

Rathbones

Look forward

Rathbone Strategic Bond Fund

Annual report for the year ended 30 June 2022



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Rathbone Strategic Bond Fund

Authorised Fund Manager (the Manager)

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

Dealing office

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

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SS&C House
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Financial Conduct Authority**

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Directors of the Manager

RP Stockton – Chairman
MM Webb – Chief Executive Officer
JR Chillingworth – Chief Investment Officer
(Retired 31 May 2022)
T Carroll – Chief Investment Officer
(Appointed 1 June 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**

Trustee

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

Investment objective and policy

Investment objective

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

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

Investment strategy

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

Character: Whether a company's managers have integrity and competence
Capacity: Ensuring a company isn't over-borrowing and has the cash to pay its debts
Collateral: Are there assets backing the loan, which reduces the risk of a loan.

Investment policy

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

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

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

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

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

Investment report for the year ended 30 June 2022

Performance

In the 12 months ended 30 June 2022, our fund returned -11.53%, while our benchmark, the IA Sterling Strategic Bond sector, returned -10.20%.

Market overview and portfolio activity

Government bond yields made some of the largest moves on record during the quarter. Investors have been forced to come to terms with the highest rate of inflation in decades, the prospect of aggressive interest rate rises intended to tame the inflation burst and Russia's shock invasion of Ukraine, which has complicated the inflation and growth outlook. Higher inflation and rates eat into bonds' fixed returns, driving bond yields (which run in the opposite direction to prices) much higher very quickly. The yield on US 10-year Treasuries more than doubled over the period, rising from 1.47% to hit 3.02%. And the yield on 10-year gilts, which stood at 0.72% at the start of the period, shot up to 2.24% by its end.

Corporate bond markets have proved just as turbulent. Credit spreads – the extra return above government bond yields for taking on default risks – have widened very aggressively as investors have come to fear that higher inflation and rates could stifle growth. The iTraxx Crossover European high yield spread index began the period at 232 basis points (bps) and had widened to 580bps by its end.

At the start of the period, government bond yields were meandering gradually upwards as investors anticipated the eventual withdrawal of COVID 19-driven policy support. Policymakers kept insisting that the inflationary pressures triggered by supply chain bottlenecks in the wake of pandemic shutdowns would likely prove 'transitory' and wouldn't, therefore, drive sudden policy tightening.

But last autumn's rapid surge in energy demand as lockdowns eased drove a huge spike in global energy prices. This, in turn, forced a sharp rethink about the inflation outlook. Investors started to expect a lengthy bout of high inflation that would pressure central banks into faster, more aggressive rate rises than they had previously expected.

Rising inflation expectations hit most big government bond markets, quickly driving up bond yields. In late 2021, central banks pivoted towards firm commitment to rapid and aggressive rate rises to try to stem the rising tide of inflation driven by post-pandemic reopening. The Bank of England (BoE) was the first of the world's big central banks to start successive rate hikes in December. The US Federal Reserve began hiking in March, following this 0.25% rise up with a 0.50% increase in May and a 0.75% increase in June (its largest hike in 28 years).

Alongside its devastating humanitarian impact, Russia's invasion of Ukraine on 24 February triggered a chain of consequences that reverberated across financial markets and significantly added to the uncertainties weighing on the global economy. Investors' key concern is the war's capacity to fuel inflationary pressures, while also raising the risks of a global slowdown.

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 has sent energy prices on a truly wide ride ever since. 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 has increased the chance that global growth disappoints as higher prices squeeze businesses and households.

This has left central banks facing an uncomfortable trade-off between tightening policy to combat inflation and staying more accommodative to try to avert an economic slowdown. This dilemma is particularly acute in the UK, where surging prices are hurting household spending and business activity and the BoE is expecting inflation to hit 11% in October, much higher than other countries in the G7 group of leading industrial nations. As a result, the BoE policy outlook is far from clear, which we felt opened up periodic mispricing opportunities.

Investment report for the year ended 30 June 2022 *(continued)*

We traded gilts throughout the period. We bought gilts, including the UK Treasury 1 ½% 2047 and the 0.375% 2026, when we felt that markets were pricing in more BoE cuts than we thought it would deliver and that gilts had probably sold off too much. And we sold gilts, including the UK Treasury 1 ½% 2047 and the 4.75% 2030, when we felt that gilt yields might grind still higher.

Early in the period, we added to assets that we believed offer attractive diversification benefits away from the ups and downs of more 'mainstream' financial markets. These included units in the Pacific G10 Macro Rates and MontLake Angel Oak Multi-Strategy funds. The former is an interest rate and foreign exchange macro strategy, while the latter invests in asset-backed securities (ABS), particularly collateralised mortgage obligations, collateralised loan obligations and other collateralised debt obligations. We sold some units in the MontLake fund in March and pared back our exposure still further in May because we felt that cost-of-living pressures might make it more difficult for some consumers to repay loans (ABS are backed by consumer borrowing).

Towards the end of 2021, we added to our high yield bonds since these tend to be less vulnerable to shifting rate dynamics than their investment grade counterparts. As part of our efforts to protect ourselves from the volatility in rates markets, in November we bought units of the Muzinich Americayield and the BNY Mellon Global Short Duration High Yield Bond funds.

Late 2021 was a tricky period for many emerging markets. Signs of weaker growth from China prompted unease across the whole developing world, which was further exacerbated by the autumn energy price spike. Many major emerging markets (China, South Korea, India and Mexico, for example) are net importers of fuel and therefore stand to lose from higher energy prices.

With emerging market assets under pressure, we opted to pare back some of our exposure. For example, we sold units of the Ashmore Emerging Markets Short Duration and the Muzinich Asia Credit Opportunities funds (the latter invests in bonds issued by corporates in emerging Asia).

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.

Bryn Jones
Fund
Manager
18 July 2022

Noelle Cazalis
Fund
Manager

Stuart Chilvers
Assistant Fund
Manager

Net asset value per unit and comparative tables

I-class income units

| | 30.06.22 pence per unit | 30.06.21 pence per unit | 30.06.20 pence per unit |
|--|----------------------------|----------------------------|----------------------------|
| Change in net assets per unit | | | |
| Opening net asset value per unit | 117.50p | 113.23p | 114.00p |
| Return before operating charges* | (12.58p) | 9.49p | 3.72p |
| Operating charges | (0.64p) | (0.66p) | (0.63p) |
| Return after operating charges* | (13.22p) | 8.83p | 3.09p |
| Distributions on income units | (4.26p) | (4.56p) | (3.86p) |
| Closing net asset value per unit | 100.02p | 117.50p | 113.23p |
| *after direct transaction costs ¹ of: | 0.00p | 0.00p | 0.00p |

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

Performance

| | | | |
|----------------------|----------|-------|-------|
| Return after charges | (11.25%) | 7.80% | 2.71% |
|----------------------|----------|-------|-------|

Other information

| | | | |
|--------------------------|-------------|-------------|-------------|
| Closing net asset value | £56,238,433 | £96,102,477 | £81,096,195 |
| Closing number of units | 56,225,669 | 81,789,803 | 71,621,862 |
| Operating charges** | 0.75% | 0.80% | 0.84% |
| Direct transaction costs | 0.00% | 0.00% | 0.00% |

Prices***

| | | | |
|--------------------|---------|---------|---------|
| Highest unit price | 119.17p | 120.20p | 117.03p |
| Lowest unit price | 101.55p | 113.64p | 105.88p |

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP and includes a synthetic element relating to the expenses paid by any investment funds which the fund holds.

*** 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

I-class accumulation units

| | 30.06.22 pence per unit | 30.06.21 pence per unit | 30.06.20 pence per unit |
|--|----------------------------|----------------------------|----------------------------|
| Change in net assets per unit | | | |
| Opening net asset value per unit | 162.89p | 151.03p | 146.96p |
| Return before operating charges* | (17.88p) | 12.75p | 4.89p |
| Operating charges | (0.89p) | (0.89p) | (0.82p) |
| Return after operating charges* | (18.77p) | 11.86p | 4.07p |
| Distributions on accumulation units | (5.99p) | (6.17p) | (5.05p) |
| Retained distributions on accumulation units | 5.99p | 6.17p | 5.05p |
| Closing net asset value per unit | 144.12p | 162.89p | 151.03p |

*after direct transaction costs¹ of: 0.00p 0.00p 0.00p

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

Performance

Return after charges (11.52%) 7.85% 2.77%

Other information

| | | | |
|--------------------------|-------------|--------------|-------------|
| Closing net asset value | £90,164,654 | £112,046,504 | £87,893,259 |
| Closing number of units | 62,560,699 | 68,785,577 | 58,195,977 |
| Operating charges** | 0.75% | 0.80% | 0.84% |
| Direct transaction costs | 0.00% | 0.00% | 0.00% |

Prices***

| | | | |
|--------------------|---------|---------|---------|
| Highest unit price | 165.20p | 163.36p | 153.39p |
| Lowest unit price | 144.52p | 151.37p | 138.60p |

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP and includes a synthetic element relating to the expenses paid by any investment funds which the fund holds.

*** 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.

Risk and reward profile

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



Lower potential risk/reward
(Not risk-free)

Higher potential risk/reward

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

Discrete annual performance

Quarter ending 30 June 2022

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|-------|-------|-------|-------|---------|
| I-class units | 1.91% | 3.20% | 2.83% | 7.86% | -11.53% |
| IA Sterling Strategic Bond Sector | 0.33% | 5.33% | 3.79% | 6.13% | -10.20% |

Source performance data Financial Express, bid to bid, net income re-invested.

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

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

Portfolio and net other assets as at 30 June 2022

| Holding (Bonds unless otherwise stated) | Value (note 1e) £ | Percentage of total net assets |
|---|-------------------------|--------------------------------------|
| United Kingdom (30.06.21: 41.20%) | | |
| Government Bonds (30.06.21: 2.64%) | | |
| £600,000 UK Treasury 1% 2032 | 533,574 | 0.36 |
| £2,300,000 UK Treasury 1.50% 2047 | 1,827,051 | 1.25 |
| £1,800,000 UK Treasury 1.75% 2022 | 1,801,530 | 1.23 |
| | 4,162,155 | 2.84 |
| Government Index-Linked Bonds (30.06.21: 3.18%) | | |
| £520,000 UK Treasury 0.125% Index-Linked 2026 | 724,785 | 0.50 |
| £2,800,000 UK Treasury 1.875% Index-Linked 2022 | 4,705,374 | 3.21 |
| | 5,430,159 | 3.71 |
| Corporate Bonds (30.06.21: 32.47%) | | |
| £518,000 A2Dominion Housing 3.5% 2028 | 509,443 | 0.35 |
| £200,000 Abrdn 5.25% VRN perp | 173,150 | 0.12 |
| \$742,401 Ardonagh Midco 2 11.5% 2027 | 636,773 | 0.43 |
| £452,000 Aviva 4% VRN 2055 | 362,958 | 0.25 |
| £300,000 Aviva 4.375% VRN 2049 | 278,093 | 0.19 |
| £200,000 Aviva 6.125% VRN Perp | 200,000 | 0.14 |
| £1,600,000 Aviva 6.875% VRN 2058 | 1,735,760 | 1.18 |
| £522,000 Aviva 6.875% VRN Perp | 476,325 | 0.33 |
| €1,400,000 Barclays Bank 4.75% VRN perp | 1,004,621 | 0.69 |
| \$1,000,000 Barclays Bank 6.278% VRN Perp | 938,697 | 0.64 |
| £500,000 Brit Insurance 6.625% VRN 2030 | 407,500 | 0.28 |
| £514,000 Bruntwood 6% 2025 | 524,280 | 0.36 |
| £727,000 BUPA Finance 4.125% 2035 | 600,703 | 0.41 |
| £550,000 BUPA Finance 5% 2026 | 544,653 | 0.37 |
| £500,000 Channel Link FRN 2050 | 399,510 | 0.27 |
| £1,000,000 Chesnara 4.75% 2032 | 850,000 | 0.58 |
| £773,000 Close Brothers 2% VRN 2031 | 671,273 | 0.46 |
| £700,000 Co Operative Bank Finance 9.5% VRN 2029 | 667,156 | 0.46 |
| £400,000 Deuce FinCo 5.5% 2027 | 316,944 | 0.22 |
| £300,000 Dignity Finance 4.6956% 2049 | 268,873 | 0.18 |
| £500,000 Direct Line Insurance 4% 2032 | 431,039 | 0.29 |
| £400,000 Finance for Residential Social Housing 8.569% 2058 | 314,966 | 0.21 |
| £300,000 Grainger 3% 2030 | 250,977 | 0.17 |
| £347,000 Grainger 3.375% 2028 | 311,521 | 0.21 |
| £45,000 HBOS 5.75% VRN perp | 45,950 | 0.03 |
| £750,000 Iceland Bondco 4.375% 2028 | 495,000 | 0.34 |
| £150,000 Iceland Bondco 4.625% 2025 | 115,759 | 0.08 |

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

| Holding (Bonds unless otherwise stated) | | Value (note 1e) £ | Percentage of total net assets |
|--|---|-------------------------|--------------------------------------|
| £933,000 | Investec 2.625% VRN 2032 | 797,141 | 0.54 |
| £931,000 | Investec Bank 1.875% VRN 2028 | 788,084 | 0.54 |
| £740,000 | Investec Bank 4.25% VRN 2028 | 728,162 | 0.50 |
| £700,000 | JRP 9% 2026 | 767,900 | 0.52 |
| £629,000 | Jupiter Fund Management 8.875% VRN 2030 | 662,298 | 0.45 |
| £503,000 | Just 5% VRN perp | 356,501 | 0.24 |
| £1,557,000 | Just 7% VRN 2031 | 1,548,509 | 1.06 |
| £100,000 | Just 8.125% 2029 | 114,725 | 0.08 |
| £599,000 | Legal & General 3.75% VRN 2049 | 514,827 | 0.35 |
| £245,000 | Legal & General 4.5% VRN 2050 | 219,728 | 0.15 |
| \$400,000 | Legal & General 5.25% VRN 2047 | 315,119 | 0.21 |
| £225,000 | Legal & General 5.375% VRN 2045 | 225,128 | 0.15 |
| £655,000 | Legal & General 5.625% VRN perp | 552,656 | 0.38 |
| £1,832,000 | Liverpool Victoria Friendly Society 6.5% VRN 2043 | 1,838,595 | 1.26 |
| £1,600,000 | Lloyds Banking Group 2.707% VRN 2035 | 1,248,877 | 0.85 |
| \$390,000 | Lloyds Banking Group 5.3906% VRN 2027 | 219,052 | 0.15 |
| £257,000 | M&G 3.875% VRN 2049 | 251,513 | 0.17 |
| £300,000 | M&G 5% VRN 2055 | 268,070 | 0.18 |
| £378,000 | M&G 5.625% VRN 2051 | 357,791 | 0.24 |
| £600,000 | M&G 6.25% VRN 2068 | 530,658 | 0.36 |
| £5,400 | Nationwide Building Society 10.25% VRN perp | 788,324 | 0.54 |
| £560,000 | Nationwide Building Society 5.769% perp | 582,461 | 0.40 |
| £300,000 | Nationwide Building Society 7.859% VRN perp | 352,308 | 0.24 |
| €450,000 | NatWest 1.043% VRN 2032 | 314,993 | 0.22 |
| £747,000 | NatWest 3.619% VRN 2029 | 697,632 | 0.48 |
| £250,000 | Ocado 3.875% 2026 | 200,493 | 0.14 |
| £625,000 | Paragon 4.375% VRN 2031 | 610,288 | 0.42 |
| £1,656,000 | Paragon 6% 2024 | 1,703,309 | 1.16 |
| £1,001,000 | Pension Insurance 3.625% 2032 | 783,928 | 0.54 |
| £500,000 | Pension Insurance 4.625% 2031 | 438,049 | 0.30 |
| £900,000 | Pension Insurance 5.625% 2030 | 858,974 | 0.59 |
| £1,500,000 | Pension Insurance 7.375% VRN perp | 1,423,125 | 0.97 |
| £600,000 | Pension Insurance 8% 2026 | 656,154 | 0.45 |
| \$1,100,000 | Phoenix 4.75% VRN 2031 | 849,571 | 0.58 |
| £335,000 | Places For People Finance 4.25% 2023 | 335,830 | 0.23 |
| £1,000,000 | Places for People Homes 3.625% 2028 | 1,000,390 | 0.68 |
| £241,000 | Quilter 4.478% VRN 2028 | 238,204 | 0.16 |
| £600,000 | Reassure 5.867% 2029 | 597,317 | 0.41 |
| £2,864,000 | RL Finance Bonds 4.875% VRN 2049 | 2,290,235 | 1.56 |
| £700,000 | RL Finance Bonds 6.125% 2028 | 713,550 | 0.49 |

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

| Holding (Bonds unless otherwise stated) | Value (note 1e) £ | Percentage of total net assets |
|--|-------------------------|--------------------------------------|
| £500,000 RL Finance Bonds 6.125% VRN 2043 | 508,761 | 0.35 |
| £1,740,000 Rothesay Life 3.375% 2026 | 1,614,000 | 1.10 |
| \$1,547,000 Rothesay Life 4.875% VRN perp | 1,055,710 | 0.72 |
| £1,500,000 Rothesay Life 5% VRN perp | 1,113,750 | 0.76 |
| £605,000 Rothesay Life 5.5% VRN 2029 | 606,381 | 0.41 |
| £779,000 Royal Bank of Scotland 3.622% VRN 2030 | 729,973 | 0.50 |
| £255,000 RSA Insurance 5.125% VRN 2045 | 253,314 | 0.17 |
| £171,000 Sage 1.625% 2031 | 139,144 | 0.10 |
| £600,000 Santander UK 2.92% VRN 2026 | 573,046 | 0.39 |
| £100,000 Scottish Widows 5.5% 2023 | 100,850 | 0.07 |
| £1,761,000 Scottish Widows 7% 2043 | 1,860,814 | 1.27 |
| £500,000 Shawbrook 9% VRN 2030 | 506,045 | 0.35 |
| \$300,000 Standard Chartered 6.409% VRN perp | 202,561 | 0.14 |
| \$1,000,000 Standard Chartered 7.014% VRN perp | 881,057 | 0.60 |
| £200,000 Tesco Personal Finance 3.5% 2025 | 194,461 | 0.13 |
| £170,000 TP ICAP Finance 2.625% 2028 | 139,047 | 0.10 |
| £800,000 Utmost 4% 2031 | 624,000 | 0.43 |
| £484,000 Virgin Money UK 2.625% VRN 2031 | 417,860 | 0.29 |
| £675,000 Virgin Money UK 5.125% VRN 2030 | 650,881 | 0.44 |
| £200,000 Virgin Money UK 8.25% VRN Perp | 189,500 | 0.13 |
| £709,000 Yorkshire Building Society 3.375% VRN 2028 | 633,318 | 0.43 |
| | 54,266,866 | 37.06 |
| Collective Investment Schemes (30.06.21: 2.80%) | | |
| 2,606,137 M&G Global Macro Bond Fund | 2,221,471 | 1.52 |
| Equities (30.06.21: 0.11%) | | |
| 125,000 Santander UK 10.375% preference perp | 185,000 | 0.13 |
| Total United Kingdom | 66,265,651 | 45.26 |
| Australia (30.06.21: 1.22%) | | |
| Corporate Bonds (30.06.21: 0.97%) | | |
| £525,000 AMP Group Finance 6.875% 2022 | 526,162 | 0.36 |
| £557,000 Australia and New Zealand Banking Group 1.809% VRN 2031 | 479,284 | 0.33 |
| \$1,330,000 Australia and New Zealand Banking Group FRN perp | 788,505 | 0.54 |
| £800,000 National Australia Bank 1.699% VRN 2031 | 686,641 | 0.47 |
| | 2,480,592 | 1.70 |

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

| Holding (Bonds unless otherwise stated) | Value (note 1e) £ | Percentage of total net assets |
|---|-------------------------|--------------------------------------|
| Public Authorities (30.06.21: 0.25%) | | |
| \$500,000 New South Wales Treasury 2.5% 2032 | 241,378 | 0.16 |
| \$1,500,000 Queensland Treasury 1.25% 2031 | 671,887 | 0.46 |
| | 913,265 | 0.62 |
| Total Australia | 3,393,857 | 2.32 |
| Bermuda (30.06.21: 0.84%) | | |
| Corporate Bonds (30.06.21: 0.82%) | | |
| £1,480,000 Hiscox 6.125% VRN 2045 | 1,443,988 | 0.99 |
| Non Equity Invest Instruments (30.06.21 : 0.02%) | | |
| 1,332 CATCo Reinsurance Opportunities Fund | 4,387 | — |
| Total Bermuda | 1,448,375 | 0.99 |
| Canada (30.06.21: 0.00%) | | |
| Corporate Bonds (30.06.21: 0.00%) | | |
| \$1,500,000 Scotiabank Capital Trust 5.65% VRN 2056 | 1,109,512 | 0.76 |
| Cayman Islands (30.06.21: 1.21%) | | |
| Corporate Bonds (30.06.21: 1.21%) | | |
| \$900,000 Phoenix 5.375% 2027 | 712,660 | 0.49 |
| £200,000 Phoenix 5.625% 2031 | 188,100 | 0.13 |
| Total Cayman Islands | 900,760 | 0.62 |
| Channel Islands (30.06.21: 5.03%) | | |
| Corporate Bonds (30.06.21: 3.35%) | | |
| £437,900 Burford Capital 5% 2026 | 399,991 | 0.27 |
| £1,550,000 HSBC Bank 5.844% VRN perp | 1,776,576 | 1.21 |
| \$1,000,000 HSBC Capital Funding LP 10.176% VRN perp | 1,118,284 | 0.76 |
| £1,565,000 Rothschild 9% perp | 1,693,940 | 1.16 |
| | 4,988,791 | 3.40 |

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

| Holding (Bonds unless otherwise stated) | Value (note 1e) £ | Percentage of total net assets |
|---|-------------------------|--------------------------------------|
| Non-Equity Investment Trusts (30.06.21: 1.68%) | | |
| 6,615,000 Chenavari Toro | 2,904,181 | 1.98 |
| 900,000 CVC Income & Growth Ltd | 824,400 | 0.56 |
| 566,645 KKV Secured Loan Fund | 60,631 | 0.04 |
| | 3,789,212 | 2.58 |
| Total Channel Islands | 8,778,003 | 5.98 |
| Finland (30.06.21: 0.00%) | | |
| Corporate Bonds (30.06.21: 0.00%) | | |
| \$278,000 Nordea Bank 3.75% VRN perp | 168,594 | 0.11 |
| France (30.06.21: 3.97%) | | |
| Corporate Bonds (30.06.21: 3.97%) | | |
| €200,000 AXA SA 0% VRN perp | 141,522 | 0.10 |
| £216,000 AXA SA 5.625% VRN 2054 | 203,857 | 0.14 |
| \$2,200,000 AXA SA 6.379% VRN perp | 2,076,605 | 1.42 |
| €1,000,000 Banque Federative du Credit Mutu 0.117% VRN perp | 701,414 | 0.48 |
| \$1,510,000 BNP Paribas SA FRN perp | 915,238 | 0.62 |
| \$500,000 BPCE 4.5% 2028 | 263,460 | 0.18 |
| £600,000 BPCE SA 2.5% VRN 2032 | 510,984 | 0.35 |
| £800,000 BPCE SA 5.25% 2029 | 793,643 | 0.54 |
| €650,000 Caisse Federale du Credit Mutuel 0.329% VRN Perp | 464,424 | 0.32 |
| £600,000 Credit Agricole SA 1.874% VRN 2031 | 511,731 | 0.35 |
| \$1,240,000 Orange SA 9% 2031 Step | 1,319,227 | 0.90 |
| Total France | 7,902,105 | 5.40 |
| Germany (30.06.21: 0.59%) | | |
| Corporate Bonds (30.06.21: 0.59%) | | |
| \$1,200,000 Allianz 3.2% VRN perp | 721,314 | 0.49 |
| €2,200,000 Fuerstenberg Capital II GmbH 5.625% Perp | 1,096,428 | 0.75 |
| Total Germany | 1,817,742 | 1.24 |
| Greece (30.06.21: 0.00%) | | |
| Corporate Bonds (30.06.21: 0.00%) | | |
| €250,000 Piraeus Bank 9.75% VRN 2029 | 200,299 | 0.14 |

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

| Holding (Bonds unless otherwise stated) | Value (note 1e) £ | Percentage of total net assets |
|--|-------------------------|--------------------------------------|
| Hong Kong (30.06.21: 0.18%) | | |
| Corporate Bonds (30.06.21: 0.18%) | | |
| \$550,000 HSBC FRN perp | 350,529 | 0.24 |
| Ireland (30.06.21: 17.88%) | | |
| Collective Investment Schemes (30.06.21: 15.59%) | | |
| 38,000 Angel Oak Multi Strategy Income Fund* | 3,071,084 | 2.10 |
| 2,730,000 BNY Mellon Global Short Dated High Yield Bond Fund* | 2,939,937 | 2.01 |
| 115,000 Eaton Vance International Emerging Markets Debt Opportunities Fund* | 908,500 | 0.62 |
| 2,100 Eric Sturdza Funds – Strategic Bond Opportunities Fund* | 1,560,479 | 1.07 |
| 20,300 Muzinich Americayield Fund* | 2,349,116 | 1.61 |
| 12,500 Muzinich Asia Credit Opportunities Fund* | 864,875 | 0.59 |
| 7,000 Muzinich Emerging Markets Short Duration Fund* | 568,330 | 0.39 |
| 590,000 Pacific G10 Macro Rates Fund* | 6,123,020 | 4.18 |
| 2,450,000 Royal London Short Duration Global High Yield Bond Fund 'Z' | 1,805,405 | 1.23 |
| | 20,190,746 | 13.80 |
| Corporate Bonds (30.06.21: 2.29%) | | |
| \$2,320,000 Beazley 5.875% 2026 | 1,872,123 | 1.28 |
| \$1,882,000 Beazley Insurance DAC 5.5% 2029 | 1,441,196 | 0.98 |
| \$3,182,000 Zurich Finance 3% VRN 2051 | 2,079,537 | 1.42 |
| | 5,392,856 | 3.68 |
| Non-Equity Investment Trusts (30.06.21: 2.64%) | | |
| 500,000 iShares China Bond ETF | 2,193,339 | 1.50 |
| Equities (30.06.21: 0.00%) | | |
| 500,000 Greencoat Renewables | 503,593 | 0.34 |
| Total Ireland | 28,280,534 | 19.32 |
| Italy (30.06.21: 0.21%) | | |
| Corporate Bonds (30.06.21: 0.21%) 2032 | | |
| €318,000 ASS GEN 5.8% 2032 | 272,790 | 0.19 |

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

| Holding (Bonds unless otherwise stated) | | Value (note 1e) £ | Percentage of total net assets |
|---|---|-------------------------|--------------------------------------|
| Luxembourg (30.06.21: 13.61%) | | | |
| Collective Investment Schemes (30.06.21: 13.19%) | | | |
| 1,100,000 | L&G Emerging Markets Short Duration Bond Fund* | 915,420 | 0.63 |
| 21,800 | Pareto SICAV – Pareto Nordic Corporate Bond* | 2,487,833 | 1.70 |
| 160,013 | Raymond James Funds – REAMS Unconstrained Bond* | 1,220,078 | 0.83 |
| 2,950 | TCW Funds MetWest Unconstrained Bond IGHG* | 2,326,258 | 1.59 |
| | | 6,949,589 | 4.75 |
| Corporate Bonds (30.06.21: 0.42%) | | | |
| €400,000 | HSE Finance 5.625% 2026 | 235,305 | 0.16 |
| Corporate Convertibles (30.06.21: 0.00%) | | | |
| €2,000,000 | Mitsubishi UFJ Investor Services & Banking FRN 2050 | 593,895 | 0.41 |
| Total Luxembourg | | 7,778,789 | 5.32 |
| Netherlands (30.06.21:1.86%) | | | |
| Corporate Bonds (30.06.21: 1.86%) | | | |
| \$750,000 | Natwest Market 7.125% 2093 | 1,018,980 | 0.70 |
| €2,900,975 | Stichting AK Rabobank 6.5% perp Step | 2,421,255 | 1.65 |
| Total Netherlands | | 3,440,235 | 2.35 |
| Norway (30.06.21: 0.43%) | | | |
| Corporate Bonds (30.06.21: 0.43%) | | | |
| \$200,000 | DNB Bank ASA FRN perp | 111,533 | 0.08 |
| \$1,100,000 | DNB Bank ASA FRN perp | 611,388 | 0.41 |
| Total Norway | | 722,921 | 0.49 |
| Spain (30.06.21: 1.16%) | | | |
| Corporate Bonds (30.06.21: 1.16%) | | | |
| £1,500,000 | Banco Bilbao Vizcaya Argent 3.104% VRN 2031 | 1,331,123 | 0.91 |
| €550,000 | Banco Santander SA 1% VRN Perp | 404,764 | 0.28 |
| £800,000 | Banco Santander 2.25% VRN 2032 | 660,388 | 0.45 |
| €450,000 | Banco Santander SA FRN Perp | 298,282 | 0.20 |
| Total Spain | | 2,694,557 | 1.84 |

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

| Holding (Bonds unless otherwise stated) | Value (note 1e) £ | Percentage of total net assets |
|---|-------------------------|--------------------------------------|
| Sweden (30.06.21: 0.05%) | | |
| Corporate Bonds (30.06.21: 0.05%) | | |
| £100,000 Vattenfall AB 2.5% VRN 2083 | 79,378 | 0.05 |
| United States (30.06.21: 2.60%) | | |
| Corporate Bonds (30.06.21: 2.60%) | | |
| \$300,000 BAC Capital Trust 4% VRN perp | 175,387 | 0.12 |
| £1,000,000 Blackstone Private Credit Fund 4.875% 2026 | 920,700 | 0.63 |
| \$200,000 Burford Capital Global Finance 6.25% 2028 | 144,417 | 0.10 |
| \$500,000 Crowdstrike 3% 2029 | 356,128 | 0.24 |
| \$1,500,000 Dresdner Funding Trust 8.151% 2031 | 1,363,271 | 0.93 |
| \$1,000,000 HSBC USA 7.2% 2097 | 1,026,112 | 0.70 |
| \$957,000 WK Kellogg Foundation Trust 2.443% 2050 | 564,145 | 0.39 |
| | 4,550,160 | 3.11 |
| Corporate Convertibles (30.06.21: 0.00%) | | |
| \$300,000 Beyond Meat 0% 2027 | 96,959 | 0.07 |
| Total United States | 4,647,119 | 3.18 |
| Forward Foreign Exchange Contracts (30.06.21: (0.39%)) | | |
| Buy £31,061,209 Sell \$37,945,273 | (137,171) | (0.09) |
| Buy £12,224,349 Sell €14,185,345 | (36,633) | (0.03) |
| Buy £1,038,267 Sell CAD1,629,551 | (498) | — |
| Buy AUD44,574 Sell £25,561 | (344) | — |
| Buy £1,378,830 Sell AUD2,412,192 | 14,173 | 0.01 |
| Buy €1,456,648 Sell £1,258,306 | 735 | — |
| Buy \$3,392,283 Sell £2,755,768 | 33,346 | 0.02 |
| Total Forward Foreign Exchange Contracts | (126,392) | (0.09) |
| Total value of investments (30.06.21: 94.29%) | 140,125,358 | 95.71 |
| Net other assets (30.06.21: 5.71%) | 6,277,729 | 4.29 |
| Total value of the fund as at 30 June 2022 | 146,403,087 | 100.00 |

Countries eliminated since the beginning of the period:

China 2.64%

* Collective Investment Schemes
VRN = Variable Rate Note
perp = perpetual
FRN = Floating Rate Note

Summary of portfolio investments

| | Value £ | Percentage of total net assets |
|-----------------------------------|--------------------|--------------------------------------|
| Debt Securities | 104,214,413 | 71.18 |
| Equity Securities | 688,593 | 0.47 |
| Pooled Investment Vehicles | 35,348,744 | 24.15 |
| Derivatives | (126,392) | (0.09) |
| Total value of investments | 140,125,358 | 95.71 |

Statement of total return for the year ended 30 June 2022

| | Note | 30.06.22 £ | 30.06.22 £ | 30.06.21 £ | 30.06.21 £ |
|--|------|--------------------|---------------------|---------------|---------------|
| Income | | | | | |
| Net capital gains/(losses) | 3 | | (27,037,242) | | 7,604,267 |
| Revenue | 4 | 7,145,894 | | 7,524,627 | |
| Expenses | 5 | (1,066,869) | | (1,072,034) | |
| Interest payable and similar charges | 6 | (2,217) | | (1,096) | |
| Net revenue before taxation | | 6,076,808 | | 6,451,497 | |
| Taxation | 7 | (1,393) | | (1,344) | |
| Net revenue after taxation | | | 6,075,415 | | 6,450,153 |
| Total return before distributions | | | (20,961,827) | | 14,054,420 |
| Distributions | 8 | | (7,148,437) | | (7,518,851) |
| Change in net assets attributable to unitholders from investment activities | | | (28,110,264) | | 6,535,569 |

Statement of change in net assets attributable to unitholders for the year ended 30 June 2022

| | 30.06.22 £ | 30.06.22 £ | 30.06.21 £ | 30.06.21 £ |
|---|---------------------|---------------------|---------------|---------------|
| Opening net assets attributable to unitholders | | 208,148,981 | | 168,989,454 |
| Amounts receivable on issue of units | 19,191,780 | | 50,558,936 | |
| Amounts payable on cancellation of units | (56,811,779) | | (21,960,381) | |
| | | (37,619,999) | | 28,598,555 |
| Change in net assets attributable to unitholders from investment activities (see Statement of total return above) | | (28,110,264) | | 6,535,569 |
| Retained distributions on accumulation units | | 3,984,369 | | 4,025,403 |
| Closing net assets attributable to unitholders | | 146,403,087 | | 208,148,981 |

Balance sheet as at 30 June 2022

| | Note | 30.06.22 £ | 30.06.22 £ | 30.06.21 £ | 30.06.21 £ |
|---|------|--------------------|--------------------|---------------|---------------|
| Assets | | | | | |
| Fixed assets: | | | | | |
| Investments | | | 140,300,004 | | 197,073,880 |
| Current assets: | | | | | |
| Debtors | 9 | 5,155,634 | | 2,068,384 | |
| Cash and bank balances | | 3,817,643 | | 11,380,028 | |
| Total current assets | | | 8,973,277 | | 13,448,412 |
| Total assets | | | 149,273,281 | | 210,522,292 |
| Liabilities | | | | | |
| Investment liabilities | | | (174,646) | | (816,715) |
| Creditors: | | | | | |
| Other creditors | 10 | (1,992,727) | | (395,181) | |
| Distribution payable on income units | | (702,821) | | (1,161,415) | |
| Total liabilities | | | (2,870,194) | | (2,373,311) |
| Net assets attributable to unitholders | | | 146,403,087 | | 208,148,981 |

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 FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (SORP) for Financial Statements of UK Authorised Funds issued by The Investment Association in May 2014, and as amended in June 2017.

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 37, the Manager 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

All dividends including distributions from collective investment schemes on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deducted at source and net of attributable tax credits. Bank and other interest receivable is accrued up to the accounting date, and this forms part of the distribution.

Revenue on debt securities has been accounted for on an effective interest method.

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

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

c) Treatment of scrip and special dividends

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

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

d) Treatment of expenses

All expenses are charged against capital.

e) Basis of valuation of investments

The quoted investments of the fund have been valued at the closing bid-market prices excluding any accrued interest in the case of debt securities ruling on the principal markets on which the stocks are quoted on the last business day of the accounting year. If no market price is available we use two different vendors (at least one being independent) to obtain a price and verify it against.

If the Stock Exchange quotation of an investment has been suspended, and in the opinion of the Manager, it is unlikely to be reinstated, this has been indicated in the portfolio of investments. Suspended investments are value based on the latest financial statements of the respective company and agreed with the Trustee.

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

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

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

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

1 Accounting policies *(continued)*

e) Basis of valuation of investments *(continued)*

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

f) Exchange rates

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

g) 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.

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

The fund may be terminated if an order declaring the fund to be an authorised unit trust scheme is revoked, or the Financial Conduct Authority (FCA) determines to revoke the order at the request of the Trustee or the Manager. In the case of a reconstruction or an amalgamation of the fund with another body or trust, on the passing of an extraordinary resolution of holders of units approving the amalgamation. The Trustee shall wind up the fund in accordance with that resolution. On the termination of the fund in any other case, the Trustee shall sell the investments, and out of the proceeds of the sale shall settle the fund's liabilities and pay the costs and expenses of the winding up before distributing the proceeds of the realisation to unitholders and the Manager proportionally to their respective interests in the fund. Any unclaimed proceeds or cash held by the Trustee after the expiration of 12 months from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain any expenses incurred by it in making such payment into court. On the completion of the winding-up the trustee must notify the FCA to revoke the relevant authorisation order.

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

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 unitholders.

For the purpose of calculating the distribution available to unitholders, all expenses are deducted from capital, offsetting expenses against capital may constrain future growth in revenue and capital.

For the purpose of calculating the distribution available to unitholders, revenue on debt securities is computed as the higher of the amount determined on an accrual of coupon basis and on an effective yield basis.

A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 8.

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

3 Net capital (losses)/gains

| | 30.06.22 £ | 30.06.21 £ |
|--|---------------------|---------------|
| The net capital (losses)/gains during the year comprise: | | |
| Non-derivative securities | (23,256,472) | 5,689,826 |
| Currency gains | 58,137 | 105,291 |
| Forward currency contracts | (3,835,904) | 1,817,475 |
| Transaction charges | (3,003) | (8,325) |
| Net capital (losses)/gains | (27,037,242) | 7,604,267 |

4 Revenue

| | 30.06.22 £ | 30.06.21 £ |
|--|------------------|---------------|
| Dividends — UK Ordinary | 12,969 | 12,969 |
| — Overseas | 512,474 | 707,670 |
| Interest on debt securities | 6,585,819 | 6,789,265 |
| Rebates on annual management charges on underlying investments | 23,138 | 14,723 |
| Bank interest | 11,494 | — |
| Total revenue | 7,145,894 | 7,524,627 |

5 Expenses

| | 30.06.22 £ | 30.06.22 £ | 30.06.21 £ | 30.06.21 £ |
|---|----------------|------------------|---------------|---------------|
| Payable to the Manager, associates of the Manager and agents of either of them: | | | | |
| Manager's periodic charge | | 961,832 | | 965,665 |
| Payable to the Trustee, associates of the Trustee and agents of either of them: | | | | |
| Trustee's fees | 38,190 | | 40,558 | |
| Safe custody and other bank charges | 20,976 | | 18,047 | |
| | | 59,166 | | 58,605 |
| Other expenses: | | | | |
| Administration fees | 30,074 | | 22,356 | |
| Audit fee* | 12,120 | | 12,000 | |
| Listing fee | (6,180) | | 3,530 | |
| Printing and publication costs | 2,849 | | 2,272 | |
| Registration fees | 7,008 | | 7,606 | |
| | | 45,871 | | 47,764 |
| Total expenses | | 1,066,869 | | 1,072,034 |

* Audit fees for 2022 are £10,100 excluding VAT (30.06.21: £9,700 excluding VAT).

6 Interest payable and similar charges

| | 30.06.22 £ | 30.06.21 £ |
|--------------------------------------|---------------|---------------|
| Bank interest payable | 2,217 | 1,096 |
| Interest payable and similar charges | 2,217 | 1,096 |

7 Taxation

| | 30.06.22 £ | 30.06.21 £ |
|---|---------------|---------------|
| a) Analysis of charge in the year | | |
| Overseas tax | 1,393 | 1,344 |
| Total tax charge for the year (note 5b) | 1,393 | 1,344 |

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%)(30.06.21: 20%). The differences are explained below.

| | 30.06.22 £ | 30.06.21 £ |
|---|------------------|---------------|
| Net revenue before taxation | 6,076,808 | 6,451,497 |
| Corporation tax at 20% | 1,215,362 | 1,290,299 |
| Effects of: | | |
| Revenue not subject to taxation | (105,089) | (144,127) |
| Tax deductible interest distributions | (983,417) | (1,092,215) |
| Tax relief on Index Linked Gilts | (126,856) | (53,957) |
| Corporate tax charge | — | — |
| Overseas tax | 1,393 | 1,344 |
| Total tax charge for the year (note 5a) | 1,393 | 1,344 |

c) Deferred tax

At the year end the fund had no surplus management expenses (30.06.21 : £nil) and no deferred tax asset has been recognised.

8 Distributions

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

| | 30.06.22 £ | 30.06.21 £ |
|--|------------------|---------------|
| First Interim | 1,722,673 | 1,785,167 |
| Second Interim | 1,843,763 | 1,849,998 |
| Third Interim | 1,501,101 | 1,513,276 |
| Final | 1,816,401 | 2,502,734 |
| | 6,883,938 | 7,651,175 |
| Add: Amounts deducted on cancellation of units | 363,508 | 106,348 |
| Deduct: Amounts received on issue of units | (99,009) | (238,672) |
| Net distribution for the year | 7,148,437 | 7,518,851 |

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

| | | |
|--------------------------------|------------------|-----------|
| Net distribution for the year | 7,148,437 | 7,518,851 |
| Expenses charged to capital: | | |
| Manager's periodic charge | (961,832) | (965,665) |
| Trustee fee | (38,190) | (40,558) |
| Audit fee | (12,120) | (12,000) |
| Safe custody fee | (20,976) | (18,047) |
| Administration fee | (30,074) | (22,356) |
| Printing and publication costs | (2,849) | (2,272) |
| Registration fee | (7,008) | (7,606) |
| Listing fee | 6,180 | (3,530) |
| Balance brought forward | (14,014) | (10,678) |
| Balance carried forward | 7,861 | 14,014 |
| Net revenue after taxation | 6,075,415 | 6,450,153 |

9 Debtors

| | 30.06.22 £ | 30.06.21 £ |
|---------------------------------------|------------------|---------------|
| Amounts receivable for issue of units | 1,815,377 | 381,555 |
| Sales awaiting settlement | 1,739,376 | — |
| Accrued revenue | 1,600,654 | 1,686,603 |
| Taxation recoverable | 227 | 226 |
| Total debtors | 5,155,634 | 2,068,384 |

10 Other creditors

| | 30.06.22 £ | 30.06.21 £ |
|---|------------------|---------------|
| Amounts payable for cancellation of units | 1,606,089 | 88,798 |
| Purchases awaiting settlement | 287,546 | 170,922 |
| Accrued expenses | 35,450 | 49,088 |
| Accrued manager's periodic charge | 63,642 | 86,373 |
| Total other creditors | 1,992,727 | 395,181 |

11 Reconciliation of units

| | I-class income | I-class accumulation |
|---|-------------------|-------------------------|
| Opening units issued at 01.07.21 | 81,789,803 | 68,785,577 |
| Unit movements 01.07.21 to 30.06.22 | | |
| Units issued | 5,780,134 | 8,023,017 |
| Units cancelled | (31,344,268) | (14,247,895) |
| Closing units issued at 30.06.22 | 56,225,669 | 62,560,699 |

12 Related party transactions

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

Details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders and note 8.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Strategic Bond Fund during the year (30.06.21: 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 significant unitholders. Rathbone Nominees Limited held a total of 34.78% (30.06.21: 31.84%). FNZ (UK) Nominees Limited held a total of 31.07% (30.06.21: 13.13%).

13 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.06.21: nil).

14 Risk disclosures on financial instruments

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

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

The fund holds a substantial number of Collective Investment Schemes that are designed to give overseas exposure. The fund has indirect exposure to foreign currency risk, interest rate risk and credit risk as a result of these holdings (see the portfolio statement on pages 9 to 17).

The main risks arising from the financial instruments are:

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

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

| | 30.06.22 | 30.06.21 |
|---|--------------------|-------------|
| | £ | £ |
| Currency: | | |
| Australian dollar | 1,416,844 | 527,069 |
| Canadian dollar | 1,136,063 | — |
| Euro | 11,266,865 | 11,986,083 |
| US dollar | 30,612,626 | 33,274,947 |
| Pound sterling | 101,970,462 | 162,360,656 |
| | 146,402,860 | 208,148,755 |
| Other net assets not categorised as financial instruments | 227 | 226 |
| Net assets | 146,403,087 | 208,148,981 |

If GBP to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £4,039,330 (30.06.21: £4,162,575). 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 £4,936,958 (30.06.21: £5,087,592). These calculations assume all other variables remain constant.

Notes to the financial statements *(continued)*

14 Risk disclosures on financial instruments *(continued)*

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

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

| | 30.06.22 | 30.06.21 |
|---|--------------------|-------------|
| | £ | £ |
| Fixed rate assets: | | |
| Australian dollar | 1,176,725 | 521,589 |
| Euro | 1,604,523 | 5,412,066 |
| US dollar | 9,232,765 | 12,827,293 |
| Pound sterling | 32,491,941 | 41,205,125 |
| | 44,505,954 | 59,966,073 |
| Floating rate assets: | | |
| Australian dollar | 219,052 | — |
| Canadian dollar | 1,109,512 | — |
| Euro | 6,545,469 | 4,188,682 |
| US dollar | 14,678,856 | 12,248,307 |
| Pound sterling | 40,973,213 | 57,002,819 |
| | 63,526,102 | 73,439,808 |
| Assets on which no interest is paid: | | |
| Australian dollar | 21,067 | 5,480 |
| Canadian dollar | 27,049 | — |
| Euro | 3,427,254 | 2,392,184 |
| US dollar | 6,838,176 | 9,180,031 |
| Pound sterling | 30,927,452 | 65,538,490 |
| | 41,240,998 | 77,116,185 |
| Liabilities on which no interest is paid: | | |
| Canadian dollar | (498) | — |
| Euro | (310,381) | (6,849) |
| US dollar | (137,171) | (980,684) |
| Pound sterling | (2,422,144) | (1,385,778) |
| | (2,870,194) | (2,373,311) |
| Other net assets not categorised as financial instruments | 227 | 226 |
| Net assets | 146,403,087 | 208,148,981 |

If interest rates had increased by 1% as at the balance sheet date, the net asset value of the fund would have decreased by £12,743,337 (30.06.21: £25,570,135). If interest rates had decreased by 1% as at the balance sheet date, the net asset value of the fund would have increased by £12,743,337 (30.06.21: £25,570,135). These calculations assume all other variables remain constant.

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

14 Risk disclosures on financial instruments *(continued)*

(ii) Interest rate risk *(continued)*

| | 30.06.22 | | 30.06.21 | |
|----------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
| | Value (note 1e) £ | Percentage of total net assets | Value (note 1e) £ | Percentage of total net assets |
| Bond credit ratings | | | | |
| Investment grade | 58,714,926 | 40.10 | 67,679,001 | 32.51 |
| Below investment grade | 45,499,487 | 31.08 | 54,346,852 | 26.11 |
| Total Bonds | 104,214,413 | 71.18 | 122,025,853 | 58.62 |

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

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

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

If market prices had increased by 10% as at the balance sheet date the net asset value of the fund would have increased by £14,012,536 (30.06.21: £19,625,716). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £14,012,536 (30.06.21: £19,625,716). 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 Strategic Bond which would increase its exposure.

15 Portfolio transaction cost

For the year ended 30 June 2022

Analysis of total purchase costs

| | Value | Commissions | | Taxes | |
|--|------------|-------------|------|-------|---|
| | £ | £ | % | £ | % |
| Equity transactions | 1,414,062 | 940 | 0.07 | 2 | — |
| Bond transactions | 68,813,599 | — | — | — | — |
| Fund transactions | 17,756,873 | 395 | — | — | — |
| Corporate actions | 106,307 | — | — | — | — |
| Total purchases before transaction costs | 88,090,841 | 1,335 | | 2 | |
| Total purchases including commission and taxes | 88,092,178 | | | | |

Analysis of total sales costs

| | Value | Commissions | | Taxes | |
|---|-------------|-------------|------|-------|---|
| | £ | £ | % | £ | % |
| Equity transactions | 381,147 | 201 | 0.05 | 1 | — |
| Bond transactions | 58,836,296 | — | — | — | — |
| Fund transactions | 53,359,934 | 1,938 | — | — | — |
| Corporate actions | 9,237,942 | — | — | — | — |
| Total sales including transaction costs | 121,815,319 | 2,139 | | 1 | |
| Total sales net of commission and taxes | 121,813,179 | | | | |

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

Commissions and taxes as % of average net assets

| | |
|-------------|-------|
| Commissions | 0.00% |
| Taxes | 0.00% |

15 Portfolio transaction cost *(continued)*

For the year ended 30 June 2021

Analysis of total purchase costs

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

Analysis of total sales costs

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

The fund had paid £nil as commission on purchases and sale derivative transactions for the year ended 30 June 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 0.83% (30.06.21: 0.59%).

16 Fair value of investments

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

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

For the year ended 30 June 2022

| Category | 1 | 2 | 3 | Total |
|----------------------------|------------|-------------|---------|-------------|
| | £ | £ | £ | £ |
| Investment assets | | | | |
| Equities | 185,000 | – | – | 185,000 |
| Bonds | 9,592,314 | 94,222,589 | 399,510 | 104,214,413 |
| Pooled investment vehicles | 6,490,529 | 29,361,807 | – | 35,852,336 |
| Derivatives | – | 48,255 | – | 48,255 |
| | 16,267,843 | 123,632,651 | 399,510 | 140,300,004 |

| Category | 1 | 2 | 3 | Total |
|-------------------------------|---|-----------|---|-----------|
| | £ | £ | £ | £ |
| Investment liabilities | | | | |
| Derivatives | – | (174,646) | – | (174,646) |
| | – | (174,646) | – | (174,646) |

16 Fair value of investments *(continued)*

For the year ended 30 June 2021

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

Distribution tables for the year ended 30 June 2022

Distribution tables (pence per unit)

First Interim

Group 1 – Units purchased prior to 1 July 2021

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

| I-class income units | Income | Equalisation | Paid 30.11.21 | Paid 30.11.20 |
|----------------------|--------|--------------|------------------|------------------|
| Group 1 | 0.98 | – | 0.98 | 1.17 |
| Group 2 | 0.33 | 0.65 | 0.98 | 1.17 |

| I-class accumulation units | Income | Equalisation | Accumulated 30.11.21 | Accumulated 30.11.20 |
|----------------------------|--------|--------------|-------------------------|-------------------------|
| Group 1 | 1.36 | – | 1.36 | 1.56 |
| Group 2 | 0.49 | 0.87 | 1.36 | 1.56 |

Second 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

| I-class income units | Income | Equalisation | Paid 28.02.22 | Paid 26.02.21 |
|----------------------|--------|--------------|------------------|------------------|
| Group 1 | 1.08 | – | 1.08 | 1.09 |
| Group 2 | 0.66 | 0.42 | 1.08 | 1.09 |

| I-class accumulation units | Income | Equalisation | Accumulated 28.02.22 | Accumulated 26.02.21 |
|----------------------------|--------|--------------|-------------------------|-------------------------|
| Group 1 | 1.50 | – | 1.50 | 1.46 |
| Group 2 | 0.94 | 0.56 | 1.50 | 1.46 |

Third 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

| I-class income units | Income | Equalisation | Paid 31.05.22 | Paid 28.05.21 |
|----------------------|--------|--------------|------------------|------------------|
| Group 1 | 0.95 | – | 0.95 | 0.88 |
| Group 2 | 0.46 | 0.49 | 0.95 | 0.88 |

| I-class accumulation units | Income | Equalisation | Accumulated 31.05.22 | Accumulated 28.05.21 |
|----------------------------|--------|--------------|-------------------------|-------------------------|
| Group 1 | 1.35 | – | 1.35 | 1.20 |
| Group 2 | 0.60 | 0.75 | 1.35 | 1.20 |

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

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

Final

Group 1 – Units purchased prior to 1 April 2022

Group 2 – Units purchased on or after 1 April 2022 and on or before 30 June 2022

| I-class income units | Income | Equalisation | Payable 31.08.22 | Paid 31.08.21 |
|-----------------------------|---------------|---------------------|-----------------------------|--------------------------|
| Group 1 | 1.25 | – | 1.25 | 1.42 |
| Group 2 | 0.60 | 0.65 | 1.25 | 1.42 |

| I-class accumulation units | Income | Equalisation | Allocated 31.08.22 | Accumulated 31.08.21 |
|-----------------------------------|---------------|---------------------|-------------------------------|---------------------------------|
| Group 1 | 1.78 | – | 1.78 | 1.95 |
| Group 2 | 0.67 | 1.11 | 1.78 | 1.95 |

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 **T Carroll**
for Rathbone Unit Trust Management Limited
Manager of Rathbone Strategic Bond Fund
21 September 2022

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

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

1. select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. comply with the disclosure requirements of the SORP relating to financial statements of UK authorised funds issued by The Investment Association;
4. follow UK generally accepted accounting principles, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice: 'Financial Statements of UK Authorised Funds' issued by The Investment Association in May 2014;
5. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation; and
6. keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

In so far as the Manager is aware:

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

The Manager has considered the activities of the fund together with the factors likely to affect its future development, including those related to the COVID-19 pandemic. The assets of the Rathbone Strategic Bond Fund consist predominantly of cash and liquid securities that are readily realisable and therefore has adequate resources to continue in operational existence for the foreseeable future. The Manager has also considered the impact of the COVID-19 pandemic on the operations of the AFM and material third party service providers which continue to be maintained and fully functioning. Accordingly, the Manager continues to adopt the going concern basis in the preparation of the financial statements.

In accordance with COLL 4.5.8 R, the Annual Report and the audited financial statements were approved by the board of directors of the Manager of the Scheme and authorised for issue on 21 September 2022.

Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone Strategic Bond Fund (the Scheme) for the year ended 30 June 2022

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

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

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

The Trustee must ensure that:

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

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

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

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

NatWest Trustee and Depository Services Limited
Trustee of Rathbone Strategic Bond Fund
21 September 2022

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of Rathbone Strategic Bond Fund as at 30 June 2022 and of the net revenue and the net capital losses on the property of the fund for the year ended 30 June 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 Trust Deed.

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

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the distribution tables; and
- Individual notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report¹, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

¹The term used to describe the annual report should be the same as that used by the manager.

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

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

We have nothing to report in this regard.

Responsibilities of trustee and manager

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Collective Investment Schemes Sourcebook and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the fund's ability to operate or to avoid a material penalty.

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the Fund and its sub-fund have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 30 June 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 fund's unitholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
21 September 2022

General information

Authorised status

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

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

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

There is no preliminary charge for I-class units.

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

Statements

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

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

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

Prices

Prices are available on our website rathbonefunds.com

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.

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 UK Opportunities Fund

and the Authorised Corporate Director of:

Rathbone Defensive Growth Portfolio
Rathbone Dynamic Growth Portfolio
Rathbone Enhanced Growth Portfolio
Rathbone Greenbank Global Sustainability Fund
Rathbone Greenbank Defensive Growth Portfolio
Rathbone Greenbank Dynamic Growth Portfolio
Rathbone Greenbank Strategic Growth Portfolio
Rathbone Greenbank Total Return Portfolio
Rathbone High Quality Bond Fund
Rathbone Pharaoh Fund
Rathbone Quercus Growth Fund
Rathbone Sherwood Fund
Rathbone Strategic Growth Portfolio
Rathbone Strategic Income Portfolio
Rathbone Total Return Portfolio
Sussex Growth Fund
Sussex Income Fund

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

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 | 1,769 | 4,428 | 6,197 | 9 |
| Risk takers | 1,941 | 2,386 | 4,327 | 16 |
| Control functions | 284 | 31 | 315 | 3 |
| Other | 133 | 121 | 254 | 1 |
| Total remuneration code staff | 4,127 | 6,966 | 11,093 | 29 |
| Non-remuneration code staff | 896 | 240 | 1,136 | 21 |
| Total for the Manager | 5,023 | 7,206 | 12,229 | 50 |

The variable remuneration disclosed in the table above is for the financial year ended 31 December 2022, 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.

Rathbones

Look forward

Rathbone Unit Trust Management Limited

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

Information line

020 7399 0399
rutm@rathbones.com
rathbonefunds.com

Authorised and regulated by the
Financial Conduct Authority

A member of The
Investment Association

A member of the Rathbones Group.
Registered No. 02376568