

Rathbones

Look forward

Rathbone Ethical Bond Fund

Interim report for the half year ended 31 March 2022



Rathbone Ethical Bond Fund

Authorised Fund Manager (the Manager)

Rathbone Unit Trust Management Limited
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Telephone 020 7399 0399

A member of the Rathbones Group

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

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Financial Conduct Authority**

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

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Trustee

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Financial Conduct Authority**

Manager's report for the half year ended 31 March 2022

In the six months ended 31 March 2022, the Rathbone Ethical Bond Fund fell 6.74%, compared with the IA Sterling Corporate Bond sector's 5.48% drop.

Concern that inflation would rise higher and linger longer than most people expected became a steady drumbeat as the final quarter of 2021 progressed and COVID-19 surged back once again. This insistent rhythm quickened into something akin to a grungy club beat in the new year, rapidly pushing bond yields higher. Then Russia invaded Ukraine, immediately compounding already extraordinary rises in the cost of energy, metals and food. The noise has become very jarring indeed.

Alongside its devastating human impact, the war in Ukraine is triggering a chain of consequences that have reverberated across financial markets and significantly added to the uncertainties weighing on the global economy. There was a short-lived rush to buy 'safe haven' government bonds when the war first began. But overall, investors have been preoccupied by high, and rising, inflation.

Because inflation eats into bonds' fixed returns, government bond yields rose sharply over the past six months (bond yields and prices move in opposite directions). The yield on 10-year US Treasuries began the period at 1.49% and had reached 2.35% by its end. The yield on 10-year gilts surged too, up from 1.02% at the start of the period to 1.61% by its end.

Adding to the pain for investors, corporate debt also came under intense pressure. Credit spreads – the extra yield (or spread) offered relative to government bonds for taking on default risks – widened significantly amid worries that higher inflation and lower growth could make it harder for borrowers to repay their debts. The iTraxx European Crossover Index began the period at 253 basis points (bps) and had widened to 339bps by its end.

The inflation and growth outlook

Before Russia's invasion, the world's big central banks had made it clear they planned to wind down emergency monetary policies more quickly and aggressively than investors had initially expected to try to stem the rising tide of inflation driven by post-pandemic reopening. The Bank of England (BoE) was first to kick the process off, increasing rates in late 2021 and then again in February and March. Then the US Federal Reserve (Fed) lifted rates for the first time since 2018 in March. Markets are expecting at least seven further US rate rises this year. The BoE sounded a bit more cautious at its most recent policy-setting meeting, explaining it was worried about the growth outlook following the invasion of Ukraine. But BoE policymakers still believe that further rate hikes are warranted so UK rates are likely to rise further in the near term, especially if inflation continues to increase.

Central banks can address the demand-side drivers of inflation by trying to curb consumption by raising borrowing costs. But they can't do much when it comes to inflation caused by curtailed supplies of goods and services. The war in Ukraine triggered a supply-side shock because it threatens to cut Russian energy and other vital Russian and Ukrainian resources out of global supply chains. This sent energy prices on a truly wide ride. And the UN Food and Agriculture Organisation reported that global food prices hit a record high in March as the war hit global supplies of grains and vegetable oils. Because central bank policy can't counter the impact of these new waves of inflation, the war has increased the risk that inflation goes even higher still. At the same time, it's increased the chance that global growth disappoints as higher prices squeeze businesses and households.

What's the US yield curve telling us?

At the start of the year, it seemed inconceivable that anyone would be worried about a looming recession. But even before the war began, economic growth was beginning to lose a bit of momentum and consumer and business confidence were dented by higher costs. The UK has been right in the eye of the storm given the huge cost of living squeeze exerted by April's whopping 54% increase in the cap on domestic energy prices and the simultaneous hike in national insurance contributions. Meanwhile, a closely watched recession indicator – the US Treasury yield curve – has flashed red on the other side of the pond. Typically, the yield on bonds increases with the time to maturity. That's because there's more time for things to go wrong before you get your money back, so you want a higher return for longer-dated bonds to compensate. A two-year bond should yield less than a 10-year bond. But, right at the end of quarter, the two-year US Treasury yield rose above that of 10-year Treasuries – or 'the curve inverted' – for the first time since 2019.

When yield curves invert, they typically spell trouble ahead for longer-term economic prospects: that's because shorter-term two-year yields move with interest rate expectations, while the 10-year yield moves in line with inflation and growth expectations. Yield curve inversion seems to be telling us that investors think Fed efforts to tame inflation with rate rises will stall economic growth. Inversions have preceded every US recession for the last 50 years. Some think it's a less reliable warning sign nowadays and the downturns predicted by past inversions have often taken quite a while to arrive.

Keeping duration down and sticking with carry

The question now is whether we agree with current market pricing. Markets imply that the current spike in inflation and interest rates will eventually subside and be followed – at some point – by an economic downturn. But there are huge uncertainties over how much further the current inflation shock has to run and how GDP growth will hold up.

Against this backdrop, we're not making big changes in the kinds of bonds we want to own. Given the intense volatility in interest rate markets, we're sticking with our decision to dial down our portfolio's duration (the sensitivity of a bond portfolio's value to changes in prevailing interest rates).

At the same time, we're balancing out our exposure to more defensive 'safe haven' bonds with exposure to bonds that we believe offer attractive 'carry'. Essentially, these bonds offer decent yields without us having to worry about big changes in their prices due to the volatility in the interest rate and inflation outlook.

We don't invest in mainstream UK government gilts as the government is involved in some areas prohibited by our screening criteria. Instead, we focus on the UK's green sovereign bonds ('Green Gilts') as an ethical alternative. Immediately after the invasion, we traded in and out of the Green Gilt 1.5% 2053 to bolster our exposure to more defensive bonds and adjust our duration.

Another sale that we made to reduce our duration was the London and Quadrant Housing Trust 2% Senior Secured 2038 bond.

In October, we bought pensions insurance specialist Rothesay Life 5% Perpetual-2031 and 4.875% Perpetual-2027 bonds. Rothesay takes on the assets and liabilities of corporate pension schemes from companies that no longer want to manage them. Its focus is investing in long-term assets to match its long-term liabilities so it's planning to fund new long-dated fixed rate mortgages in the UK to help meet this objective.

Going into November, we continued to reduce our exposure to longer-dated bonds, ensuring that our duration, as a whole, was shorter than the sector average. For example, we sold the UK government's debut Green Gilt 7/8% 2033, taking advantage of the increase in these bonds' prices since they were issued in September. Around the same time, we added several financial bonds offering good carry, including the AXA 6.379% Perpetual-2036 and Aviva 4% 2055.

We reduced our holding of the AXA 5.625% Subordinated 2054 bond as it is currently being 'grandfathered' into the new Solvency II regulatory capital regime. This means the bond can be used to show the regulator that it has enough capital to withstand shocks to its business, but only up to the end of 2025 when the grandfathering period runs out. Because the bond still has decades till maturity, at that point AXA may want to restructure the bonds or buy them back. The wording on the bond's covenants say that AXA can buy them back at par, i.e. at £100, yet because of the drop in prevailing yields since it was issued, it currently trades nearer to £110. We thought this risk of the bonds being redeemed well below market made the bonds look a little expensive, so we swapped some of them for a similar AXA bond that ensures investors are 'made whole' if the bonds are bought back for regulatory reasons.

The Nationwide Building Society 1.03% Floating Rate Senior 2031 was a low-yielding bond with very low duration due to its floating rate coupon, which makes its value less sensitive to changes in prevailing interest rates. We felt it had done its job protecting us from the recent rise in yields. We sold it to increase our relative duration.

We also sold the Skipton Building Society 2% Senior 2026 as it had a low yield and we found more attractive opportunities elsewhere.

(Nearly) 20 years on

When markets turn very volatile, as they did in the past six months, it's easy to get panicked. We don't join short-term selling (or buying) stampedes just because that's what lots of other people are doing. We tune out market noise and instead stay focused on opportunities we believe will benefit our fund's long-term return and income. This can be painful in the short term. But, in the nearly 20 years since we launched our fund (the official birthday is 14 May), we've learned that it's critical to stay disciplined and rational in turbulent times and to focus on long-term convictions rather than immediate uncertainties.

Bryn Jones
Fund Manager
19 April 2022

Noelle Cazalis
Fund Manager

Net asset value per unit and comparative tables

R-class income units

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	96.70p	95.96p	94.94p	91.00p
Return before operating charges*	(6.01p)	5.21p	5.69p	8.94p
Operating charges	(0.60p)	(1.26p)	(1.22p)	(1.19p)
Return after operating charges*	(6.61p)	3.95p	4.47p	7.75p
Distributions on income units	(1.61p)	(3.21p)	(3.45p)	(3.81p)
Closing net asset value per unit	88.48p	96.70p	95.96p	94.94p
*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	(6.84%)	4.12%	4.71%	8.52%
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Other information

Closing net asset value	£6,455,274	£7,340,655	£7,477,251	£7,495,694
Closing number of units	7,296,151	7,591,482	7,792,452	7,894,922
Operating charges	1.28%	1.28%	1.28%	1.29%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	97.57p	100.71p	98.11p	96.10p
Lowest unit price	88.74p	96.35p	86.50p	88.82p

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

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

R-class accumulation units

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	231.94p	222.78p	212.52p	195.81p
Return before operating charges*	(14.54p)	12.13p	13.03p	19.31p
Operating charges	(1.45p)	(2.97p)	(2.77p)	(2.60p)
Return after operating charges*	(15.99p)	9.16p	10.26p	16.71p
Distributions on accumulation units	(3.88p)	(7.56p)	(7.81p)	(8.32p)
Retained distributions on accumulation units	3.88p	7.56p	7.81p	8.32p
Closing net asset value per unit	215.95p	231.94p	222.78p	212.52p
*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	(6.89%)	4.11%	4.83%	8.53%
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Other information

Closing net asset value	£18,927,912	£22,008,508	£20,333,628	£17,756,539
Closing number of units	8,764,796	9,488,714	9,127,328	8,355,391
Operating charges	1.28%	1.28%	1.28%	1.29%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	234.04p	236.72p	224.41p	213.12p
Lowest unit price	214.67p	223.70p	195.40p	192.86p

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

I-class income units

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	103.16p	101.74p	100.03p	95.32p
Return before operating charges*	(6.42p)	5.53p	6.01p	9.36p
Operating charges	(0.33p)	(0.69p)	(0.66p)	(0.65p)
Return after operating charges*	(6.75p)	4.84p	5.35p	8.71p
Distributions on income units	(1.72p)	(3.42p)	(3.64p)	(4.00p)
Closing net asset value per unit	94.69p	103.16p	101.74p	100.03p
*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	(6.54%)	4.76%	5.35%	9.14%
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Other information

Closing net asset value	£763,454,543	£781,199,550	£595,834,591	£505,980,931
Closing number of units	806,272,634	757,244,490	585,653,621	505,837,528
Operating charges	0.66%	0.66%	0.66%	0.66%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	104.18p	106.95p	103.63p	101.25p
Lowest unit price	94.97p	102.17p	91.40p	93.21p

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

I-class accumulation units

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	244.92p	233.77p	221.61p	202.99p
Return before operating charges*	(15.39p)	12.75p	13.65p	20.02p
Operating charges	(0.79p)	(1.60p)	(1.49p)	(1.40p)
Return after operating charges*	(16.18p)	11.15p	12.16p	18.62p
Distributions on accumulation units	(4.09p)	(7.96p)	(8.17p)	(8.65p)
Retained distributions on accumulation units	4.09p	7.96p	8.17p	8.65p
Closing net asset value per unit	228.74p	244.92p	233.77p	221.61p

*after direct transaction costs¹ 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 (6.61%) 4.77% 5.49% 9.17%

Other information

Closing net asset value	£1,537,742,753	£1,560,994,789	£975,737,239	£758,654,184
Closing number of units	672,252,532	637,359,444	417,390,200	342,330,890
Operating charges	0.66%	0.66%	0.66%	0.66%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	247.34p	249.78p	235.40p	222.24p
Lowest unit price	227.38p	234.75p	204.36p	200.16p

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

S-class income units

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	105.95p	104.34p	102.45p	97.57p
Return before operating charges*	(6.60p)	5.68p	6.16p	9.51p
Operating charges	(0.27p)	(0.56p)	(0.54p)	(0.53p)
Return after operating charges*	(6.87p)	5.12p	5.62p	8.98p
Distributions on income units	(1.76p)	(3.51p)	(3.73p)	(4.10p)
Closing net asset value per unit	97.32p	105.95p	104.34p	102.45p
*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	(6.48%)	4.91%	5.49%	9.20%
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Other information

Closing net asset value	£197,748,430	£216,072,152	£183,060,233	£78,591,016
Closing number of units	203,200,733	203,943,333	175,441,571	76,713,992
Operating charges	0.52%	0.52%	0.52%	0.53%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	107.02p	109.73p	106.20p	103.71p
Lowest unit price	97.59p	104.79p	93.68p	95.44p

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

S-class accumulation units

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	120.74p	115.09p	108.95p	99.61p
Return before operating charges*	(7.59p)	6.28p	6.72p	9.89p
Operating charges	(0.31p)	(0.63p)	(0.58p)	(0.55p)
Return after operating charges*	(7.90p)	5.65p	6.14p	9.34p
Distributions on accumulation units	(2.02p)	(3.92p)	(4.02p)	(4.25p)
Retained distributions on accumulation units	2.02p	3.92p	4.02p	4.25p
Closing net asset value per unit	112.84p	120.74p	115.09p	108.95p
*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	(6.54%)	4.91%	5.64%	9.38%
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Other information

Closing net asset value	£39,110,425	£43,111,733	£24,552,105	£1,402,183
Closing number of units	34,659,100	35,706,450	21,333,012	1,286,957
Operating charges	0.52%	0.52%	0.52%	0.53%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices**

Highest unit price	121.96p	123.12p	115.89p	109.26p
Lowest unit price	112.16p	115.58p	100.53p	98.24p

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

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

X-class income units[†]

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	n/a	n/a	n/a	103.81p
Return before operating charges*	n/a	n/a	n/a	3.96p
Operating charges	n/a	n/a	n/a	(0.02p)
Return after operating charges*	n/a	n/a	n/a	3.94p
Distributions on income units	n/a	n/a	n/a	(1.13p)
Redemption price	n/a	n/a	n/a	(106.62p)
Closing net asset value per unit	n/a	n/a	n/a	–
*after direct transaction costs ¹ of:	n/a	n/a	n/a	0.00p

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

Performance

Return after charges	n/a	n/a	n/a	3.80%
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Other information

Closing net asset value	n/a	n/a	n/a	–
Closing number of units	n/a	n/a	n/a	–
Operating charges	n/a	n/a	n/a	–
Direct transaction costs	n/a	n/a	n/a	0.00%

Prices**

Highest unit price	n/a	n/a	n/a	106.68p
Lowest unit price	n/a	n/a	n/a	101.68p

[†] The X-class closed on 22 March 2019.

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

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

X-class accumulation units[†]

	31.03.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit	30.09.19 pence per unit
Change in net assets per unit				
Opening net asset value per unit	n/a	n/a	n/a	114.18p
Return before operating charges*	n/a	n/a	n/a	4.35p
Operating charges	n/a	n/a	n/a	(0.02p)
Return after operating charges*	n/a	n/a	n/a	4.33p
Distributions on accumulation units	n/a	n/a	n/a	(1.24p)
Retained distributions on accumulation units	n/a	n/a	n/a	1.24p
Redemption price	n/a	n/a	n/a	(118.51p)
Closing net asset value per unit	n/a	n/a	n/a	—
*after direct transaction costs ¹ of:	n/a	n/a	n/a	0.00p

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

Performance

Return after charges	n/a	n/a	n/a	3.79%
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Other information

Closing net asset value	n/a	n/a	n/a	—
Closing number of units	n/a	n/a	n/a	—
Operating charges	n/a	n/a	n/a	—
Direct transaction costs	n/a	n/a	n/a	0.00%

Prices**

Highest unit price	n/a	n/a	n/a	118.59p
Lowest unit price	n/a	n/a	n/a	112.72p

[†] The X-class closed on 22 March 2019.

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

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

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



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

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

Discrete annual performance, quarter ending 31 March 2022

	2018	2019	2020	2021	2022
R-class units	4.61%	2.65%	0.37%	12.23%	-5.51%
I-class units	5.26%	3.26%	1.00%	12.93%	-4.56%
S-class units	5.26%	3.46%	1.14%	13.09%	-4.43%
IA Sterling Corporate Bond sector	1.70%	2.96%	0.78%	9.02%	-4.25%

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 March 2022

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Bonds (30.09.21: 96.50%)		
Mortgage Bonds (30.09.21: 0.46%)		
£9,123,625 Finance for Residential Social Housing 8.369% 2058	9,681,080	0.38
\$3,000,000 Goodgreen 2020-1 Trust 2.63% 2055	1,650,154	0.06
\$888,000 Hero Funding Trust 3.19% 2048	230,483	0.01
\$500,000 Hero Funding Trust 3.28% 2048	123,478	0.01
	11,685,195	0.46
Supranational Bonds (30.09.21: 0.58%)		
£2,074,000 EIB 0% 2028	1,834,516	0.07
£13,636,000 International Bank for Reconstruction and Development 0.625% 2028	12,651,710	0.49
	14,486,226	0.56
Corporate Bonds (30.09.21: 93.94%)		
£17,574,000 3i 3.75% 2040	17,672,096	0.69
£11,460,000 3i 5.75% 2032	13,906,113	0.54
£4,368,400 A2D Funding 4.5% 2026	4,673,358	0.18
£5,103,200 A2D Funding 4.75% 2022	5,181,401	0.20
£7,450,000 A2D Housing 3.5% 2028	7,671,057	0.30
\$12,031,000 abrdn 4.25% 2028	9,091,896	0.35
£2,100,000 abrdn 5.25% VRN perp	2,050,230	0.08
£9,576,000 abrdn 5.5% VRN 2042	9,783,091	0.38
€10,100,000 ACCIONA Financiacion Filiales 4.25% 2030	9,544,039	0.37
€5,752,000 Aegon FRN perp	4,261,360	0.17
£2,962,700 Aggregate Micro Power Infrastructure 8% 2036	2,903,691	0.11
\$2,727,000 American Museum of Natural History 3.121% 2052	1,860,293	0.07
£9,300,000 Anchor Hanover 2% 2051	7,505,493	0.29
£2,308,000 Anglian Water Osprey Financing 2% 2028	2,139,880	0.08
€1,363,000 Assicurazioni Generali 2.429% 2031	1,102,967	0.04
£9,300,000 Assicurazioni Generali 6.269% perp	9,696,191	0.38
£1,255,000 Aster Treasury 4.5% 2043	1,564,749	0.06
€13,800,000 Audax Renovables 4.2% 2027	9,031,401	0.35
£16,717,000 Australia and New Zealand Banking 1.809% VRN 2031	15,458,073	0.60
\$15,070,000 Australia and New Zealand Banking FRN perp	9,190,909	0.36
£24,605,000 Aviva 4% VRN 2055	24,082,200	0.94
£13,022,000 Aviva 4.375% VRN 2049	13,487,501	0.53
£2,559,000 Aviva 5.125% VRN 2050	2,764,478	0.11
£19,090,000 Aviva 6.125% 2036	21,050,810	0.82

Portfolio and net other assets as at 31 March 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£14,850,000	Aviva 6.125% VRN perp	14,998,500	0.58
£32,737,000	Aviva 6.875% VRN 2058	44,565,500	1.74
€2,000,000	AXA 0% VRN perp	1,465,059	0.06
£32,572,000	AXA 5.453% VRN perp	34,338,005	1.34
£8,980,000	AXA 5.625% VRN 2054	9,732,475	0.38
\$46,300,000	AXA 6.379% VRN perp	45,039,918	1.76
£20,429,000	AXA 6.6862% VRN perp	22,545,496	0.88
\$2,353,000	BAC Capital Trust 4% VRN perp	1,540,998	0.06
£14,500,000	Banco Bilbao Vizcaya Argent 3.104% VRN 2031	14,003,566	0.55
€3,257,000	Banco Santander 1% VRN perp	2,547,661	0.10
£9,400,000	Banco Santander 1.5% 2026	8,841,898	0.34
£8,400,000	Banco Santander 1.75% 2027	7,856,075	0.31
£34,400,000	Banco Santander 2.25% VRN 2032	31,705,503	1.24
€4,750,000	Banco Santander FRN perp	3,216,090	0.13
€5,116,000	Banque Federative du Credit Mutuel 0.117% VRN perp	3,724,552	0.15
£7,564,000	Barclays Bank 1.7% VRN 2026	7,189,639	0.28
€15,520,000	Barclays Bank 4.75% VRN perp	11,127,878	0.43
£14,341,000	Bazalgette Finance 2.375% 2027	14,307,165	0.56
£2,796,000	Bazalgette Finance 2.75% 2034	2,752,920	0.11
\$18,650,000	Beazley 5.875% 2026	14,607,384	0.57
\$19,979,000	Beazley Insurance DAC 5.5% 2029	15,121,007	0.59
£12,690,000	Berkeley 2.50% 2031	11,137,330	0.43
£8,200,000	BNP Paribas 2.875% 2029	8,089,817	0.32
\$19,570,000	BNP Paribas FRN perp	11,530,344	0.45
£18,400,000	BPCE 2.5% VRN 2032	17,267,107	0.67
£22,900,000	BPCE 5.25% 2029	25,464,021	0.99
\$5,000,000	Bridge Housing Corporation 3.25% 2030	3,792,151	0.15
£3,300,000	Brit Insurance 6.625% VRN 2030	2,871,000	0.11
£5,042,000	BUPA Finance 4% VRN perp	4,241,441	0.17
£37,495,000	BUPA Finance 4.125% 2035	37,550,901	1.46
£4,297,000	BUPA Finance 5% 2026	4,598,073	0.18
£300,000	Burnham And Weston Energy CIC 5% Index-Linked 2036	295,974	0.01
€7,355,000	Caisse Federale du Credit Mutuel 0.329% VRN perp	5,529,902	0.22
\$4,545,000	California Endowment 2.498% 2051	2,840,087	0.11
£3,448,000	Canal & River Trust 2.85% Series A Senior 2043	4,065,192	0.16
£6,945,000	Catalyst Housing 3.125% 2047	7,109,209	0.28
£4,358,000	Channel Link FRN 2050	3,589,956	0.14
£9,900,000	Clarion Funding 1.25% 2032	8,570,507	0.33
£7,225,000	Clarion Funding 1.875% 2035	6,436,636	0.25
£9,286,000	Close Brothers 1.625% 2030	8,454,960	0.33

Portfolio and net other assets as at 31 March 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£8,754,000	Close Brothers 2% VRN 2031	0.32
€7,000,000	CNP Assurances 5.25% VRN perp	0.24
£175,000	Coigach Community CIC 5% Index-Linked 2030	0.01
£9,000,000	Co-operative Rabobank 1.875% VRN 2028	0.34
£4,614,000	Co-operative Rabobank 5.25% 2027	0.20
£4,193,000	Coventry Building Society 2% 2030	0.15
£7,921,000	Coventry Building Society 6.875% VRN perp	0.32
£6,800,000	Credit Agricole 1.874% VRN 2031	0.25
£2,700,000	CYBG 4% VRN 2026	0.11
£19,500,000	CYBG 4% VRN 2027	0.77
£10,800,000	Direct Line Insurance 4% 2032	0.42
\$1,970,000	DNB Bank ASA FRN perp	0.04
\$2,900,000	DNB Bank ASA FRN perp	0.06
£162,000	Ecology Building Society 9.625% VRN perp	0.01
£175,000	Ellenbrook Developments 3.3894% Index-Linked 2032	0.01
\$5,571,000	Equinix 3.2% 2029	0.16
£6,817,000	Fidelity International 7.125% 2024	0.29
£1,917,847	Finance for Residential Social Housing 8.569% 2058	0.06
£600,000	Finance For Residential Social Housing 8.569% 2058	0.02
£195,000	Fixed Rate Unsecured Bonds 4.5% 2026	0.01
£6,871,000	Flagship Finance 1.875% 2061	0.21
\$4,500,000	Ford Foundation 2.415% 2050	0.11
£130,000	Glasgow Together 4% 2022	—
£18,803,000	Grainger 3% 2030	0.69
£3,589,000	Grainger 3.375% 2028	0.14
£12,674,000	Greater Gabbard 4.137% 2032	0.39
£1,002,500	Heylo Housing Secured Bond 1.625% Index-Linked 2028	0.04
£23,917,000	Hiscox 6.125% VRN 2045	0.99
£53,529,000	HSBC Bank 5.844% VRN perp	2.56
\$4,400,000	HSBC Bank FRN perp	0.11
£30,740,000	Investec Bank 1.875% VRN 2028	1.09
£19,334,000	Investec Bank 2.625% VRN 2032	0.70
£11,937,000	Investec Bank 4.25% VRN 2028	0.47
£2,362,000	Jupiter Fund Management 8.875% VRN 2030	0.10
£1,322,000	Just 3.5% 2025	0.05
£7,443,000	Just 5% VRN perp	0.25
£18,680,000	Just 7% VRN 2031	0.78
£7,650,000	Just 8.125% 2029	0.37
£29,203,000	Just 9% 2026	1.34
£5,124,000	Korea Development Bank 1.75% 2022	0.20

Portfolio and net other assets as at 31 March 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets	
£6,500,000	LBBW 1.5% 2025	6,261,527	0.24
£21,068,000	Leeds Building Society 1.5% VRN 2027	19,822,921	0.77
£32,191,000	Legal & General 3.75% VRN 2049	31,332,411	1.22
£8,025,000	Legal & General 4.5% VRN 2050	8,219,789	0.32
\$13,200,000	Legal & General 5.25% VRN 2047	10,253,500	0.40
£12,839,000	Legal & General 5.375% VRN 2045	13,671,401	0.53
£35,743,000	Legal & General 5.5% VRN 2064	39,119,205	1.53
£24,441,000	Legal & General 5.625% VRN perp	24,746,268	0.97
£165,000	Linton Hydro Limited 5.25% Index-Linked 2033	170,371	0.01
£35,000,000	Liverpool Victoria Friendly Society 6.5% VRN 2043	35,847,441	1.40
£4,100,000	Lloyds Banking 1.875% VRN 2026	3,973,760	0.16
£8,851,000	Lloyds Banking 1.985% VRN 2031	8,242,494	0.32
£10,678,000	Lloyds Banking 2% VRN 2028	10,107,378	0.39
£2,083,000	Lloyds Banking 2.25% 2024	2,048,788	0.08
£63,483,000	Lloyds Banking 2.707% VRN 2035	58,051,934	2.26
£7,104,000	Lloyds Banking 7.625% 2025	8,008,979	0.31
£9,800,000	Logicor 2019-1 1.875% 2026	9,588,886	0.37
€5,300,000	Logicor Financing 1.625% 2030	4,124,019	0.16
£5,413,000	London and Quadrant Housing Trust 2% 2032	5,068,230	0.20
£6,102,000	London and Quadrant Housing Trust 2.25% 2029	5,960,329	0.23
£4,054,000	London and Quadrant Housing Trust 2.625% 2028	4,085,406	0.16
£2,955,000	London Merchant Securities 6.5% 2026	3,338,435	0.13
£8,773,000	London Stock Exchange 1.625% 2030	8,159,881	0.32
£4,450,000	M&G 3.875% VRN 2049	4,508,247	0.18
£9,012,000	M&G 5% VRN 2055	9,681,694	0.38
£17,443,000	M&G 5.625% VRN 2051	19,014,443	0.74
£9,114,000	M&G 5.7% VRN 2063	10,538,901	0.41
£13,641,000	M&G 6.25% VRN 2068	15,534,841	0.61
€2,560,000	Main Capital Funding 5.5% perp	2,173,914	0.08
€5,620,000	Main Capital Funding 5.75% perp	4,772,991	0.19
\$4,593,000	Massachusetts Department of Higher Education 2.673% 2031	3,291,516	0.13
\$590,000	MDIF Media Finance 4% 2023	293,348	0.01
£5,963,000	Motability Operations 2.125% 2042	5,342,062	0.21
£20,600,000	National Australia Bank 1.699% VRN 2031	19,065,603	0.74
\$6,500,000	Nationwide Building Society 4.125% VRN 2032	4,864,789	0.19
\$10,000,000	Nationwide Building Society 4.302% VRN 2029	7,671,075	0.30
£3,786,000	Nationwide Building Society 5.75% VRN perp	3,814,395	0.15
£4,620,000	Nationwide Building Society 5.769% perp	4,940,069	0.19
£1,556,000	Nationwide Building Society 6.25% VRN perp	1,664,920	0.06
£3,000,000	Nationwide Building Society 7.859% VRN perp	3,659,541	0.14

Portfolio and net other assets as at 31 March 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£97,938 Nationwide Building Society 10.25% VRN perp	16,649,460	0.65
\$900,000 Nature Conservancy 1.154% 2027	614,252	0.02
\$6,875,000 Nature Conservancy 3.957% 2052	5,386,132	0.21
€5,100,000 NatWest 1.043% VRN 2032	3,950,512	0.15
£12,923,000 NatWest 2.057% VRN 2028	12,127,514	0.47
£4,500,000 NatWest 2.105% VRN 2031	4,187,579	0.16
£11,386,000 NatWest 3.619% VRN 2029	11,525,005	0.45
\$9,000,000 NatWest 4.892% VRN 2029	7,102,046	0.28
£871,800 NatWest Markets 3.9% VRN 2022	914,082	0.04
£2,393,000 NatWest Markets 6.875% 2025	2,646,515	0.10
\$4,850,000 Natwest Markets 7.125% 2093	6,225,269	0.24
AUD\$5,977,000 New South Wales Treasury 2.5% 2032	3,189,458	0.12
£3,611,000 Nordea Bank 1.625% VRN 2032	3,277,565	0.13
\$1,722,000 Nordea Bank 3.75% VRN perp	1,122,580	0.04
£4,560,000 Notting Hill Genesis 2.875% 2029	4,617,282	0.18
£1,033,000 Notting Hill Housing 3.25% 2048	1,069,897	0.04
£1,357,000 Notting Hill Housing 3.75% 2032	1,477,256	0.06
£200,000 Nottinghamshire YMCA 6% 2027	198,490	0.01
£6,500,000 Orange SA 3.25% 2032	6,733,910	0.26
\$20,740,000 Orange SA 9% 2031 Step	21,859,316	0.85
£1,900,000 Orbit Capital 2% 2038	1,651,796	0.06
£4,547,000 Orbit Capital 3.375% 2048	4,782,762	0.19
£3,036,000 Orbit Capital 3.5% 2045	3,228,950	0.13
£11,571,000 Orsted AS 2.5% VRN 3021	9,965,292	0.39
£440,000 Our Power Social Purpose 6.5% 2021*	—	—
£150,000 Paces Sheffield 6% 2029	143,130	0.01
£3,454,000 Paragon 2% 2036	3,093,098	0.12
£9,848,000 Paragon 6% 2024	10,414,260	0.41
£4,625,000 Paragon 4.375% VRN 2031	4,788,152	0.19
£4,583,000 Peabody Capital No 2 2.75% 2034	4,493,425	0.18
£15,479,000 PGH Capital 6.625% 2025	17,105,129	0.67
\$21,669,000 Phoenix 4.75% VRN 2031	16,369,872	0.64
\$24,280,000 Phoenix 5.375% 2027	19,123,744	0.75
£3,000,000 Phoenix 5.625% 2031	3,273,120	0.13
£13,950,000 Phoenix 5.75% VRN perp	13,614,782	0.53
£11,568,000 Places for People Homes 3.625% 2028	12,206,203	0.48
£1,924,300 Places for People Finance 4.25% 2023	1,966,427	0.08
£10,583,000 Places for People Treasury 2.5% 2036	9,857,600	0.38
£3,940,000 Places for People Treasury 2.875% 2026	4,022,582	0.16
£5,800,000 Principality Building Society 2.375% 2023	5,764,144	0.22

Portfolio and net other assets as at 31 March 2022 *(continued)*

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
£3,911,000	ProLogis International Funding II 3% 2042	3,752,315	0.15
£7,500,000	Prudential Corporation 6.125% 2031	8,976,157	0.35
£5,500,000	QBE Insurance 2.5% VRN 2038	4,921,398	0.19
£920,000	Quadrant Housing 7.93% Step 2033	986,397	0.04
AUD\$5,000,000	Queensland Treasury Corporation 1.25% 2031	2,439,207	0.10
£13,631,000	Quilter 4.478% VRN 2028	13,648,039	0.53
£24,000,000	Rabobank Nederland 4.625% 2029	25,983,859	1.01
£1,297,000	RCB Bonds 3.5% 2033	1,236,690	0.05
£27,600,000	Reassure 5.867% 2029	30,916,532	1.21
£553,200	Retail Charity Bonds 3.9% 2029	557,072	0.02
£1,331,200	Retail Charity Bonds 4% 2029	1,324,850	0.05
£2,414,800	Retail Charity Bonds 4.25% 2026	2,340,062	0.09
£1,089,800	Retail Charity Bonds 4.25% 2028	1,104,251	0.04
£871,800	Retail Charity Bonds 4.4% 2027	866,168	0.03
£1,598,800	Retail Charity Bonds 4.5% 2026	1,575,569	0.06
£900,000	Retail Charity Bonds 5% 2030	938,034	0.04
£40,570,000	RL Finance Bonds 4.875% VRN 2049	40,514,853	1.58
£19,747,000	RL Finance Bonds 6.125% VRN 2043	20,712,747	0.81
£28,576,000	RL Finance Bonds 6.125% 2028	32,285,259	1.26
£22,807,000	Rothsay Life 3.375% 2026	22,723,114	0.89
\$23,106,000	Rothsay Life 4.875% VRN perp	16,319,173	0.64
£30,000,000	Rothsay Life 5% VRN perp	26,477,400	1.03
£11,923,000	Rothsay Life 5.5% VRN 2029	12,490,665	0.49
£10,470,000	Rothsay Life 6.875% VRN perp	11,057,576	0.43
£14,612,000	Rothsay Life 8% 2025	16,701,086	0.65
£14,027,000	Rothschild 9% perp	15,438,116	0.60
£4,500,000	Royal Bank of Scotland 3.125% VRN 2027	4,492,781	0.18
£15,428,000	Royal Bank of Scotland 3.622% VRN 2030	15,387,458	0.60
£6,741,000	RSA Insurance 5.125% VRN 2045	7,107,279	0.28
£2,572,000	Sage 1.625% 2031	2,299,388	0.09
£3,689,000	Sainsburys Bank 6% VRN 2027	3,721,353	0.14
£12,845,000	Santander UK 2.421% VRN 2029	12,201,916	0.48
£15,418,000	Santander UK 2.92% VRN 2026	15,247,873	0.59
£4,753,000	Santander UK 3.625% 2026	4,842,801	0.19
£916,000	Santander UK 5.875% 2031	1,039,652	0.04
£1,963,000	Santander UK 6.5% 2030	2,315,833	0.09
€7,200,000	Scatec ASA FRN 2025	5,628,109	0.22
£1,441,000	Scottish Widows 5.5% 2023	1,489,346	0.06
£41,632,000	Scottish Widows 7% 2043	55,933,008	2.18
£14,920,000	Skipton Building Society 2% VRN 2026	14,406,279	0.56

Portfolio and net other assets as at 31 March 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
£91,500 South Bristol Sports Centre 7% 2023	56,040	—
£148,800 St Johns School Bond 3.25% 2022	149,060	0.01
€32,470,000 Stichting AK Rabobank Certificaten 6.5% perp Step	32,014,620	1.25
£9,146,000 Stonewater Funding 1.625% 2036	7,848,021	0.31
£12,353,000 TC Dudgeon Ofto 3.158% 2038	11,742,218	0.46
£1,117,000 Telereal Securitisation 1.3657% 2033	927,842	0.04
£2,270,000 Telereal Securitisation 1.9632% VRN 2033	2,152,998	0.08
£5,169,000 Telereal Securitisation FRN 2033	4,888,323	0.19
£500,000 Thera Trust 5.5% 2024	500,525	0.02
£750,000 Thrive Renewables 5% 2024	760,763	0.03
£4,490,000 TP ICAP Finance 2.625% 2028	4,057,741	0.16
£300,000 Triodos Bank 4% 2030	303,810	0.01
£6,700,000 UK Municipal Bonds Agency Finance FRN 2025	6,755,878	0.26
£2,100,000 Vattenfall 2.5% VRN 2083	1,888,139	0.07
\$10,229,000 Vena Energy Capital 3.133% 2025	7,552,686	0.29
£8,370,000 Verizon Communications 1.125% 2028	7,543,340	0.29
£20,680,000 Virgin Money UK 2.625% VRN 2031	19,476,596	0.76
£21,894,000 Virgin Money UK 5.125% VRN 2030	22,624,655	0.88
£2,043,000 Welltower 4.5% 2034	2,247,756	0.09
£700,000 Welltower 4.8% 2028	771,942	0.03
\$12,766,000 WK Kellogg Foundation Trust 2.443% 2050	7,794,835	0.30
£12,023,000 Wods Transmission 3.446% 2034	9,752,729	0.38
£9,450,000 Workspace 2.25% 2028	8,639,947	0.34
£12,586,000 Yorkshire Building Society 1.5% VRN 2029	11,181,311	0.44
£27,614,000 Yorkshire Building Society 3.375% VRN 2028	27,108,043	1.06
\$40,055,000 Zurich Finance Ireland Designated 3% VRN 2051	27,046,277	1.05
	2,448,426,528	95.51
Corporate Convertibles (30.09.21: 0.10%)		
\$4,300,000 Beyond Meat 0% 2027	1,939,270	0.08
Government Bonds (30.09.21: 1.42%)		
£3,000,000 UK Treasury Gilt 1.5% 2053	2,830,740	0.11
Total Bonds	2,479,367,959	96.72
Equities (30.09.21: 0.29%)		
15,389,079 Greencoat Renewables**	14,695,329	0.57

Portfolio and net other assets as at 31 March 2022 *(continued)*

	Value £	Percentage of total net assets
Forward Foreign Exchange Contracts (30.09.21: (0.33%))		
Buy £121,837,154, Sell €144,545,377	(717,271)	(0.03)
Buy £5,580,038, Sell AUD\$9,963,298	(111,744)	—
Buy £261,888,277, Sell \$343,326,365	1,072,871	0.04
Buy AUD\$275,409, Sell £154,913	2,422	—
Buy \$33,949,820, Sell £25,836,451	(45,725)	—
	200,553	0.01
Total value of investments (30.09.21: 96.46%)	2,494,263,841	97.30
Net other assets (30.09.21: 3.54%)	69,175,496	2.70
Total value of the fund as at 31 March 2022	2,563,439,337	100.00

* Delisted

** Equity Security

Summary of portfolio investments

	Value £	Percentage of total net assets
Investment grade	2,261,644,493	88.25
Below investment grade	86,670,238	3.36
Unrated stocks***	131,053,228	5.11
Debt Securites	2,479,367,959	96.72
Equity Securities	14,695,329	0.57
Derivatives	200,553	0.01
Total value of investments	2,494,263,841	97.30

*** Stocks not rated by S&P, Moody or Fitch

Statement of total return for the half year ended 31 March 2022

	31.03.22 £	31.03.22 £	31.03.21 £	31.03.21 £
Income				
Net capital (losses)/gains		(222,353,229)		12,230,222
Revenue	46,558,121		34,381,145	
Expenses	(8,745,009)		(6,558,197)	
Interest payable and similar charges	(1,944)		(5,293)	
Net revenue before taxation	37,811,168		27,817,655	
Taxation	990		(6,181)	
Net revenue after taxation		37,812,158		27,811,474
Total return before distributions		(184,541,071)		40,041,696
Distributions		(46,114,149)		(34,066,990)
Change in net assets attributable to unitholders from investment activities		(230,655,220)		5,974,706

Statement of change in net assets attributable to unitholders for the half year ended 31 March 2022

	31.03.22 £	31.03.22 £	31.03.21 £	31.03.21 £
Opening net assets attributable to unitholders		2,630,727,387		1,806,995,047
Amounts receivable on issue of units	278,671,527		401,563,930	
Amounts payable on cancellation of units	(144,244,238)		(37,734,981)	
		134,427,289		363,828,949
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		(230,655,220)		5,974,706
Retained distributions on accumulation units		28,939,881		20,599,172
Closing net assets attributable to unitholders		2,563,439,337		2,197,397,874

Balance sheet as at 31 March 2022

	31.03.22 £	31.03.22 £	30.09.21 £	30.09.21 £
Assets				
Fixed assets:				
Investments		2,495,138,581		2,546,341,468
Current assets:				
Debtors	51,622,581		101,351,989	
Cash and bank balances	59,434,724		77,172,475	
Total current assets		111,057,305		178,524,464
Total assets		2,606,195,886		2,724,865,932
Liabilities				
Investment liabilities		(874,740)		(8,812,203)
Creditors:				
Other creditors	(33,203,006)		(75,149,126)	
Bank overdrafts	—		(2,078,961)	
Distribution payable on income units	(8,678,803)		(8,098,255)	
Total liabilities		(42,756,549)		(94,138,545)
Net assets attributable to unitholders		2,563,439,337		2,630,727,387

Notes to the interim financial statements

Accounting policies

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

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

Portfolio transactions

Total purchases and sales transactions for the half year ended 31 March 2022 were £549,725,925 and £379,782,106 respectively.

Distribution tables for the half year ended 31 March 2022

Distribution tables (pence per unit)

First Interim

Group 1 – Units purchased prior to 1 October 2021

Group 2 – Units purchased on or after 1 October 2021 and on or before 31 December 2021

R-class income units	Income	Equalisation	Paid 28.02.22	Paid 26.02.21
Group 1	0.82	–	0.82	0.85
Group 2	0.21	0.61	0.82	0.85

R-class accumulation units	Income	Equalisation	Accumulated 28.02.22	Accumulated 26.02.21
Group 1	1.97	–	1.97	1.98
Group 2	1.31	0.66	1.97	1.98

I-class income units	Income	Equalisation	Paid 28.02.22	Paid 26.02.21
Group 1	0.87	–	0.87	0.90
Group 2	0.47	0.40	0.87	0.90

I-class accumulation units	Income	Equalisation	Accumulated 28.02.22	Accumulated 26.02.21
Group 1	2.07	–	2.07	2.07
Group 2	1.20	0.87	2.07	2.07

S-class income units	Income	Equalisation	Paid 28.02.22	Paid 26.02.21
Group 1	0.89	–	0.89	0.92
Group 2	0.51	0.38	0.89	0.92

S-class accumulation units	Income	Equalisation	Accumulated 28.02.22	Accumulated 26.02.21
Group 1	1.03	–	1.03	1.02
Group 2	0.57	0.46	1.03	1.02

Distribution tables for the half year ended 31 March 2022 *(continued)*

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

Second Interim

Group 1 – Units purchased prior to 1 January 2022

Group 2 – Units purchased on or after 1 January 2022 and on or before 31 March 2022

R-class income units	Income	Equalisation	Payable 31.05.22	Paid 28.05.21
Group 1	0.79	–	0.79	0.79
Group 2	0.50	0.29	0.79	0.79
R-class accumulation units	Income	Equalisation	Allocated 31.05.22	Accumulated 28.05.21
Group 1	1.91	–	1.91	1.86
Group 2	1.03	0.88	1.91	1.86
I-class income units	Income	Equalisation	Payable 31.05.22	Paid 28.05.21
Group 1	0.85	–	0.85	0.85
Group 2	0.38	0.47	0.85	0.85
I-class accumulation units	Income	Equalisation	Allocated 31.05.22	Accumulated 28.05.21
Group 1	2.02	–	2.02	1.96
Group 2	0.96	1.06	2.02	1.96
S-class income units	Income	Equalisation	Payable 31.05.22	Paid 28.05.21
Group 1	0.87	–	0.87	0.87
Group 2	0.35	0.52	0.87	0.87
S-class accumulation units	Income	Equalisation	Allocated 31.05.22	Accumulated 28.05.21
Group 1	0.99	–	0.99	0.97
Group 2	0.46	0.53	0.99	0.97

Distribution tables for the half year ended 31 March 2022 *(continued)*

Notes for corporate unitholders

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

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

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 Ethical Bond Fund
31 May 2022

General information

Authorised status

The Rathbone Ethical Bond Fund is an authorised unit trust scheme, authorised by the Financial Conduct Authority on 29 October 2001 and launched in May 2002.

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

Investment objective, policy and strategy

The objective of the fund is to deliver a greater total return than the IA Sterling Corporate Bond sector, after fees, over any rolling five-year period.

There is no guarantee that this investment objective will be achieved over five years, or any other time period.

We use the IA Sterling Corporate Bond sector as a target for our fund's return because we aim to consistently outperform the average return of our competitors.

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

Meanwhile, Rathbone Greenbank, an ethical research division of our company, assesses potential investments against positive and negative social and environmental criteria. Finally, we compare prices to determine the best value bonds to include in our fund.

To meet the objective, the fund manager will invest at least 80% of our fund in corporate bonds with an investment-grade rating (AAA to BBB-). The remaining 20% of the fund is invested in corporate bonds with a credit rating below BBB- or with no rating at all.

Up to 10% of the fund can be invested directly in contingent convertible bonds.

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.

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 manager will apply ethical criteria and screening in order to avoid investing in companies involved in specific activities or engaged in behaviour that is considered to be of concern to ethical investors. The fund will seek to invest in companies that are aware of their wider responsibilities to society and the environment.

Further details in relation to the current ethical and sustainability criteria may be obtained by contacting Rathbone Unit Trust Management. Investors should be aware that these criteria may change over time. Product reference number: 196624.

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.

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

Thereafter holders may invest additional amounts to the value of £500 or more from time to time as they wish. Any number of units may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

There is no preliminary charge for R-class, I-class or S-class units.

The Manager currently receives an annual remuneration for managing the R-class property of the fund at the rate of 1.25%.

The Manager currently receives an annual remuneration for managing the I-class property of the fund at the rate of 0.625%.

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

For more information on our charges, please visit the fund-specific pages of our website: rathbonefunds.com

Statements

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

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

Twice yearly on 31 March and 30 September, 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

Other information

Copies of the Prospectus, Key Investor Information Document, Supplementary Information Document and the most recent Annual and Interim Reports may be obtained free of charge on application to the Manager or seen by visiting their registered office.

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.

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 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.

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

General information *(continued)*

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 Global Opportunities Fund
Rathbone Income Fund
Rathbone Strategic Bond 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 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 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

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rutm@rathbones.com
rathbonefunds.com

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Investment Association

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