

Rathbones
Look forward

Rathbone Income Fund

Annual report for the year ended 30 September 2022



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Rathbone Income Fund

Authorised Fund Manager (the Manager)

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

A member of the Rathbones Group

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

Dealing office

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

Registrar

SS&C Financial Services International Limited
SS&C House
St Nicholas Lane
Basildon
Essex SS15 5FS
Telephone 0330 123 3810
Facsimile 0330 123 3812
**Authorised and regulated by the
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

The objective of the fund is to deliver an annual income that is in line with or better than that of the FTSE All-Share Index over any rolling three-year period.

The fund also aims to increase income payments in line with the CPI measure of inflation over any rolling five-year period. The fund aims to generate a greater total return than the FTSE All-Share Index, after fees, over any five-year period. There is no guarantee that this investment objective will be achieved over five years, or any other time period.

We use the FTSE All-Share Index as a target for our fund's return and the income we pay because we want to offer you a better income and higher returns than the UK stock market. Increasing your income payments at least in line with the CPI measure of inflation protects your future spending power.

Investment strategy

To meet the objective, the fund manager will invest at least 80% of our fund in UK-listed shares, with the remainder in global shares, cash, short-term deposits and UK government debt.

Derivatives may be used by the fund for the purposes of efficient portfolio management and hedging.

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

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

Investment policy

This is a stock-picking fund, which means we invest in a small number of UK-listed stocks. We invest in businesses which offer the best investment opportunities at the most attractive prices.

When choosing investments we use our own trinity of risk framework: price, business and financial. We look for businesses that offer good value and make strong and consistent profits with high quality earnings – those that are backed by real cash rather than accounting contrivance. Companies shouldn't have more debt than they can handle.

We buy these companies because we believe they should grow generate good earnings backed by cash over many years. A healthy cash flow gives companies the flexibility to repay debts, reinvest in their businesses, and pay a dividend that increases over time.

Performance

Performance over the last 12 months has been good in relative terms, but absolute returns have been damaged considerably by the weakness in markets. We recognise that it is absolute numbers that are important to investors. Over the last 12 months, the Rathbone Income Fund has retreated 5.3%, which is worse than the FTSE All-Share Index, which is down 4.0%, but markedly better than the IA Equity Income sector, down 8.5%. The losses in the last six months make starker reading, with the fund down 9.5%, the sector down 11.2% and the broader index down 8.3%. A very difficult period for all investors has cast an inevitable pall right across markets: the UK Equity Income sector has not been immune.

We have benefited from our meaningful pivot in May 2020 towards cyclicality and 'value'. While we were not predicting that inflation would reach the levels seen in 2022, we were concerned that investors were complacent about the risk that inflation and higher discount rates (which lower the current value of future cash flows) might impact on the performance of longer-duration 'growth' assets. We have also maintained our pragmatic approach, trying to keep a balance in the construction of the portfolio – basically, not putting all our eggs in too few baskets.

In the 12 months through to the end of September 2022, the most meaningful positive contributions have come from a key group of core large-cap businesses. Defence and aerospace contractor BAE Systems was operating well last year, cash generation and operations were strong and its pension fund was being sorted out. What we couldn't predict was the conflict in Ukraine and the fundamental impact this would have on global security concerns and future budget allocations to defence spending. BAE Systems was a big holding in our fund coming into 2022 and it's been very strong this year. Commodity stocks have also performed well, with the narrative around energy also changing on the back of the conflict. BP and Shell in the energy space, and the miners Glencore and Rio Tinto, have been strong drivers of performance, pushing ahead as markets rotated on inflation fears. Other strong contributors were

GlaxoSmithKline (GSK), British American Tobacco, insurance group Sampo and catering and cleaning products distributor Bunzl. We were fortunate to exit GSK ahead of the weakness initiated by the news in August of numerous lawsuits alleging that its Zantac heartburn drug increased patients' cancer risks.

The biggest drag on performance came from our exposure to UK housebuilders. The sector represents out and out value, and we believe in the long-term structural growth story supporting the industry. But this hasn't been enough to counter a barrage of negative noise throughout the year. This began with concerns about the cost of fixing unsafe cladding, and developed into ongoing angst about the sector's future prospects despite its consistently good numbers. Most recently, the sector has taken a not-inconsiderable hit from rising mortgage rates and the withdrawal of many fixed-rate mortgage deals as a result of the volatility triggered by September's mini-budget. We are frustrated, but we are minded to hold firm. There's a mountain of bad news baked into housebuilders' stock prices and these businesses have very strong balance sheets with which to protect themselves, grow and maintain returns to shareholders.

Investment review: major trades

The largest trade that we executed during the year was an outright switch out of GSK into AstraZeneca. The former has been a mainstay of the fund for many years, but our conviction in the stock has dwindled as we have become less convinced by its growth platform. We were nervous about its plans to spin off its consumer health business into a new company called Haleon separate from the rest of GSK. We worried about how Haleon and 'new' GSK shares would hold up, post-split, but also had concerns about the debt inherent on Haleon's balance sheet. As a result, we sold the stock ahead of the split. We placed the bulk of the funds into AstraZeneca. We could no longer justify not owning a meaningful position in this very important stock that has a much more robust portfolio of drugs in key oncology and biopharmaceutical areas and is also involved in innovative rare disease treatments through its venture with Alexion.

We have reduced our holdings in miners Rio Tinto and BHP, recognising how much both are geared into just one key resource: iron ore. We needed broader diversification, whilst maintaining our exposure to the commodity space. We created a new position in Glencore, which benefits from its exposure to a broad range of metals and minerals as well as a commodity trading business that sets it apart from its peers. The war in Ukraine has had a big impact on commodity supply lines. We are mindful that the shock-waves triggered by the tragedy unfolding in Eastern Europe extend far beyond capital markets, but we must recognise that Glencore has been a beneficiary of rising prices across the commodity space. Therefore, it's been an important position for us this year.

Further purchases of note include niche retailer Games Workshop, specialist lender OSB Group and credit services business Experian. Games Workshop is a manufacturer and retailer of model-making kits for war-gaming hobbyists who like games such as Warhammer (or, if you're of an older vintage, Dungeons and Dragons). Two points of note – this is a global business, with sales not just in the UK but also North America and Australia as well as growth potential in Latin America and Europe. In addition, its management strategy is distinctly long term, with a stated ambition to run the business with the intention of it being around forever. OSB Group offers us an alternative to the high-street banks as a major participant in the professional buy-to-let market. Again, we're always looking to diversify within our core sector positions. By way of contrast, Experian offers us something very different. It's a global business focused on credit data analysis, which is a key factor in how businesses interact with each other. And, of course, it helps individual consumers better manage their credit scores. In a world where fraud is too prevalent, Experian has a vital role to play in its prevention.

Our three other principal sales are similarly diverse. We sold US building supplies business Ferguson on valuation grounds after the shares enjoyed a very strong run in 2021. We also sold ITV. This business was recovering strongly in the latter half of 2021, driven by better-than-expected advertising revenues. This encouraged ITV to forge ahead with huge investment into its streaming services. We absolutely applauded this decision as being necessary. However, for us as income investors it put far too much stress on the company's balance sheet and the potential returns on this investment were too distant in the future and unpredictable. Our risk-based approach encouraged us to leave. Finally, we periodically took profits from BP. The oil price has been very strong, feeding through into higher profits, but it has been prudent not to be too greedy.

Outlook

It goes without saying that markets are difficult and likely to remain so. As ever, we remain humble in recognising that we cannot predict the future: what we try to do is insulate ourselves against as many possible futures as we can by building in a substantial margin of safety through the prices that we pay for investments.

We must always look forward because markets do change, and opportunities always emerge. Sterling will remain in the doldrums for as long as uncertainty abounds, but there will be a point at which it bottoms out (hopefully this will be within days or weeks, rather than months away). Any subsequent recovery will be a boost for UK domestic stocks. The fourth quarter of 2022 may be horribly difficult, but the first quarter of 2023 may augur better things as inflation starts to wash through and currency markets settle down. The mood is gloomy at the moment, but that in itself represents an opportunity. With the prices of many UK financial assets at crisis levels, any incremental good news will be very positive indeed.

Carl Stick
Fund Manager
17 October 2022

Alan Dobbie
Fund Manager

Net asset value per unit and comparative tables

R-class income units

	30.09.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit
Change in net assets per unit			
Opening net asset value per unit	836.43p	681.96p	872.21p
Return before operating charges*	(31.66p)	201.87p	(148.36p)
Operating charges	(13.08p)	(12.36p)	(11.97p)
Return after operating charges*	(44.74p)	189.51p	(160.33p)
Distributions on income units	(38.16p)	(35.04p)	(29.92p)
Closing net asset value per unit	753.53p	836.43p	681.96p
*after direct transaction costs ¹ of:	0.71p	0.88p	0.77p

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

Performance

Return after charges	(5.35%)	27.79%	(18.38%)
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Other information

Closing net asset value	£51,648,061	£62,733,316	£58,522,091
Closing number of units	6,854,127	7,500,164	8,581,509
Operating charges**	1.53%	1.53%	1.53%
Direct transaction costs	0.08%	0.11%	0.10%

Prices***

Highest unit price	908.49p	883.85p	917.35p
Lowest unit price	778.32p	654.63p	591.16p

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP.

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

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

R-class accumulation units

	30.09.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit
Change in net assets per unit			
Opening net asset value per unit	1,661.09p	1,298.66p	1,589.49p
Return before operating charges*	(65.27p)	386.14p	(268.77p)
Operating charges	(26.19p)	(23.71p)	(22.06p)
Return after operating charges*	(91.46p)	362.43p	(290.83p)
Distributions on accumulation units	(76.52p)	(67.37p)	(55.04p)
Retained distributions on accumulation units	76.52p	67.37p	55.04p
Closing net asset value per unit	1,569.63p	1,661.09p	1,298.66p

*after direct transaction costs¹ of: 1.42p 1.68p 1.42p

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

Performance

Return after charges (5.51%) 27.91% (18.30%)

Other information

Closing net asset value	£49,850,919	£60,564,424	£57,171,363
Closing number of units	3,175,971	3,646,058	4,402,339
Operating charges**	1.53%	1.53%	1.53%
Direct transaction costs	0.08%	0.11%	0.10%

Prices***

Highest unit price	1,804.20p	1,711.00p	1,671.74p
Lowest unit price	1,570.81p	1,246.62p	1,077.30p

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP.

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

I-class income units

	30.09.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit
Change in net assets per unit			
Opening net asset value per unit	912.85p	738.64p	937.54p
Return before operating charges*	(35.09p)	219.18p	(160.01p)
Operating charges	(7.32p)	(6.86p)	(6.60p)
Return after operating charges*	(42.41p)	212.32p	(166.61p)
Distributions on income units	(41.84p)	(38.11p)	(32.29p)
Closing net asset value per unit	828.60p	912.85p	738.64p
*after direct transaction costs ¹ of:	0.78p	0.95p	0.83p

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

Performance

Return after charges	(4.65%)	28.74%	(17.77%)
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Other information

Closing net asset value	£180,876,590	£220,172,087	£208,227,849
Closing number of units	21,829,078	24,119,084	28,190,591
Operating charges**	0.78%	0.78%	0.78%
Direct transaction costs	0.08%	0.11%	0.10%

Prices***

Highest unit price	993.72p	964.32p	987.94p
Lowest unit price	856.24p	709.47p	637.73p

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP.

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

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

I-class accumulation units

	30.09.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit
Change in net assets per unit			
Opening net asset value per unit	1,772.54p	1,375.45p	1,670.86p
Return before operating charges*	(70.67p)	409.97p	(283.53p)
Operating charges	(14.31p)	(12.88p)	(11.88p)
Return after operating charges*	(84.98p)	397.09p	(295.41p)
Distributions on accumulation units	(82.01p)	(71.65p)	(58.07p)
Retained distributions on accumulation units	82.01p	71.65p	58.07p
Closing net asset value per unit	1,687.56p	1,772.54p	1,375.45p

*after direct transaction costs¹ of: 1.52p 1.79p 1.50p

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

Performance

Return after charges (4.79%) 28.87% (17.68%)

Other information

Closing net asset value	£265,848,000	£310,014,886	£285,016,845
Closing number of units	15,753,431	17,489,879	20,721,707
Operating charges**	0.78%	0.78%	0.78%
Direct transaction costs	0.08%	0.11%	0.10%

Prices***

Highest unit price	1,929.56p	1,824.78p	1,760.67p
Lowest unit price	1,688.83p	1,321.12p	1,136.55p

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP.

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

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

S-class income units

	30.09.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit
Change in net assets per unit			
Opening net asset value per unit	938.45p	757.36p	958.75p
Return before operating charges*	(36.27p)	224.94p	(163.81p)
Operating charges	(5.03p)	(4.71p)	(4.52p)
Return after operating charges*	(41.30p)	220.23p	(168.33p)
Distributions on income units	(43.08p)	(39.14p)	(33.06p)
Closing net asset value per unit	854.07p	938.45p	757.36p
*after direct transaction costs ¹ of:	0.80p	0.98p	0.85p

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

Performance

Return after charges	(4.40%)	29.08%	(17.56%)
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Other information

Closing net asset value	£63,876,466	£75,814,263	£71,089,586
Closing number of units	7,479,089	8,078,639	9,386,441
Operating charges**	0.52%	0.52%	0.52%
Direct transaction costs	0.08%	0.11%	0.10%

Prices***

Highest unit price	1,022.38p	991.32p	1,011.08p
Lowest unit price	882.73p	727.61p	652.98p

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP.

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

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

S-class accumulation units

	30.09.22 pence per unit	30.09.21 pence per unit	30.09.20 pence per unit
Change in net assets per unit			
Opening net asset value per unit	1,808.17p	1,399.46p	1,695.60p
Return before operating charges*	(72.44p)	417.48p	(288.07p)
Operating charges	(9.76p)	(8.77p)	(8.07p)
Return after operating charges*	(82.20p)	408.71p	(296.14p)
Distributions on accumulation units	(83.77p)	(73.01p)	(59.00p)
Retained distributions on accumulation units	83.77p	73.01p	59.00p
Closing net asset value per unit	1,725.97p	1,808.17p	1,399.46p

*after direct transaction costs¹ of: 1.55p 1.82p 1.52p

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

Performance

Return after charges (4.55%) 29.20% (17.47%)

Other information

Closing net asset value	£67,919,363	£77,908,239	£69,444,322
Closing number of units	3,935,145	4,308,672	4,962,209
Operating charges**	0.52%	0.52%	0.52%
Direct transaction costs	0.08%	0.11%	0.10%

Prices***

Highest unit price	1,969.88p	1,861.11p	1,788.13p
Lowest unit price	1,727.27p	1,344.47p	1,154.82p

** The Operating charges are represented by the Ongoing Charges Figure (OCF) which is calculated in line with the IA SORP.

*** 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 September 2022

	2018	2019	2020	2021	2022
R-class units	1.77%	1.80%	-18.08%	28.41%	-5.98%
I-class units	2.53%	2.54%	-17.46%	29.38%	-5.27%
S-class units	2.80%	2.80%	-17.24%	29.71%	-5.02%
IA UK Equity Income sector	3.43%	-0.17%	-17.24%	32.67%	-8.47%

Source performance data FE fundinfo, price performance based upon bid to bid prior to 21.01.19 and single price (mid) thereafter, net income re-invested.

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

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

Portfolio and net other assets as at 30 September 2022

Holding (Ordinary shares unless otherwise stated)	Value (note 1e) £	Percentage of total net assets
Oil and Gas (30.09.21: 8.19%)		
8,000,000 BP	34,648,000	5.10
1,570,000 Shell	35,270,050	5.19
	69,918,050	10.29
Mining (30.09.21: 4.58%)		
400,000 BHP	9,106,000	1.34
4,900,000 Glencore	23,426,900	3.45
350,000 Rio Tinto	17,136,000	2.52
	49,668,900	7.31
Aerospace and Defence (30.09.21: 3.08%)		
3,600,000 BAE Systems	28,432,800	4.18
Industrial Engineering (30.09.21: 5.35%)		
300,000 DCC	14,064,000	2.07
750,000 IMI	8,392,500	1.23
	22,456,500	3.30
Construction and Materials (30.09.21: 2.56%)		
630,000 Bellway	10,722,600	1.58
Real Estate (30.09.21: 1.90%)		
1,125,000 Big Yellow	11,925,000	1.75
Support Services (30.09.21: 7.74%)		
425,000 Ashtead	17,361,250	2.55
480,000 Bunzl	13,243,200	1.95
290,000 Experian	7,714,000	1.14
5,000,000 Hays	5,100,000	0.75
2,100,000 Page	7,778,400	1.14
	51,196,850	7.53
Household Goods (30.09.21: 6.75%)		
840,000 Persimmon	10,390,800	1.53
350,000 Reckitt Benckiser	20,916,000	3.08
7,500,000 Taylor Wimpey	6,621,000	0.97
	37,927,800	5.58

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

Holding (Ordinary shares unless otherwise stated)	Value (note 1e) £	Percentage of total net assets
Tobacco (30.09.21: 5.52%)		
600,000 Altria	21,709,218	3.19
820,000 British American Tobacco	26,457,300	3.89
	48,166,518	7.08
Pharmaceuticals and Biotechnology (30.09.21: 7.37%)		
250,000 AstraZeneca	24,850,000	3.65
400,000 Dechra Pharmaceuticals	10,488,000	1.54
135,000 Novartis	9,279,178	1.37
30,000 Roche	8,830,291	1.30
	53,447,469	7.86
Beverages (30.09.21: 1.49%)		
150,000 Anheuser-Busch InBev	6,152,758	0.90
General Retailers (30.09.21: 2.26%)		
1,250,000 B&M European Value Retail	3,826,250	0.56
6,600,000 Halfords	8,698,800	1.28
	12,525,050	1.84
Media (30.09.21: 7.70%)		
850,000 Relx	18,708,500	2.75
2,500,000 WPP	18,745,000	2.76
	37,453,500	5.51
Electricity (30.09.21: 2.92%)		
1,300,000 SSE	19,857,500	2.92
Gas, Water and Multiutilities (30.09.21: 2.49%)		
1,700,000 National Grid	15,823,600	2.33
Banks (30.09.21: 10.25%)		
9,500,000 Barclays	13,708,500	2.02
1,200,000 Close Brothers	11,130,000	1.64
61,500,000 Lloyds Banking	25,454,850	3.74
9,564,285 NatWest	21,596,156	3.18
	71,889,506	10.58
Non-Life Insurance (30.09.21: 1.37%)		
1,320,000 Hiscox	11,645,040	1.71

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

Holding (Ordinary shares unless otherwise stated)	Value (note 1e) £	Percentage of total net assets
General Financial (30.09.21: 12.45%)		
4,104,000 Aviva	15,931,728	2.34
11,000,000 Legal & General	23,815,000	3.50
500,000 Sampo Oyj	19,205,977	2.82
	58,952,705	8.66
General Industrials (30.09.21: 1.14%)		
325,000 Smurfit Kappa	8,388,250	1.23
1,750,126 Vesuvius	5,414,890	0.80
	13,803,140	2.03
Leisure Goods (30.09.21: 0.00%)		
160,000 Games Workshop	9,264,000	1.36
Financials (30.09.21: 0.00%)		
2,300,000 One Savings Bank	9,669,200	1.42
Total value of investments (30.09.21: 96.11%)	650,898,486	95.72
Net other assets (30.09.21: 3.89%)	29,120,913	4.28
Total value of the fund as at 30 September 2022	680,019,399	100.00

All investments are ordinary shares unless otherwise stated and admitted to official stock exchange listings.

Sectors eliminated since the beginning of the year:

Software and Computer Services 1.00%

Statement of total return for the year ended 30 September 2022

	Note	30.09.22 £	30.09.22 £	30.09.21 £	30.09.21 £
Income					
Net capital (losses)/gains	3		(61,072,343)		175,091,471
Revenue	4	35,454,409		35,600,716	
Expenses	5	(6,649,774)		(6,947,225)	
Net revenue before taxation		28,804,635		28,653,491	
Taxation	6	(375,616)		(299,010)	
Net revenue after taxation			28,429,019		28,354,481
Total return before distributions			(32,643,324)		203,445,952
Distributions	7		(34,942,419)		(35,211,305)
Change in net assets attributable to unitholders from investment activities			(67,585,743)		168,234,647

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

	30.09.22 £	30.09.22 £	30.09.21 £	30.09.21 £
Opening net assets attributable to unitholders		807,207,215		749,472,056
Amounts receivable on issue of units	16,896,734		10,314,869	
Amounts payable on cancellation of units	(95,380,487)		(139,311,201)	
		(78,483,753)		(128,996,332)
Change in net assets attributable to unitholders from investment activities (see Statement of total return above)		(67,585,743)		168,234,647
Retained distributions on accumulation units		18,867,238		18,484,004
Unclaimed distributions		14,442		12,840
Closing net assets attributable to unitholders		680,019,399		807,207,215

Balance sheet as at 30 September 2022

	Note	30.09.22 £	30.09.22 £	30.09.21 £	30.09.21 £
Assets					
Fixed assets:					
Investments			650,898,486		775,836,570
Current assets:					
Debtors	8	4,184,569		3,812,363	
Cash and bank balances		36,043,881		38,650,499	
Total current assets			40,228,450		42,462,862
Total assets			691,126,936		818,299,432
Liabilities					
Creditors:					
Other creditors	9	(1,463,025)		(1,721,368)	
Distribution payable on income units		(9,644,512)		(9,370,849)	
Total liabilities			(11,107,537)		(11,092,217)
Net assets attributable to unitholders			680,019,399		807,207,215

Notes to the financial statements

1 Accounting policies

a) Basis of accounting

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

As stated in the Statement of the Manager's responsibilities in relation to the report and accounts of the Company on page 32, 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 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.

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 fees are charged to 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.

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.

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.

1 Accounting policies *(continued)*

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 fees are charged to capital, offsetting expenses against capital may constrain future growth in revenue and capital.

A reconciliation of the net distribution to the net revenue of the fund as reported total return is shown in note 7.

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.

Notes to the financial statements *(continued)*

3 Net capital (losses)/gains

	30.09.22	30.09.21
	£	£
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(63,641,393)	175,007,340
Capital special dividends	2,577,329	186,940
Currency losses	(7,167)	(101,294)
Transaction charges	(1,112)	(1,515)
Net capital (losses)/gains	(61,072,343)	175,091,471

4 Revenue

	30.09.22	30.09.21
	£	£
Dividends – UK Ordinary	28,550,590	30,583,297
– Overseas	6,217,843	4,569,419
– Property income distributions	467,350	448,000
Bank interest	218,626	–
Total revenue	35,454,409	35,600,716

5 Expenses

	30.09.22	30.09.22	30.09.21	30.09.21
	£	£	£	£
Payable to the Manager, associates of the Manager and agents of either of them:				
Manager's periodic charge		6,406,888		6,673,881
Payable to the Trustee, associates of the Trustee and agents of either of them:				
Trustee's fees	114,855		136,972	
Safe custody and other bank charges	65,136		66,081	
		179,991		203,053
Other expenses:				
Administration fees	6,747		6,633	
Audit fee*	11,040		11,040	
Listing fee	(7,070)		3,530	
Printing and publication costs	2,598		2,592	
Registration fees	49,580		46,496	
		62,895		70,291
Total expenses		6,649,774		6,947,225

* Audit fees for 2022 are £9,850 excluding VAT (30.09.21: £9,200 excluding VAT).

6 Taxation

	30.09.22 £	30.09.21 £
a) Analysis of charge in the year		
Irrecoverable overseas tax	375,616	299,010
Total tax charge for the year (note 5b)	375,616	299,010

b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Authorised Unit Trust (20%) (30.09.21: 20%). The differences are explained below.

	30.09.22 £	30.09.21 £
Net revenue before taxation	28,804,635	28,653,491
Corporation tax at 20%	5,760,927	5,730,698
Effects of:		
Revenue not subject to taxation	(6,953,687)	(7,030,543)
Current year expenses not utilised	1,192,760	1,299,845
Corporate tax charge	—	—
Irrecoverable overseas tax	375,616	299,010
Total tax charge for the year (note 5a)	375,616	299,010

c) Deferred tax

At the year end the fund had surplus management expenses of £159,022,901 (30.09.21: £153,059,103). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £31,804,580 (30.09.21: £30,611,820) has not been recognised in the financial statements.

7 Distributions

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

	30.09.22	30.09.21
	£	£
Interim	11,564,310	12,465,489
Final	22,516,750	21,340,792
	34,081,060	33,806,281
Add: Amounts deducted on cancellation of units	1,077,678	1,507,220
Deduct: Amounts received on issue of units	(216,319)	(102,196)
Net distribution for the year	34,942,419	35,211,305

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

Net distribution for the year	34,942,419	35,211,305
Expenses charged to capital:		
Administration fees	(6,747)	(6,633)
Audit fee	(11,040)	(11,040)
Listing fee	7,070	(3,530)
Manager's periodic charge	(6,406,888)	(6,673,881)
Printing and publication costs	(2,598)	(2,592)
Registration fees	(49,580)	(46,496)
Safe custody and other bank charges	(65,136)	(66,081)
Trustee's fees	(114,855)	(136,972)
Equalisation on conversions	16	(351)
Tax relief on expenses	137,195	89,600
Balance brought forward	(3,448)	(2,296)
Balance carried forward	2,611	3,448
Net revenue after taxation	28,429,019	28,354,481

8 Debtors

	30.09.22	30.09.21
	£	£
Amounts receivable for issue of units	184,215	162,984
Accrued revenue	2,192,712	2,365,376
Taxation recoverable	1,807,642	1,284,003
Total debtors	4,184,569	3,812,363

9 Other creditors

	30.09.22 £	30.09.21 £
Amounts payable for cancellation of units	922,175	1,100,288
Purchases awaiting settlement	(8)	(8)
Accrued expenses	50,754	64,827
Accrued manager's periodic charge	490,104	556,261
Total other creditors	1,463,025	1,721,368

10 Reconciliation of units

	R-class income	R-class accumulation	I-class income	I-class accumulation
Opening units issued at 01.10.21	7,500,164	3,646,058	24,119,084	17,489,879
Unit movements 01.10.21 to 30.09.22				
Units issued	127,349	118,968	474,901	351,100
Units cancelled	(730,817)	(576,391)	(2,824,673)	(2,128,648)
Units converted	(42,569)	(12,664)	59,766	41,100
Closing units issued at 30.09.22	6,854,127	3,175,971	21,829,078	15,753,431

	S-class income	S-class accumulation
Opening units issued at 01.10.21	8,078,639	4,308,672
Unit movements 01.10.21 to 30.09.22		
Units issued	158,337	84,269
Units cancelled	(741,089)	(427,321)
Units converted	(16,798)	(30,475)
Closing units issued at 30.09.22	7,479,089	3,935,145

11 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 9.

Details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders and note 7.

There were no commissions paid to stockbroking of the Manager in respect of dealings in the investments of Rathbone Income Fund during the year (30.09.21: nil).

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

At the year end there were no significant unitholders (30.09.21: nil).

12 Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (30.09.21: nil).

13 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 does not make use of derivatives.

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:

	30.09.22	30.09.21
	£	£
Currency:		
Danish krone	77,898	76,290
Euro	26,140,504	40,087,503
Swiss franc	19,147,806	21,767,814
US dollar	22,138,673	20,600,734
Pound sterling	610,706,876	723,390,871
	678,211,757	805,923,212
Other net assets not categorised as financial instruments	1,807,642	1,284,003
Net assets	680,019,399	807,207,215

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 £6,136,807 (30.09.21: £7,502,940). 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 £7,500,542 (30.09.21: £9,170,260). These calculations assume all other variables remain constant.

13 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:

	30.09.22	30.09.21
	£	£
Floating rate assets:		
Euro	234	–
Pound sterling	36,043,647	38,650,499
	36,043,881	38,650,499
Assets on which no interest is paid:		
Danish krone	77,898	76,290
Euro	26,140,270	40,087,503
Swiss franc	19,147,806	21,767,814
US dollar	22,138,673	20,600,734
Pound sterling	585,770,766	695,832,589
	653,275,413	778,364,930
Liabilities on which no interest is paid:		
Pound sterling	(11,107,537)	(11,092,217)
	(11,107,537)	(11,092,217)
Other net assets not categorised as financial instruments	1,807,642	1,284,003
Net assets	680,019,399	807,207,215

Due to the proportion of interest bearing assets held within the portfolio, no sensitivity analysis has been prepared illustrating the impact changes in yields would have on the value of the fund's portfolio.

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

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 £65,089,849 (30.09.21: £77,583,657). If market prices had decreased by 10% as at the balance sheet date the net asset value of the fund would have decreased by £65,089,849 (30.09.21: £77,583,657). These calculations assume all other variables remain constant.

13 Risk disclosures on financial instruments *(continued)*

(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 Income Fund which would increase its exposure.

14 Portfolio transaction cost

For the year ended 30 September 2022

Analysis of total purchase costs

	Value	Commissions		Taxes	
	£	£	%	£	
Equity transactions	132,225,534	73,649	0.06	477,713	0.36
Total purchases before transaction costs	132,225,534	73,649		477,713	
Total purchases including commission and taxes	132,776,896				

Analysis of total sales costs

	Value	Commissions		Taxes	
	£	£	%	£	
Equity transactions	187,105,224	100,378	0.05	69	—
Corporate actions	7,068,707	—	—	—	—
Total sales including transaction costs	194,173,931	100,378		69	
Total sales net of commission and taxes	194,073,484				

Commissions and taxes as % of average net assets

Commissions	0.02%
Taxes	0.06%

14 Portfolio transaction cost *(continued)*

For the year ended 30 September 2021

Analysis of total purchase costs

	Value £	Commissions £	%	Taxes £	%
Equity transactions	148,861,727	77,174	0.05	659,451	0.44
Total purchases before transaction costs	148,861,727	77,174		659,451	
Total purchases including commission and taxes	149,598,352				

Analysis of total sales costs

	Value £	Commissions £	%	Taxes £	%
Equity transactions	268,636,257	151,541	0.06	130	—
Total sales including transaction costs	268,636,257	151,541		130	
Total sales net of commission and taxes	268,484,586				

Commissions and taxes as % of average net assets

Commissions	0.03%
Taxes	0.08%

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 0.05% (30.09.21: 0.05%).

15 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 September 2022

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	650,898,486	—	—	650,898,486
	650,898,486	—	—	650,898,486

For the year ended 30 September 2021

Category	1	2	3	Total
	£	£	£	£
Investment assets				
Equities	775,836,570	—	—	775,836,570
	775,836,570	—	—	775,836,570

Distribution tables for the year ended 30 September 2022

Distribution tables (pence per unit)

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 March 2022

R-class income units	Income	Equalisation	Paid 31.05.22	Paid 28.05.21
Group 1	13.96	–	13.96	13.40
Group 2	9.19	4.77	13.96	13.40
R-class accumulation units	Income	Equalisation	Accumulated 31.05.22	Accumulated 28.05.21
Group 1	24.45	–	24.45	23.46
Group 2	10.33	14.12	24.45	23.46
I-class income units	Income	Equalisation	Paid 31.05.22	Paid 28.05.21
Group 1	14.85	–	14.85	14.25
Group 2	8.74	6.11	14.85	14.25
I-class accumulation units	Income	Equalisation	Accumulated 31.05.22	Accumulated 28.05.21
Group 1	25.35	–	25.35	24.32
Group 2	11.52	13.83	25.35	24.32
S-class income units	Income	Equalisation	Paid 31.05.22	Paid 28.05.21
Group 1	15.08	–	15.08	14.47
Group 2	8.84	6.24	15.08	14.47
S-class accumulation units	Income	Equalisation	Accumulated 31.05.22	Accumulated 28.05.21
Group 1	25.51	–	25.51	24.48
Group 2	10.86	14.65	25.51	24.48

Distribution tables for the year ended 30 September 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 September 2022

R-class income units	Income	Equalisation	Payable 30.11.22	Paid 30.11.21
Group 1	24.20	–	24.20	21.64
Group 2	12.33	11.87	24.20	21.64
R-class accumulation units	Income	Equalisation	Allocated 30.11.22	Accumulated 30.11.21
Group 1	52.07	–	52.07	43.91
Group 2	15.53	36.54	52.07	43.91
I-class income units	Income	Equalisation	Payable 30.11.22	Paid 30.11.21
Group 1	26.99	–	26.99	23.86
Group 2	12.30	14.69	26.99	23.86
I-class accumulation units	Income	Equalisation	Allocated 30.11.22	Accumulated 30.11.21
Group 1	56.66	–	56.66	47.33
Group 2	24.57	32.09	56.66	47.33
S-class income units	Income	Equalisation	Payable 30.11.22	Paid 30.11.21
Group 1	28.00	–	28.00	24.67
Group 2	13.47	14.53	28.00	24.67
S-class accumulation units	Income	Equalisation	Allocated 30.11.22	Accumulated 30.11.21
Group 1	58.26	–	58.26	48.53
Group 2	29.13	29.13	58.26	48.53

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 Income Fund
21 December 2022

Statement of the Manager's responsibilities in relation to the annual report and financial statements of the scheme

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;
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.

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

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

Statement of the Trustee's responsibilities and report of the Trustee to the unitholders of Rathbone Income Fund (the Scheme) for the year ended 30 September 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 Scheme's 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 Income Fund
21 December 2022

Independent Auditor's Report to the unitholders of Rathbone Income Fund

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of Rathbone Income Fund as at 30 September 2022 and of the net revenue and the net capital losses on the property of the fund for the year ended 30 September 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 15.

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 report, 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.

Independent Auditor's Report to the unitholders of Rathbone Income 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: 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 Income 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 September 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 December 2022

General information

Authorised status

The Rathbone Income Fund is an authorised unit trust scheme, established by a Trust Deed dated 12 February 1971 and launched in February 1971.

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 the R-class is £100,000,000. The minimum initial investment for I-class units is £1,000. The minimum initial investment for S-class units is £100,000,000. Thereafter holders may invest additional amounts to the value of £500 or more from time to time as they wish. Any number of units may be subscribed, sold or transferred so long as transaction complies with applicable minimums.

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

The Manager currently receives an annual remuneration for managing the R-class property of the fund at the rate of 1.50%.

The Manager currently receives an annual remuneration for managing the I-class property of the fund at the rate of 0.75%.

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

Statements

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

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

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

Prices

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 income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance should not be seen as an indication of future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable. Where periodic charge is wholly or partly taken out of the fund's capital, distributable income will be increased at the expense of capital which will either be eroded or future growth restrained.

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 Fund
Rathbone Ethical Bond Fund
Rathbone Global Opportunities Fund
Rathbone Strategic Bond Fund
Rathbone UK Opportunities Fund

and the Authorised Corporate Director of:

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

Further details

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

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

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

Data protection

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

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

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

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	1,934	4,428	6,362	9
Risk takers	2,103	2,386	4,489	16
Control functions	287	31	318	3
Other	140	121	261	1
Total remuneration code staff	4,464	6,966	11,430	29
Non-remuneration code staff	946	240	1,186	21
Total for the Manager	5,410	7,206	12,616	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

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rutm@rathbones.com
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Authorised and regulated by the
Financial Conduct Authority

A member of The
Investment Association

A member of the Rathbones Group.
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