due to tangled supply chains, labour shortages and the simple 'base effect' caused by large falls in many commodities during lockdowns that exaggerate their subsequent price recoveries. Bond yields have flown higher over the past six months. Now, investors' optimism of recovery has once again turned to worry – will inflation become consistently higher or is this really just a transitory phase? This matters because inflation is the single largest risk for bondholders besides default, but also because sticky inflation may encourage central banks to hike interest rates and quit buying bonds through their quantitative easing programmes. We are quietly confident that the market will sort itself out once the reopening burst is behind us, it will just take a bit of time.

During the period we reduced our portfolio's sensitivity to changes in interest rates. However, we didn't have to forgo yield to do this, as we managed to find attractive opportunities issued by businesses we liked at yields that offset those we sold. Many of these sales were financials, a sector we have appreciated for a very long time, such as the London Stock Exchange 1.625% Senior 2030 and Close Brothers Finance 1.625% Senior 2030. This meant that our portfolio's modified duration fell from 4.2 years to 3.6 years.

We found more attractive investments in Swedbank 1.375% 2027 and Credit Suisse 1.125% Senior 2025 and Goldman Sachs 1% 2025 bonds. Financials have long been a strong hunting ground for us and are likely to remain so for the foreseeable future. There are many strongly capitalised companies with strong cash flows which often trade at better yields than we see in other industries.

Over the period we added to the short-dated Aviva 6.125% Perpetual-2022 when its price looked attractive. This is an old favourite. We had actually reduced our position by selling some of these bonds back to the issuer in a tender offer back in March.

In May and June, we sold the BPCE 1% Senior 2025 as its credit spread tightened, using the cash to invest elsewhere.

September is always a busy time for bond issuance, so this year we took advantage to put some money to work. Demand for high-quality bonds remains strong, however, so while we managed to pick up some at attractive prices, we have had to be selective. One of the bonds we picked up for a reasonable price was the Toyota Motor Finance 0.75% Senior 2025.

In September and October investors became convinced that the Bank of England (BoE) was going to increase interest rates in November or December to combat quickly accelerating inflation. This drove a huge spike in yields across all UK maturities except for the very long dated (because investors believed any rate hike would be a mistake and hurt longer-term economic growth). The BoE rowed back from this in November, causing yields to quickly sink back again. This volatility created great opportunities in shorter-dated corporate bonds, particularly 2025 and 2026 vintages.

In September, we used the rise in yields to sell the very short-dated HSBC 2.175% Floating Rate 2023 (the bank can 'call', or buy back, the bond in June). We sold our full position and bought bonds that had a longer maturity, to take advantage of higher yields.

In October we sold the UK Municipal Bonds Agency 1.5097% Floating Rate Senior 2025 as short-term gilt yields jumped. We used the cash to reinvest in fixed-rate bonds because they offered a higher-yielding, more attractive investment.

We've been careful not to overstretch in our search for yield. The outlook for many businesses has undoubtedly grown murkier during the final quarter of the period. Business and consumer confidence have weakened and supply logjams are everywhere. The energy price spike has sharply intensified worries about inflation's capacity to undermine the post-pandemic growth rebound. Will it dent company profitability and crimp consumer spending? Could the slowdown from the furious initial pace of the rebound prove much sharper than previously expected?

We're watching closely and buying only those bonds issued by well-capitalised and profitable businesses that manage their risks very carefully.

Noelle Cazalis
Fund Manager

Bryn Jones
Fund Manager

23 November 2021

Net asset value per share and comparative tables

I-class income shares

	31.10.21 pence per share	30.04.21 pence per share	30.04.20*** pence per share
Change in net assets per share			
Opening net asset value per share	98.01p	97.94p	100.00p
Return before operating charges*	(0.26p)	2.93p	(0.23p)
Operating charges	(0.20p)	(0.39p)	(0.31p)
Return after operating charges*	(0.46p)	2.54p	(0.54p)
Distributions on income shares	(1.17p)	(2.47p)	(1.52p)
Closing net asset value per share	96.38p	98.01p	97.94p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p

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

Performance

Return after charges	(0.47%)	2.59%	(0.54%)
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Other information

Closing net asset value	£32,434,280	£30,156,666	£8,424,516
Closing number of shares	33,654,062	30,769,644	8,602,031
Operating charges	0.40%	0.40%	0.41%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest share price	99.18p	100.73p	100.81p
Lowest share price	97.06p	98.12p	96.46p

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

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

Net asset value per share and comparative tables

I-class accumulation shares

	31.10.21 pence per share	30.04.21 pence per share	30.04.20*** pence per share
Change in net assets per share			
Opening net asset value per share	102.25p	99.67p	100.00p
Return before operating charges*	(0.29p)	2.99p	(0.03p)
Operating charges	(0.21p)	(0.41p)	(0.30p)
Return after operating charges*	(0.50p)	2.58p	(0.33p)
Distributions on accumulation shares	(1.23p)	(2.54p)	(1.61p)
Retained distributions on accumulation shares	1.23p	2.54p	1.61p
Closing net asset value per share	101.75p	102.25p	99.67p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p

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

Performance

Return after charges	(0.49%)	2.59%	(0.33%)
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Other information

Closing net asset value	£10,549,928	£5,757,878	£3,296,090
Closing number of shares	10,368,385	5,631,395	3,306,856
Operating charges	0.40%	0.40%	0.41%
Direct transaction costs	0.00%	0.00%	0.00%

Prices**

Highest share price	103.58p	103.75p	101.51p
Lowest share price	101.85p	99.85p	97.58p

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

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

Net asset value per share and comparative tables

S-class income shares

	31.10.21 pence per share	30.04.21 pence per share	30.04.20 pence per share	30.04.19*** pence per share
Change in net assets per share				
Opening net asset value per share	99.75p	99.51p	100.57p	100.00p
Return before operating charges*	(0.26p)	3.00p	1.62p	1.57p
Operating charges	(0.13p)	(0.25p)	(0.28p)	(0.18p)
Return after operating charges*	(0.39p)	2.75p	1.34p	1.39p
Distributions on income shares	(1.20p)	(2.51p)	(2.40p)	(0.82p)
Closing net asset value per share	98.16p	99.75p	99.51p	100.57p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	(0.39%)	2.76%	1.33%	1.39%
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Other information

Closing net asset value	£236,618,071	£243,976,145	£193,385,432	£85,608,086
Closing number of shares	241,059,748	244,581,322	194,329,497	85,122,486
Operating charges	0.25%	0.25%	0.27%	0.38%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest share price	100.98p	102.46p	102.83p	101.39p
Lowest share price	98.85p	99.70p	98.00p	99.76p

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

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

Net asset value per share and comparative tables

S-class accumulation shares

	31.10.21 pence per share	30.04.21 pence per share	30.04.20 pence per share	30.04.19*** pence per share
Change in net assets per share				
Opening net asset value per share	105.63p	102.79p	101.40p	100.00p
Return before operating charges*	(0.29p)	3.10p	1.67p	1.57p
Operating charges	(0.14p)	(0.26p)	(0.28p)	(0.17p)
Return after operating charges*	(0.43p)	2.84p	1.39p	1.40p
Distributions on accumulation shares	(1.27p)	(2.62p)	(2.54p)	(0.82p)
Retained distributions on accumulation shares	1.27p	2.62p	2.54p	0.82p
Closing net asset value per share	105.20p	105.63p	102.79p	101.40p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	(0.41%)	2.76%	1.37%	1.40%
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Other information

Closing net asset value	£19,082,438	£19,093,462	£13,144,117	£7,253,958
Closing number of shares	18,139,402	18,076,114	12,787,108	7,154,136
Operating charges	0.25%	0.25%	0.27%	0.36%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest share price	107.04p	107.13p	104.64p	101.58p
Lowest share price	105.30p	102.97p	100.62p	99.81p

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

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

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

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



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

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

Discrete annual performance, year ending 30 September 2021

	2017	2018	2019	2020	2021
I-class shares	–	–	–	1.94%	0.35%
S-class shares	–	–	–	2.41%	0.51%
Bank of England Base Rate +0.5%	–	–	–	0.89%	0.60%

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

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

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

Portfolio and net other assets as at 31 October 2021

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Corporate Bonds (30.04.21: 97.68%)		
£3,873,500 A2D Funding 4.5% 2026	4,323,763	1.45
£4,753,300 A2D Funding 4.75% 2022	4,906,603	1.64
\$800,000 ANZ New Zealand International London Branch 1.25% 2026	574,520	0.19
\$1,600,000 Apple 1.2% 2028	1,131,259	0.38
£6,400,000 Athene Global Funding 1.75% 2027	6,304,048	2.11
£6,200,000 Athene Global Funding 1.875% 2028	6,088,369	2.04
£6,470,000 Aviva 6.125% VRN perp	6,744,923	2.26
£3,100,000 Banco Santander 1.375% 2024	3,100,565	1.04
£2,800,000 Banco Santander 1.5% 2026	2,759,702	0.92
£4,000,000 Banco Santander 1.75% 2027	3,963,382	1.33
£3,800,000 Banco Santander 2.75% 2023	3,896,447	1.30
£2,950,000 Bank of America 1.667% VRN 2029	2,903,434	0.97
£2,250,000 Bank of America 2.3% 2025	2,322,458	0.78
£3,700,000 Bank of America 7% 2028	4,920,938	1.65
£2,050,000 Bank of Montreal 1.5% 2024	2,058,708	0.69
£1,956,000 Bank of Nova Scotia 1.25% 2025	1,930,768	0.65
£3,700,000 Banque Federative du Credit Mutuel 1% 2026	3,609,822	1.21
£1,000,000 Banque Federative du Credit Mutuel 1.75% 2024	1,013,130	0.34
£600,000 Barclays Bank 3% 2026	627,284	0.21
£4,200,000 Blackstone Property Partners Europe 2% 2025	4,199,369	1.41
£6,950,000 BNP Paribas 3.375% 2026	7,409,897	2.48
£2,500,000 BPCE 1.375% 2026	2,476,050	0.83
£4,512,000 Citigroup 2.75% 2024	4,646,446	1.55
£2,700,000 Co-operative Rabobank 1.25% 2025	2,681,850	0.90
£6,100,000 Coventry Building Society 1% 2025	5,998,798	2.01
£2,600,000 Coventry Building Society 1.875% 2023	2,632,206	0.88
£6,000,000 Credit Suisse London Branch 1.125% 2025	5,872,001	1.96
£1,200,000 Daimler International Finance 2% 2023	1,215,039	0.41
£2,600,000 Deutsche Pfandbriefbank 1.75% 2022	2,611,266	0.87
£2,970,000 Direct Line Insurance 9.25% VRN 2042	3,084,779	1.03
£2,624,000 East Japan Railway Company 1.162% 2028	2,560,171	0.86
\$6,000,000 Electricite de France 4.5% 2028	5,015,075	1.68
£6,129,000 First Abu Dhabi Bank 0.875% 2025	5,977,614	2.00
£3,478,000 First Abu Dhabi Bank 1.125% 2026	3,405,937	1.14
£2,700,000 First Abu Dhabi Bank 1.375% 2023	2,704,315	0.90
£2,600,000 Friends Life 8.25% 2022	2,690,558	0.90
£6,157,000 Goldman Sachs 1% VRN 2025	6,036,343	2.02
£2,143,000 Goldman Sachs 1.5% 2027	2,092,086	0.70

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£1,850,000	Goldman Sachs 4.25% 2026	2,043,354	0.68
£5,350,000	HSBC 6.5% 2024	6,013,467	2.01
£5,786,000	HSBC Holdings 1.75% VRN 2027	5,699,583	1.91
£2,650,000	HSBC Holdings 2.256% VRN 2026	2,681,216	0.90
£2,450,000	Industrial and Commercial Bank of China 1.5% 2022	2,455,429	0.82
£6,180,000	JPMorgan Chase 0.991% VRN 2026	6,061,910	2.03
£3,700,000	Just Group 3.5% 2025	3,824,875	1.28
£3,900,000	KBC 1.25% VRN 2027	3,814,688	1.28
£1,760,000	Land Securities Capital Markets 1.974% 2026	1,785,534	0.60
£3,000,000	LBBW 1.125% 2025	2,958,053	0.99
£2,800,000	LBBW 1.5% 2025	2,800,687	0.94
£6,320,000	Leeds Building Society 1.5% VRN 2027	6,231,471	2.09
£5,400,000	Lloyds Bank 1.875% VRN 2026	5,433,307	1.82
£5,557,000	Lloyds Bank 2.25% 2024	5,674,392	1.90
£3,377,000	Lloyds Bank Corporate Markets 1.75% 2024	3,410,765	1.14
£6,090,000	Logicor 2019-1 1.875% 2026	6,208,329	2.08
£1,663,000	London and Quadrant Housing Trust 2.625% 2026	1,751,585	0.59
£4,024,000	Macquarie Bank 1.125% 2025	3,958,726	1.32
£1,000,000	Metlife 5.375% 2024	1,122,142	0.37
£1,900,000	Munich Re 6.625% VRN 2042	1,959,470	0.66
£4,323,000	Nats En Route 1.375% 2031	4,251,916	1.42
£1,770,000	NatWest Markets 6.875% 2025	2,051,060	0.69
AUD\$5,000,000	NBN 1% 2025	2,600,101	0.87
\$6,247,000	NBN 1.45% 2026	4,500,990	1.51
£1,645,000	New York Life Global Funding 1.25% 2026	1,630,738	0.55
£2,203,000	Nordea Bank 1.625% VRN 2032	2,124,715	0.71
£3,000,000	OP Corporate Bank 1.375% 2026	2,966,908	0.99
£1,832,100	Paragon 6.125% 2022	1,850,344	0.62
£1,574,500	Places for People Finance 4.25% 2023	1,610,870	0.54
£535,000	Places for People Homes 1% Index-Linked 2022	679,498	0.23
£5,600,000	Places for People Homes 3.625% 2028	6,255,619	2.09
£7,109,000	Places for People Treasury 2.875% 2026	7,579,816	2.54
£150,000	Retail Charity Bonds 4% 2029	151,515	0.05
£3,632,000	Scottish Widows 5.5% 2023	3,852,278	1.29
£1,200,000	Siemens Financieringsmaatschappij 1% 2025	1,192,146	0.40
£4,629,000	Skipton Building Society 2% VRN 2026	4,663,474	1.56
£5,556,000	Swedbank 1.375% VRN 2027	5,458,366	1.83
£670,000	Telereal Securitisation 1.3657% 2033	617,851	0.21
£600,000	Tesco Personal Finance 3.5% 2025	620,316	0.21

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£1,792,000 Total Capital International 1.75% 2025	1,822,095	0.61
£1,650,000 Toyota Motor Credit 0.75% 2026	1,590,213	0.53
£6,848,000 Toyota Motor Finance Netherlands 0.75% 2025	6,657,289	2.23
£2,577,000 UBS 8.75% 2025	3,202,062	1.07
£1,350,000 Workspace Group 2.25% 2028	1,336,600	0.45
\$3,475,000 Zurich Finance 3% VRN 2051	2,504,751	0.84
£7,280,000 Zurich Finance 6.625% VRN perp	7,595,049	2.54
	291,745,486	97.68
Mortgage Bonds (30.04.21: 1.00%)		
£3,867,000 China Development Bank 1.25% 2023	3,854,100	1.29
£2,000,000 Societe Nationale SNCF 0.875% 2026	1,959,240	0.66
	5,813,340	1.95
Forward Foreign Exchange Contracts (30.04.21: (0.06%))		
Buy £2,586,824, Sell AUD\$4,867,518	(80,111)	(0.03)
Buy AUD\$104,462, Sell £56,490	745	0.00
Buy \$7,110,135, Sell £5,159,985	25,715	0.01
Buy £18,782,069, Sell \$25,987,735	(171,802)	(0.06)
	(225,453)	(0.08)
Total value of investments (30.04.21: 98.62%)	297,333,373	99.55
Net other assets (30.04.21: 1.38%)	1,351,344	0.45
Total value of the fund as at 31 October 2021	298,684,717	100.00

Summary of portfolio investments

	Value £	Percentage of total net assets
Investment grade	280,890,856	94.05
Below investment grade	16,667,970	5.58
Debt securites	297,558,826	99.63
Derivatives	(225,453)	(0.08)
Total value of investments	297,333,373	99.55

Statement of total return for the half year ended 31 October 2021

	31.10.21 £	31.10.21 £	31.10.20 £	31.10.20 £
Income				
Net capital (losses)/gains		(3,468,833)		4,644,863
Revenue	2,590,054		2,008,274	
Expenses	(409,164)		(330,109)	
Interest payable and similar charges	(507)		(376)	
Net revenue before taxation	2,180,383		1,677,789	
Taxation	—		—	
Net revenue after taxation		2,180,383		1,677,789
Total (deficit)/return before distributions		(1,288,450)		6,322,652
Distributions		(3,629,039)		(3,074,455)
Change in net assets attributable to shareholders from investment activities		(4,917,489)		3,248,197

Statement of change in net assets attributable to shareholders for the half year ended 31 October 2021

	31.10.21 £	31.10.21 £	31.10.20 £	31.10.20 £
Opening net assets attributable to shareholders		298,984,151		218,250,155
Amounts receivable on issue of shares	20,734,813		62,247,884	
Amounts payable on cancellation of shares	(16,454,106)		(11,583,238)	
		4,280,707		50,664,646
Change in net assets attributable to shareholders from investment activities (see Statement of total return above)		(4,917,489)		3,248,197
Retained distributions on accumulation shares		337,348		277,410
Closing net assets attributable to shareholders		298,684,717		272,440,408

Balance sheet as at 31 October 2021

	31.10.21 £	31.10.21 £	30.04.21 £	30.04.21 £
Assets				
Fixed assets:				
Investments		297,585,286		295,040,924
Current assets:				
Debtors	2,995,252		5,057,765	
Cash and bank balances	2,626,163		5,484,233	
Total current assets		5,621,415		10,541,998
Total assets		303,206,701		305,582,922
Liabilities				
Investment liabilities		(251,913)		(194,539)
Creditors:				
Distribution payable on income shares	(1,644,917)		(1,731,634)	
Other creditors	(2,625,154)		(4,672,598)	
Total liabilities		(4,521,984)		(6,598,771)
Net assets attributable to shareholders		298,684,717		298,984,151

Notes to the interim financial statements

Accounting policies

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

All accounting policies applied are consistent with those of the annual report for the year ended 30 April 2021 and are detailed in full in those financial statements.

Portfolio transaction costs

Total purchases and sales transactions for the half year ended 31 October 2021 were £125,183,967 and £118,143,732 respectively.

Distribution tables for the half year ended 31 October 2021

Distribution tables (pence per share)

First Interim

Group 1 – Shares purchased prior to 1 May 2021

Group 2 – Shares purchased on or after 1 May 2021 and on or before 31 July 2021

I-class income shares	Net income	Equalisation	Paid 30.09.21	Paid 30.09.20
Group 1	0.58	–	0.58	0.57
Group 2	0.20	0.38	0.58	0.57

I-class accumulation shares	Net income	Equalisation	Accumulated 30.09.21	Accumulated 30.09.20
Group 1	0.61	–	0.61	0.59
Group 2	0.15	0.46	0.61	0.59

S-class income shares	Net income	Equalisation	Paid 30.09.21	Paid 30.09.20
Group 1	0.60	–	0.60	0.59
Group 2	0.28	0.32	0.60	0.59

S-class accumulation shares	Net income	Equalisation	Accumulated 30.09.21	Accumulated 30.09.20
Group 1	0.63	–	0.63	0.60
Group 2	0.42	0.21	0.63	0.60

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

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

Second Interim

Group 1 – Shares purchased prior to 1 August 2021

Group 2 – Shares purchased on or after 1 August 2021 and on or before 31 October 2021

I-class income shares	Net income	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	0.59	–	0.59	0.63
Group 2	0.34	0.25	0.59	0.63

I-class accumulation shares	Net income	Equalisation	Allocated 31.12.21	Accumulated 31.12.20
Group 1	0.62	–	0.62	0.64
Group 2	0.32	0.30	0.62	0.64

S-class income shares	Net income	Equalisation	Payable 31.12.21	Paid 31.12.20
Group 1	0.60	–	0.60	0.64
Group 2	0.33	0.27	0.60	0.64

S-class accumulation shares	Net income	Equalisation	Allocated 31.12.21	Accumulated 31.12.20
Group 1	0.64	–	0.64	0.67
Group 2	0.23	0.41	0.64	0.67

Notes for corporate shareholders

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

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

Equalisation

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

Directors' statement

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

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

General information

Authorised status

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

Investment objective, policy and strategy

Investment objective

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

Investment policy

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

The fund may invest globally but at least 80% of the portfolio will be invested in sterling denominated assets or hedged back to sterling. Derivatives may be used by the fund for the purposes of efficient portfolio management and hedging. The manager may use all investment powers as permitted by the prospectus, outside the ranges described above, to ensure the fund is managed in the best interest of investors in times of market irregularities or stress. The fund may invest at the fund manager's discretion in other transferable securities, money market instruments, warrants, cash and near cash and deposits and units in collective investment

schemes. Use may be made of stock lending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA Rules.

Investment strategy

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

- Character: Whether a company's managers have integrity and competence
- Capacity: Ensuring a company isn't over-borrowing and has the cash to pay its debts
- Collateral: Are there assets backing the loan, which reduces the risk of a loan
- Covenants: These loan agreements set out the terms of the bond and restrictions on the company

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

Fund benchmark

Bank of England's Base Rate + 0.5%.

Valuation of the sub-funds

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

Stewardship code

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

Buying and selling of shares

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

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

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

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

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

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

Statements

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

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

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

Prices

Prices are available on our website rathbonefunds.com

Other information

You can see the Instrument of Incorporation, the Key Investor Information Document, the Supplementary Information Document, the Prospectus and the most recent half yearly report of each fund by visiting the registered offices of the ACD. Copies of the Prospectus, 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 ACD.

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

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

General information *(continued)*

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

Value assessment

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

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

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

You can view the value 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 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 Strategic Bond Fund
Rathbone UK Opportunities Fund

General information *(continued)*

and the Authorised Corporate Director of:

Rathbone Defensive Growth Portfolio
Rathbone Dynamic Growth Portfolio
Rathbone Enhanced Growth Portfolio
Rathbone 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 Pharaoh Fund
Rathbone Quercus Growth Fund
Rathbone Sherwood Fund
Rathbone Strategic Growth Portfolio
Rathbone Strategic Income Portfolio
Rathbone Sussex Growth Fund
Rathbone Sussex Income Fund
Rathbone Total Return Portfolio

Further details

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

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

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

Data protection

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

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

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

Rathbones

Look forward

Rathbone Unit Trust Management Limited

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

Information line

020 7399 0399
rutm@rathbones.com
rathbonefunds.com

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