

Rathbones

Look forward

# Rathbone High Quality Bond Fund

Annual report for the year ended 30 April 2022



# Rathbone High Quality Bond Fund

## Authorised Corporate Director (ACD)

Rathbone Unit Trust Management Limited  
8 Finsbury Circus  
London EC2M 7AZ  
Telephone 020 7399 0399

**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  
Head Office:  
8 Finsbury Circus  
London EC2M 7AZ

## Dealing office

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

## Independent Auditor

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX

## Directors of the ACD

**RP Stockton** – Chairman  
**MM Webb** – Chief Executive Officer  
**JR Chillingworth** – Chief Investment Officer  
(Resigned 31 March 2022)  
**T Carroll** – Chief Investment Officer  
(Appointed 31 March 2022)  
**JM Ardouin** – Finance Director  
**MS Warren** – Non-Executive Director  
**J Lowe** – Non-Executive Director

## Administrator

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

## Registrar

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

## Depository

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

## ACD's report for the year ended 30 April 2022

Over the 12 months to 30 April 2022, our fund fell 5.2%. Over the same period, our target benchmark, the Bank of England Base Rate + 0.5%, returned 0.74%. 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.

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 1.63% and had reached 2.94% by its end. The yield on 10-year gilts surged too, up from 0.84% at the start of the period to 1.92% 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 249 basis points (bps) and had widened to 428bps by its end.

### The inflation and growth outlook

Before Russia's invasion of Ukraine, 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. The Bank of England (BoE) was first to kick the process off, increasing rates in late 2021 and then again in February, March and early May, taking its benchmark interest rate to 1.00%. Then the US Federal Reserve (Fed) lifted rates for the first time since 2018 in March. It has followed up with a 50bps hike in May, taking its benchmark rate to 1.00%. Market prices suggest investors expect Fed rates to increase by an additional 1.75% in the rest of 2022. This seems very aggressive to us, as it could potentially send the US economy into recession – something the Fed isn't itching to bring about. Of course, this will all depend on whether US inflation continues to fall from here.

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 wild ride. And the United Nations 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.

In June 2021 there was a flurry of bonds issued at attractive prices. We sold the London Stock Exchange 1.625% Senior 2030 to switch into a few of these new issues, including the Goldman Sachs 1% 2025 and Credit Suisse 1.125% Senior 2025. A bit later, as spring turned into summer, we bought a couple more, including the Swedbank 1.375% 2027 and Toyota Motor Finance 0.75% Senior 2025. However, after that we invested less in these new deals as the market became too hot and issue discounts to similar trading debt disappeared. Since the start of 2022, the rocky market has meant much less supply, especially in the British market.

We felt that big moves in the shape of the yield curve over the final quarter of 2021 warranted some repositioning of our duration (interest rate risk) exposure. While the curve flattened overall, the shortest dated debt right at its front end sold off less aggressively than bonds maturing in three to five years. Because we felt this left the latter looking better value than the shortest dated debt, we sold some of our shortest duration bonds, including the HSBC 2.175% 2023.

In a similar trade, we sold some of our longer-duration bonds whose prices we felt had probably risen too much as the curve flattened, including merchant bank Close Brothers 1.625% Senior 2030 bonds. Again, we reinvested the proceeds in bonds in the belly of the curve.

As credit spreads continued to widen, we felt that the prices of some very heavily overbought (i.e. expensive) corporate bonds looked particularly vulnerable. We sold some of our pricier bonds, including Toyota Motor Finance 0.75% Senior 2025 bonds.

We sold UK Municipal Bonds Agency 1.5097% Floating Rate Senior 2025 bonds in October as short-term gilt yields jumped. We used the cash to reinvest in fixed-rate bonds because they offered a higher-yielding investment. But we bought these bonds again early in 2022 as we felt they'd begun to look like an attractive way to increase income as rate and inflation expectations continued to march higher. (As their name implies, floating rate bonds offer variable, or floating, coupon rates that increase when rates rise and fall when rates drop.)

### Keeping perspective

When markets turn very volatile, as they have recently, 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 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.

Noelle Cazalis  
Fund Manager  
*18 May 2022*

Bryn Jones  
Fund Manager

# Net asset value per share and comparative tables

## I-class income shares

	<b>30.04.22</b> pence per share	30.04.21 pence per share	30.04.20*** pence per share
<b>Change in net assets per share</b>			
Opening net asset value per share	98.01p	97.94p	100.00p
Return before operating charges*	(4.64p)	2.93p	(0.23p)
Operating charges	(0.39p)	(0.39p)	(0.31p)
Return after operating charges*	(5.03p)	2.54p	(0.54p)
Distributions on income shares	(2.38p)	(2.47p)	(1.52p)
Closing net asset value per share	90.60p	98.01p	97.94p
*after direct transaction costs <sup>1</sup> of:	0.00p	0.00p	0.00p

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

## Performance

Return after charges	(5.13%)	2.59%	(0.54%)
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## Other information

Closing net asset value	£20,511,764	£30,156,666	£8,424,516
Closing number of shares	22,639,672	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	91.22p	98.12p	96.46p

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

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

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

### I-class accumulation shares

	<b>30.04.22</b> pence per share	30.04.21 pence per share	30.04.20*** pence per share
<b>Change in net assets per share</b>			
Opening net asset value per share	102.25p	99.67p	100.00p
Return before operating charges*	(4.95p)	2.99p	(0.03p)
Operating charges	(0.40p)	(0.41p)	(0.30p)
Return after operating charges*	(5.35p)	2.58p	(0.33p)
Distributions on accumulation shares	(2.51p)	(2.54p)	(1.61p)
Retained distributions on accumulation shares	2.51p	2.54p	1.61p
Closing net asset value per share	96.90p	102.25p	99.67p

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

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

### Performance

Return after charges (5.23%) 2.59% (0.33%)

### Other information

Closing net asset value	£11,905,249	£5,757,878	£3,296,090
Closing number of shares	12,285,846	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	96.92p	99.85p	97.58p

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

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

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

### S-class income shares

	<b>30.04.22</b> pence per share	30.04.21 pence per share	30.04.20 pence per share
<b>Change in net assets per share</b>			
Opening net asset value per share	99.75p	99.51p	100.57p
Return before operating charges*	(4.72p)	3.00p	1.62p
Operating charges	(0.25p)	(0.25p)	(0.28p)
Return after operating charges*	(4.97p)	2.75p	1.34p
Distributions on income shares	(2.43p)	(2.51p)	(2.40p)
Closing net asset value per share	92.35p	99.75p	99.51p
*after direct transaction costs <sup>1</sup> of:	0.00p	0.00p	0.00p

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

### Performance

Return after charges	(4.98%)	2.76%	1.33%
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### Other information

Closing net asset value	£190,230,851	£243,976,145	£193,385,432
Closing number of shares	205,999,047	244,581,322	194,329,497
Operating charges	0.25%	0.25%	0.27%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices\*\*

Highest share price	100.98p	102.46p	102.83p
Lowest share price	92.97p	99.70p	98.00p

\*\* 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.

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

### S-class accumulation shares

	<b>30.04.22</b> pence per share	30.04.21 pence per share	30.04.20 pence per share
<b>Change in net assets per share</b>			
Opening net asset value per share	105.63p	102.79p	101.40p
Return before operating charges*	(5.11p)	3.10p	1.67p
Operating charges	(0.26p)	(0.26p)	(0.28p)
Return after operating charges*	(5.37p)	2.84p	1.39p
Distributions on accumulation shares	(2.60p)	(2.62p)	(2.54p)
Retained distributions on accumulation shares	2.60p	2.62p	2.54p
Closing net asset value per share	100.26p	105.63p	102.79p

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

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

### Performance

Return after charges (5.08%) 2.76% 1.37%

### Other information

Closing net asset value	£20,201,231	£19,093,462	£13,144,117
Closing number of shares	20,148,648	18,076,114	12,787,108
Operating charges	0.25%	0.25%	0.27%
Direct transaction costs	0.00%	0.00%	0.00%

### Prices\*\*

Highest share price	107.04p	107.13p	104.64p
Lowest share price	100.28p	102.97p	100.62p

\*\* 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.



## 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

	2018	2019	2020	2021	2022
I-class shares	–	–	-0.69%	4.23%	-3.73%
S-class shares	–	–	-0.35%	4.39%	-3.57%
Bank of England Base Rate +0.5%	–	–	1.23%	0.60%	0.69%

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

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

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

## Portfolio and net other assets as at 30 April 2022

Holding (Bonds unless otherwise stated)	Value (note 1d) £	Percentage of total net assets	
<b>Corporate Bonds (30.04.21: 97.68%)</b>			
£4,100,000	A2Dominion Housing 3.5% 2028	4,128,012	1.70
£3,873,500	A2D Funding 4.5% 2026	4,078,486	1.68
£4,753,300	A2D Funding 4.75% 2022	2,404,642	0.99
\$1,600,000	ANZ New Zealand International London Branch 1.25% 2026	1,150,472	0.47
\$1,600,000	Apple 1.2% 2028	1,116,116	0.46
£6,400,000	Athene Global Funding 1.75% 2027	5,781,771	2.38
£6,200,000	Athene Global Funding 1.875% 2028	5,540,729	2.28
£6,470,000	Aviva 6.125% VRN perp	6,518,525	2.68
£2,800,000	Banco Santander 1.5% 2026	2,588,321	1.07
£4,000,000	Banco Santander 1.75% 2027	3,664,735	1.51
£3,800,000	Banco Santander 2.75% 2023	3,785,857	1.56
£2,200,000	Banco Santander 3.125% VRN 2026	2,160,659	0.89
£2,700,000	Bank of America 7% 2028	3,242,353	1.33
£800,000	Bank of Montreal 1.5% 2024	766,625	0.32
£2,000,000	Bank of Montreal FRN 2027	2,045,764	0.84
£1,956,000	Bank of Nova Scotia 1.25% 2025	1,821,388	0.75
£3,700,000	Banque Federative du Credit Mutuel 1% 2026	3,400,727	1.40
£1,000,000	Banque Federative du Credit Mutuel 1.75% 2024	964,224	0.40
£2,000,000	Banque Federative du Credit Mutuel 1.875% 2028	1,833,919	0.76
£600,000	Barclays Bank 3% 2026	584,292	0.24
£4,200,000	Blackstone Property Partners Europe 2% 2025	3,923,160	1.62
£6,950,000	BNP Paribas 3.375% 2026	6,903,535	2.84
£2,300,000	BPCE 2.5% VRN 2032	2,085,571	0.86
£2,000,000	Citigroup 2.75% 2024	1,992,555	0.82
£2,700,000	Coöperatieve Rabobank 1.875% VRN 2028	2,525,349	1.04
£5,400,000	Coventry Building Society 1% 2025	5,036,175	2.07
£4,200,000	Credit Suisse London Branch 1.125% 2025	3,848,370	1.58
£2,093,000	DNB Bank 1.375% VRN 2025	2,005,577	0.83
£1,500,000	DNB Bank 2.625% VRN 2026	1,477,882	0.61
£2,624,000	East Japan Railway Company 1.162% 2028	2,372,206	0.98
\$4,000,000	Electricite de France 4.5% 2028	3,151,631	1.30
£6,129,000	First Abu Dhabi Bank 0.875% 2025	5,654,599	2.33
£3,478,000	First Abu Dhabi Bank 1.125% 2026	3,191,309	1.31
£6,157,000	Goldman Sachs 1% VRN 2025	5,782,326	2.38
£2,143,000	Goldman Sachs 1.5% 2027	1,918,312	0.79
£1,850,000	Goldman Sachs 4.25% 2026	1,896,374	0.78
£5,350,000	HSBC 6.5% 2024	5,694,565	2.34

## Portfolio and net other assets as at 30 April 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1d) £	Percentage of total net assets	
£5,786,000	HSBC Holdings 1.75% VRN 2027	5,347,421	2.20
£2,650,000	HSBC Holdings 2.256% VRN 2026	2,526,624	1.04
£6,180,000	JPMorgan Chase 0.991% VRN 2026	5,760,979	2.37
\$2,000,000	JPMorgan Chase FRN 2028	1,574,353	0.65
£3,700,000	Just 3.5% 2025	3,585,492	1.48
£3,900,000	KBC 1.25% VRN 2027	3,556,975	1.46
£3,000,000	LBBW 1.125% 2025	2,793,516	1.15
£2,800,000	LBBW 1.5% 2025	2,668,113	1.10
£5,520,000	Leeds Building Society 1.5% VRN 2027	5,104,038	2.10
£5,400,000	Lloyds Bank 1.875% VRN 2026	5,178,692	2.13
£5,557,000	Lloyds Bank 2.25% 2024	5,414,183	2.23
£3,377,000	Lloyds Bank Corporate Markets 1.75% 2024	3,284,285	1.35
£6,090,000	Logicor 2019-1 1.875% 2026	5,868,185	2.42
£3,423,000	Nats En Route 1.375% 2031	3,152,649	1.30
£1,770,000	NatWest Markets 6.875% 2025	1,938,238	0.80
AUD\$5,000,000	NBN 1% 2025	2,528,563	1.04
\$6,247,000	NBN 1.45% 2026	4,502,708	1.85
£2,703,000	Nordea Bank 1.625% VRN 2032	2,399,787	0.99
£3,000,000	OP Corporate Bank 1.375% 2026	2,773,382	1.14
£1,641,500	Places For People Finance 4.25% 2023	1,669,449	0.69
£5,600,000	Places for People Homes 3.625% 2028	5,781,506	2.38
£4,909,000	Places for People Treasury 2.875% 2026	4,932,393	2.03
£900,000	Realty Income Corporation 1.875% 2027	850,477	0.35
£150,000	Retail Charity Bonds 4% 2029	147,460	0.06
£2,000,000	Santander FRN 2026	1,998,520	0.82
£3,332,000	Scottish Widows 5.5% 2023	3,410,671	1.40
£2,893,000	Skipton Building Society 2% VRN 2026	2,757,890	1.14
£5,556,000	Swedbank 1.375% VRN 2027	5,052,912	2.08
£670,000	Telereal Securitisation 1.3657% 2033	552,100	0.23
£600,000	Tesco Personal Finance 3.5% 2025	596,815	0.25
£1,333,000	Toronto-Dominion Bank 2.875% 2027	1,305,127	0.54
£3,616,000	UBS 8.75% 2025	4,246,536	1.75
£5,643,000	UK Municipal Bonds Agency Finance FRN 2025	5,684,194	2.34
£1,867,000	Wells Fargo & Company 3.473% VRN 2028	1,860,607	0.77
£650,000	Workspace Group 2.25% 2028	578,579	0.24
\$3,475,000	Zurich Finance 3% VRN 2051	2,372,341	0.98
£7,280,000	Zurich Finance 6.625% VRN Perp	7,360,444	3.03
		<b>238,153,317</b>	<b>98.07</b>

## Portfolio and net other assets as at 30 April 2022 *(continued)*

Holding (Bonds unless otherwise stated)	Value (note 1d) £	Percentage of total net assets
<b>Forward Foreign Exchange Contracts</b> (30.04.21: (0.06%))		
Buy £2,546,540, Sell AUD4,546,910	(29,109)	(0.01)
Buy AUD\$94,105, Sell £53,872	(565)	0.00
Buy \$2,674,105, Sell £2,039,285	90,390	0.04
Buy £15,165,271, Sell \$19,882,225	(669,062)	(0.28)
	<b>(608,346)</b>	<b>(0.25)</b>
<b>Total value of investments</b> (30.04.21: 98.62%)	237,544,971	97.82
<b>Net other assets</b> (30.04.21: 1.38%)	5,304,124	2.18
<b>Total value of the fund as at 30 April 2022</b>	<b>242,849,095</b>	<b>100.00</b>
Sectors eliminated since the beginning of the year:		
Mortgage Bonds	1.00%	

## Statement of total return for the year ended 30 April 2022

	Note	30.04.22 £	30.04.22 £	30.04.21 £	30.04.21 £
<b>Income</b>					
Net capital (losses)/gains	3		<b>(18,505,601)</b>		2,412,799
Revenue	4	<b>5,211,420</b>		4,412,544	
Expenses	5	<b>(772,691)</b>		(703,284)	
Interest payable and similar charges	6	<b>(577)</b>		(448)	
Net revenue before taxation		<b>4,438,152</b>		3,708,812	
Taxation	7	—		—	
Net revenue after taxation			<b>4,438,152</b>		3,708,812
<b>Total return before distributions</b>			<b>(14,067,449)</b>		6,121,611
Distributions	8		<b>(7,153,678)</b>		(6,728,301)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(21,221,127)</b>		(606,690)

## Statement of change in net assets attributable to shareholders for the year ended 30 April 2022

	30.04.22 £	30.04.22 £	30.04.21 £	30.04.21 £
<b>Opening net assets attributable to shareholders</b>		<b>298,984,151</b>		218,250,155
Amounts receivable on issue of shares	<b>36,987,820</b>		111,214,618	
Amounts payable on cancellation of shares	<b>(72,674,362)</b>		(30,472,623)	
		<b>(35,686,542)</b>		80,741,995
Change in net assets attributable to shareholders from investment activities (see Statement of total return above)		<b>(21,221,127)</b>		(606,690)
Retained distributions on accumulation shares		<b>772,613</b>		598,691
<b>Closing net assets attributable to shareholders</b>		<b>242,849,095</b>		298,984,151

## Balance sheet as at 30 April 2022

	Note	30.04.22 £	30.04.22 £	30.04.21 £	30.04.21 £
<b>Assets</b>					
<b>Fixed assets:</b>					
Investments			<b>238,243,707</b>		295,040,924
<b>Current assets:</b>					
Debtors	9	<b>2,681,393</b>		5,057,765	
Cash and bank balances		<b>4,338,971</b>		5,484,233	
Total current assets			<b>7,020,364</b>		10,541,998
<b>Total assets</b>			<b>245,264,071</b>		305,582,922
<b>Liabilities</b>					
Investment liabilities			<b>(698,736)</b>		(194,539)
<b>Creditors:</b>					
Distribution payable on income shares		<b>(1,392,432)</b>		(1,731,634)	
Other creditors	10	<b>(323,808)</b>		(4,672,598)	
<b>Total liabilities</b>			<b>(2,414,976)</b>		(6,598,771)
<b>Net assets attributable to shareholders</b>			<b>242,849,095</b>		298,984,151

# Notes to the financial statements

## 1 Accounting policies

### a) Basis of accounting

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

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

There are no significant judgments or sources of estimation uncertainty.

### b) Recognition of revenue

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

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

### c) Treatment of expenses

All expenses are charged against capital.

### d) Basis of valuation of investments

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

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

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

### e) Exchange rates

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

## 1 Accounting policies *(continued)*

### f) Taxation/Deferred Tax

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

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

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

## 2 Distribution policy

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

For the purpose of calculating the distribution available to shareholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis. A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 8.

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



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

### 3 Net capital (losses)/gains

	30.04.22	30.04.21
	£	£
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	<b>(17,224,164)</b>	1,997,668
Currency (losses)/gains	<b>(21,896)</b>	51,826
Forward currency contracts	<b>(1,251,600)</b>	367,625
Transaction charges	<b>(7,941)</b>	(4,320)
Net capital (losses)/gains	<b>(18,505,601)</b>	2,412,799

### 4 Revenue

	30.04.22	30.04.21
	£	£
Interest on debt securities	<b>5,210,619</b>	4,412,544
Bank interest	<b>801</b>	—
Total revenue	<b>5,211,420</b>	4,412,544

### 5 Expenses

	30.04.22	30.04.22	30.04.21	30.04.21
	£	£	£	£
Payable to the ACD, associates of the ACD and agents of either of them:				
ACD's charge		<b>638,079</b>		569,685
Payable to the Depositary, associates of the Depositary and agents of either of them:				
Depositary's fees	<b>59,627</b>		56,690	
Safe custody and other bank charges	<b>36,937</b>		32,951	
		<b>96,564</b>		89,641
Other expenses:				
Administration fees	<b>18,971</b>		12,089	
Audit fee*	<b>12,120</b>		11,640	
Printing and publication costs	<b>3,297</b>		2,696	
Listing fees	<b>(7,321)</b>		3,530	
Registration fees	<b>10,981</b>		14,003	
		<b>38,048</b>		43,958
<b>Total expenses</b>		<b>772,691</b>		703,284

\* Audit fees for 2022 are £10,100 excluding VAT (30.04.21: £9,700 excluding VAT).

## 6 Interest payable and similar charges

	<b>30.04.22</b>	30.04.21
	<b>£</b>	£
Bank interest payable	<b>577</b>	448
Interest payable and similar charges	<b>577</b>	448

## 7 Taxation

	<b>30.04.22</b>	30.04.21
	<b>£</b>	£
a) Analysis of charge in the year		
Corporate tax	—	—
Total tax charge for the year (note 7b)	—	—

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (20%) (30.04.21: 20%). The differences are explained below.

	<b>30.04.22</b>	30.04.21
	<b>£</b>	£
Net revenue before taxation	<b>4,438,152</b>	3,708,812
Corporation tax at 20%	<b>887,630</b>	741,762
Effects of:		
Tax deductible interest distributions	<b>(887,630)</b>	(741,762)
Total tax charge for the year (note 7a)	—	—

### c) Deferred tax

At the year end the fund had no surplus management expenses (30.04.21: £nil) and no deferred tax asset has been recognised.

## 8 Distributions

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

	30.04.22 £	30.04.21 £
First Interim	<b>1,815,604</b>	1,504,722
Second Interim	<b>1,825,294</b>	1,726,138
Third Interim	<b>1,793,691</b>	1,893,773
Final	<b>1,606,057</b>	1,889,348
	<b>7,040,646</b>	7,013,981
Add: Amounts deducted on cancellation of shares	<b>204,191</b>	115,173
Deduct: Amounts received on issue of shares	<b>(91,159)</b>	(400,853)
Net distribution for the year	<b>7,153,678</b>	6,728,301

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

Net distribution for the year	<b>7,153,678</b>	6,728,301
Expenses allocated to Capital:		
ACD's periodic charge	<b>(638,079)</b>	(569,685)
Depository's fees	<b>(59,627)</b>	(56,690)
Safe custody and other bank charges	<b>(36,937)</b>	(32,951)
Administration fees	<b>(18,971)</b>	(12,089)
Audit fee	<b>(12,120)</b>	(11,640)
Printing and publication costs	<b>(3,297)</b>	(2,696)
Listing fees	<b>7,321</b>	(3,530)
Registration fees	<b>(10,981)</b>	(14,003)
Effective yield amortisation	<b>(1,948,966)</b>	(2,319,402)
Equalisation on conversion	<b>27</b>	(17)
Balance brought forward	<b>(13,367)</b>	(10,153)
Balance carried forward	<b>19,471</b>	13,367
Net revenue after taxation	<b>4,438,152</b>	3,708,812

## 9 Debtors

	30.04.22 £	30.04.21 £
Amounts receivable for issue of shares	<b>9,261</b>	206,642
Sales awaiting settlement	—	1,683,616
Accrued revenue	<b>2,672,132</b>	3,167,507
Total debtors	<b>2,681,393</b>	5,057,765

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

### 10 Other creditors

	30.04.22	30.04.21
	£	£
Amounts payable for cancellation of shares	<b>223,851</b>	79,267
Purchases awaiting settlement	—	4,497,109
Accrued expenses	<b>55,309</b>	42,849
Accrued ACD's charge	<b>44,648</b>	53,373
<b>Total other creditors</b>	<b>323,808</b>	4,672,598

### 11 Reconciliation of shares

	I-class income	I-class accumulation	S-class income	S-class accumulation
Opening shares issued at 01.05.21	30,769,644	5,631,395	244,581,322	18,076,114
Share movements 01.05.21 to 30.04.22				
Shares issued	5,746,360	13,707,296	11,538,137	5,661,494
Shares cancelled	(13,334,231)	(7,044,464)	(50,698,073)	(3,554,519)
Shares converted	(542,101)	(8,381)	577,661	(34,441)
<b>Closing shares at 30.04.22</b>	<b>22,639,672</b>	<b>12,285,846</b>	<b>205,999,047</b>	<b>20,148,648</b>

### 12 Related parties

ACD fees paid to Rathbone Unit Trust Management Limited (the ACD) are disclosed in note 5 and amounts outstanding at the year end in note 10.

Details of shares created and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and note 8.

There were no commissions paid to stockbroking of the ACD in respect of dealings in the investments of Rathbone High Quality Bond Fund during the year (30.04.21: nil).

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

At the year end there were no significant shareholders (30.04.21: nil).

### 13 Shareholder funds

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

The net asset value, the net asset value per share and the number of shares in issue are given in the net asset value per share and comparative tables on pages 4 to 7.

#### 14 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.04.21: nil).

#### 15 Risk disclosures on financial instruments

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

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

The main risks arising from the financial instruments are:

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

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

	<b>30.04.22</b>	30.04.21
	<b>£</b>	£
Currency:		
Australian dollar	<b>2,510,961</b>	2,745,028
US dollar	<b>13,264,805</b>	25,076,171
Pound sterling	<b>227,073,329</b>	271,162,952
Net assets	<b>242,849,095</b>	298,984,151

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £1,434,161 (30.04.21: £2,529,200). If GBP to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the fund would have increased by £1,752,863 (30.04.21: £3,091,244). These calculations assume all other variables remain constant.

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

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

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

	<b>30.04.22</b>	30.04.21
	<b>£</b>	<b>£</b>
Fixed rate assets:		
Australian dollar	<b>2,528,563</b>	2,737,519
US dollar	<b>9,920,926</b>	21,744,597
Pound sterling	<b>142,566,399</b>	214,387,386
	<b>155,015,888</b>	238,869,502
Floating rate assets:		
US dollar	<b>3,946,695</b>	5,349,365
Pound sterling	<b>83,529,706</b>	53,659,544
	<b>87,476,401</b>	59,008,909
Assets on which no interest is paid:		
Australian dollar	<b>11,507</b>	11,342
US dollar	<b>66,246</b>	80,502
Pound sterling	<b>2,694,029</b>	7,612,667
	<b>2,771,782</b>	7,704,511
Liabilities on which no interest is paid:		
Australian dollar	<b>(29,109)</b>	(3,833)
US dollar	<b>(669,062)</b>	(2,098,293)
Pound sterling	<b>(1,716,805)</b>	(4,496,645)
	<b>(2,414,976)</b>	(6,598,771)
<b>Net assets</b>	<b>242,849,095</b>	298,984,151

If interest rates had increased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £10,887,549 (30.04.21: £14,724,364). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £10,887,549 (30.04.21: £14,724,364). These calculations assume all other variables remain constant.

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

**(ii) Interest rate risk** *(continued)*

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

	30.04.22		30.04.21	
	Value (note 1d) £	Percentage of total net assets	Value (note 1d) £	Percentage of total net assets
<b>Bond credit ratings</b>				
Investment grade	<b>222,139,776</b>	<b>91.47</b>	277,057,159	92.65
Below investment grade	<b>16,013,541</b>	<b>6.60</b>	17,983,765	6.03
<b>Total bonds</b>	<b>238,153,317</b>	<b>98.07</b>	295,040,924	98.68

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

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

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

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £23,754,497 (30.04.21: 29,484,638). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £23,754,497 (30.04.21: £29,484,638). These calculations assume all other variables remain constant.

**(iv) Credit risk/Counterparty risk.** Credit risk arises firstly from the issuer of a security not being able to pay interest and principal in a timely manner and also from counterparty risk, where the counterparty will not fulfil its obligations or commitments to deliver the investments for a purchase or the cash for a sale after the fund has fulfilled its responsibilities. In order to manage the risk, the fund will only buy and sell investments through brokers which have been approved by the Manager as an acceptable counterparty. Brokers are monitored on an on-going basis for suitability and creditworthiness. In addition, the fund is subject to investment limits for issuers of securities and issuer credit ratings are evaluated periodically.

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

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

## 16 Portfolio transaction cost

For the year ended 30 April 2022

### Analysis of total purchase costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	165,742,648	—	—	—	—
Total purchases before transaction costs	165,742,648	—	—	—	—
Total purchases including commission and taxes	165,742,648				

### Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	%
Bond transactions	186,594,600	—	—	—	—
Corporate actions	16,822,505	—	—	—	—
Total sales including transaction costs	203,417,105	—	—	—	—
Total sales net of commission and taxes	203,417,105				

The fund had paid £nil as commission on purchases and sale derivative transactions for the year ended 30 April 2022.

### Commissions and taxes as % of average net assets

Commissions	0.00%
Taxes	0.00%



**16 Portfolio transaction cost** *(continued)*

**For the year ended 30 April 2021**

**Analysis of total purchase costs**

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

**Analysis of total sales costs**

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

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

**Commissions and taxes as % of average net assets**

Commissions	0.00%
Taxes	0.00%

In the case of shares, commissions and taxes are paid by the fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, other types of investments (such as bonds, money market instruments, derivatives) have no separately identifiable transaction costs; these costs form part of dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment. At the balance sheet date the dealing spread was 0.36% (30.04.21: 0.34%).

## 17 Fair value of investments

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

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

### For the year ended 30 April 2022

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Bonds	–	238,153,317	–	238,153,317
Derivatives	–	90,390	–	90,390
	–	238,243,707	–	238,243,707

Category	1	2	3	Total
	£	£	£	£
<b>Investment liabilities</b>				
Derivatives	–	(698,736)	–	(698,736)
	–	(698,736)	–	(698,736)

### For the year ended 30 April 2021

Category	1	2	3	Total
	£	£	£	£
<b>Investment assets</b>				
Bonds	–	295,040,924	–	295,040,924
	–	295,040,924	–	295,040,924

Category	1	2	3	Total
	£	£	£	£
<b>Investment liabilities</b>				
Derivatives	–	(194,539)	–	(194,539)
	–	(194,539)	–	(194,539)

## Distribution tables for the year ended 30 April 2022

### 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

<b>I-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Paid 30.09.21</b>	<b>Paid 30.09.20</b>
Group 1	0.58	–	0.58	0.57
Group 2	0.20	0.38	0.58	0.57

  

<b>I-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Accumulated 30.09.21</b>	<b>Accumulated 30.09.20</b>
Group 1	0.61	–	0.61	0.59
Group 2	0.15	0.46	0.61	0.59

  

<b>S-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Paid 30.09.21</b>	<b>Paid 30.09.20</b>
Group 1	0.60	–	0.60	0.59
Group 2	0.28	0.32	0.60	0.59

  

<b>S-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Accumulated 30.09.21</b>	<b>Accumulated 30.09.20</b>
Group 1	0.63	–	0.63	0.60
Group 2	0.42	0.21	0.63	0.60

## Distribution tables for the year ended 30 April 2022 *(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

<b>I-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Paid 31.12.21</b>	<b>Paid 31.12.20</b>
Group 1	0.59	–	0.59	0.63
Group 2	0.34	0.25	0.59	0.63

  

<b>I-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Accumulated 31.12.21</b>	<b>Accumulated 31.12.20</b>
Group 1	0.62	–	0.62	0.64
Group 2	0.32	0.30	0.62	0.64

  

<b>S-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Paid 31.12.21</b>	<b>Paid 31.12.20</b>
Group 1	0.60	–	0.60	0.64
Group 2	0.33	0.27	0.60	0.64

  

<b>S-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Accumulated 31.12.21</b>	<b>Accumulated 31.12.20</b>
Group 1	0.64	–	0.64	0.67
Group 2	0.23	0.41	0.64	0.67

## Distribution tables for the year ended 30 April 2022 *(continued)*

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

#### Third Interim

Group 1 – Shares purchased prior to 1 November 2021

Group 2 – Shares purchased on or after 1 November 2021 and on or before 31 January 2022

<b>I-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Paid 31.03.22</b>	<b>Paid 31.03.21</b>
Group 1	0.61	–	0.61	0.65
Group 2	0.36	0.25	0.61	0.65

  

<b>I-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Accumulated 31.03.22</b>	<b>Accumulated 31.03.21</b>
Group 1	0.64	–	0.64	0.66
Group 2	0.52	0.12	0.64	0.66

  

<b>S-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Paid 31.03.22</b>	<b>Paid 31.03.21</b>
Group 1	0.62	–	0.62	0.65
Group 2	0.37	0.25	0.62	0.65

  

<b>S-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Accumulated 31.03.22</b>	<b>Accumulated 31.03.21</b>
Group 1	0.66	–	0.66	0.68
Group 2	0.32	0.34	0.66	0.68

## Distribution tables for the year ended 30 April 2022 *(continued)*

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

#### Final

Group 1 – Shares purchased prior to 1 February 2022

Group 2 – Shares purchased on or after 1 February 2022 and on or before 30 April 2022

<b>I-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Payable 30.06.22</b>	<b>Paid 30.06.21</b>
Group 1	0.60	–	0.60	0.62
Group 2	0.34	0.26	0.60	0.62

  

<b>I-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Allocated 30.06.22</b>	<b>Accumulated 30.06.21</b>
Group 1	0.64	–	0.64	0.65
Group 2	0.36	0.28	0.64	0.65

  

<b>S-class income shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Payable 30.06.22</b>	<b>Paid 30.06.21</b>
Group 1	0.61	–	0.61	0.63
Group 2	0.30	0.31	0.61	0.63

  

<b>S-class accumulation shares</b>	<b>Income</b>	<b>Equalisation</b>	<b>Allocated 30.06.22</b>	<b>Accumulated 30.06.21</b>
Group 1	0.67	–	0.67	0.67
Group 2	0.40	0.27	0.67	0.67

#### 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                      T Carroll  
for Rathbone Unit Trust Management Limited  
ACD of Rathbone High Quality Bond Fund  
*24 June 2022*

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

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

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

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

In so far as the ACD is aware:

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

Additionally, the Manager monitors developments in Ukraine, making adjustments to investments where deemed appropriate and they also monitor sanctions and their implications on individual holdings. Also, the investment processes and risk and compliance procedures continue to operate as normal.

In accordance with COLL 4.5.8 R, the Annual Report and the audited financial statements were approved by the board of directors of the ACD of the Scheme and authorised for issue on 24 June 2022.



## Statement of the Depositary's responsibilities and report of the Depositary to the shareholders of Rathbone High Quality Bond Fund (the Company) for the year ended 30 April 2022

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

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

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

The Depositary must ensure that:

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

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

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

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

**NatWest Trustee and Depositary Services Limited**  
Depositary of Rathbone High Quality Bond Fund  
*24 June 2022*

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

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Rathbone High Quality Bond Fund (the 'company'):

- give a true and fair view of the financial position of the company as at 30 April 2022 and of the net revenue and the net capital losses on the property of the company for the year ended 30 April 2022; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

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

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the distribution tables; and
- individual notes 1 to 17.

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

## Basis for opinion

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

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

## Conclusions relating to going concern

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

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

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

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

## Other information

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

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

We have nothing to report in this regard.

## Responsibilities of depositary and ACD

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook**

In our opinion:

- proper accounting records for the Company and its sub-fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 April 2022 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

## **Use of our report**

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

**Deloitte LLP**  
Statutory Auditor  
Glasgow, United Kingdom  
*28 June 2022*

## General information

### UCITS Remuneration

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

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

	Fixed remuneration £'000	Variable remuneration £'000	Total remuneration £'000	Headcount
Senior Management	1,604	4,428	6,032	9
Risk takers	1,779	2,386	4,165	16
Control functions	281	31	312	3
Other	125	121	246	1
Total remuneration code staff	3,789	6,966	10,755	29
Non-remuneration code staff	846	240	1,086	21
<b>Total for the Manager</b>	<b>4,635</b>	<b>7,206</b>	<b>11,841</b>	<b>50</b>

The variable remuneration disclosed in the table above is for the financial year ended 31 December 2021, which is the most recent period for which data are available. Variable remuneration is determined annually based on, inter alia, the results of the Manager and the investment performance of the UCITS that it manages for discrete annual periods ending on 31 December each year. Consequently, it is not possible to apportion the variable award between calendar years.

### Authorised status

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

### Investment objective, policy and strategy

#### Investment objective

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

#### Investment policy

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

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

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

#### Investment strategy

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

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

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

#### Fund benchmark

Bank of England's Base Rate + 0.5%.

#### Valuation of the sub-funds

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

#### Stewardship code

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

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.

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.

## General information *(continued)*

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

### ISA eligibility

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

### Risk factors

An investment in 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](http://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 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 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](http://rathbonefunds.com)

### **Data protection**

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

From time to time Rathbone Unit Trust Management Limited may wish to communicate with you with information on other products and services offered by the 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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Financial Conduct Authority

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Investment Association

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