

Rathbones

Look forward

Rathbone High Quality Bond Fund

Interim report for the half year ended 31 October 2022



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Rathbone High Quality Bond Fund

Authorised Corporate Director (ACD)

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

A member of the Rathbones Group

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

The Company

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London EC2M 7AZ

Dealing office

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Essex SS15 5FS
Telephone 0330 123 3810
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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

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

Registrar

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SS&C House
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Telephone 0330 123 3810
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**Authorised and regulated by the
Financial Conduct Authority**

Depository

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

Investment objective and policy

Investment objective

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

Investment policy

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

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

Investment strategy

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

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

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

Investment report for the half year ended 31 October 2022

Performance

In the six months ended 31 October 2022, the Rathbone High Quality Bond Fund fell 5.86%. For the same period the fund's benchmark, the Bank of England Base Rate + 0.5%, returned 1.02%.

Market overview and portfolio activity

For most of the period, the biggest story in global bond markets was central banks' forceful pivot away from low interest rates as they sought to choke off stubbornly high inflation. US Federal Reserve (Fed) chair Jerome Powell made it abundantly clear that the Fed would hold its nerve and keep hiking rates despite signs of slowing economic growth. Bank of England (BoE) Governor Andrew Bailey said there were "no ifs or buts" in his commitment to get inflation under control despite forecasting that surging energy prices would probably drive the UK into a recession.

Because inflation and higher rates eat into bonds' fixed returns, government bond yields rose very sharply over the six-month period (bond yields and prices move in opposite directions). The yield on 10-year US Treasuries began the period at 2.93% and had reached 4.05% by its end. And the yield on 10-year gilts surged too, up from 1.92% at the start of the period to 3.52% by its end.

Adding to the pain for investors, corporate debt has also come under intense pressure. Credit spreads – the extra yield (or spread) offered relative to government bonds for taking on default risks – widened significantly amid worries that higher inflation and slowing growth could make it harder for corporate borrowers to repay their debts. The iTraxx European Crossover Index began the period at 428 basis points (bps) and had widened to 546bps by its end.

By early summer, signs of a global growth slowdown were becoming more evident as higher prices squeezed businesses and households. Bond investors began to hope this might persuade central banks to ease off the rate-hiking throttle. But these hopes were dashed when central banks made clear their commitment to taming inflation, insisting they would prioritise this goal over supporting economic growth.

When Fed Chair Jay Powell addressed the central bank's annual summit in Jackson Hole towards the end of August, he delivered his most hawkish message to date. He was adamant that the Fed wouldn't back off from further hikes any time soon and would "keep at it until the job is done." Powell acknowledged that higher rates intended to crush inflation would probably drive economic growth lower "for a sustained period". Like the Fed, the BoE made it crystal clear that a policy pivot away from hiking wasn't on the cards although a recession looked likely later this year.

The UK and Europe have been right in the eye of the storm given the huge cost of living squeezes exerted by soaring energy prices as Russia has drastically cut back its gas exports. Recessions seem increasingly likely this winter given the growth-sapping impact of higher energy costs. The economic outlook in the US has held up better than on the other side of the Atlantic. The country is well insulated from the Russia energy shock, with wholesale gas prices there rising by much less than in the UK and Europe. Nevertheless, cracks have been appearing. Most significantly, the housing market has begun to slow. This matters a lot because the US housing market has a strong track of weakening before the broader economy, so it's deemed a good predictor of future downturns.

UK bonds get pounded

The steady, if relentless, sell-off in government debt turned frenetic in the UK in late September when Chancellor Kwasi Kwarteng unveiled his mini-budget. It aimed to kickstart economic growth with a massive package of help with energy bills, huge tax cuts and a raft of regulatory reforms. Investors feared injecting extra spending power into an economy already struggling with high inflation could further inflame hot prices, forcing more aggressive and faster BoE rate rises than they'd previously expected. Investor confidence was further troubled by the government's failure to spell out how its proposals would be funded, or to provide the independent forecasts and analysis from the UK's taxation and public spending watchdog that would usually accompany a budget. Investors immediately demanded a higher premium for holding UK assets via a cheaper currency and lower government debt prices.

The value of sterling slumped to an all-time low versus the US dollar and gilt yields ballooned. Before the mini-budget, 10-year gilt yields were hovering just above 3%. By 27 September, they'd hit an intra-day peak of 4.58% (though they later sank back down to end the month at 4.10%).

New Chancellor Jeremy Hunt's massive policy U-turn in mid October brought an end to the worst volatility. He scrapped virtually all the tax cuts outlined in the mini budget and reined in some spending pledges, signalling that government fiscal (taxation and public sector borrowing) policy was no longer at cross currents with BoE monetary (interest rate) policy. This helped restore the credibility of key UK institutions and began to erode the uncertainty risk premium that had weighed so heavily on UK financial markets. By the end of October, the surge in gilt yields driven by the mini-budget had almost completely reversed: the yield on 10-year gilts was only very slightly above where it was the day before it was announced.

Portfolio activity

The spectre of a looming economic recession can scare bond investors away from corporate debt. But we think there are plenty of reasons to be positive about the outlook for many corporate borrowers at the higher end of the credit quality spectrum, particularly those whose businesses are less exposed to an economic slowdown. Lots of better quality corporate borrowers are in solid shape. They went through a tough time only a couple of years ago when the pandemic hit. The ones that got through the shutdown have been managing their businesses and finances pretty conservatively even when their profitability recovered in the reopening boom. This suggests to us that we probably aren't going to see a big spike in defaults from higher quality issuers.

In particular, we continue to like bonds issued by select, well capitalised banks, insurers and other financial institutions that manage their risk exposure carefully. At the start of the period, we adjusted some of our financials exposure. We sold Lloyds 1.75% 2024 and Coventry Building Society 1% Senior 2025 bonds and bought Australian financial services Macquarie Group 4.08% Senior 2029 bonds. We also added to one of our top holdings, Scottish

Widows 5.5% 2023 bonds. Even though rates and prevailing yields are rising, if inflation starts to peak and falls back next year, we think that these attractively priced shorter-dated bonds should offer decent returns if we hold them until they mature.

We sold our Aviva 6.125% 2022 bonds when the company announced it was calling them (redeeming or paying off the bonds before their maturity date). When bonds are called, their yields decline to cash-like levels so this prompted us to sell them to invest the proceeds in higher-yielding assets.

The new issue market has been subdued this year, but we found some attractive opportunities in August and September, including Belgian banking group KBC 5.5% Floating Rate Senior Notes 2028. Around the same time, we bought Norwegian DNB Bank 3.7% Floating Rate Notes 2027 and more Scottish Widows 5.5% 2023 bonds and sold Banco Santander 2.75% Senior 2023 bonds.

Right at the end of the period, we bought some Nationwide Building Society 1.03% Floating Rate Notes 2031 as we felt they looked like an attractive way to increase income as rate and inflation expectations continued to march higher. (As their name implies, floating rate bonds offer variable, or floating, coupon rates that increase when rates rise and fall when rates drop.)

High energy prices and steeper borrowing costs clearly bring extra pressures for some corporate borrowers. This drove us to trim our exposure to bonds issued by a few lenders we felt could face particularly challenging prospects. We believed that French energy group Electricite de France's (EDF) profitability prospects would be hobbled by the French government's requirement for it to sell power at below-market prices, as well as by its dwindling nuclear output. As a result, we pared back our EDF 4.5% 2028 bonds during the period. In July, the government announced it was going to fully nationalise EDF in a bid to shore up its business.

Noelle Cazalis
Fund Manager
17 November 2022

Bryn Jones
Fund Manager

Net asset value per share and comparative tables

I-class income shares

	31.10.22 pence per share	30.04.22 pence per share	30.04.21 pence per share	30.04.20**** pence per share
Change in net assets per share				
Opening net asset value per share	90.60p	98.01p	97.94p	100.00p
Return before operating charges*	(5.14p)	(4.64p)	2.93p	(0.23p)
Operating charges	(0.18p)	(0.39p)	(0.39p)	(0.31p)
Return after operating charges*	(5.32p)	(5.03p)	2.54p	(0.54p)
Distributions on income shares	(1.27p)	(2.38p)	(2.47p)	(1.52p)
Closing net asset value per share	84.01p	90.60p	98.01p	97.94p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	(5.87%)	(5.13%)	2.59%	(0.54%)
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Other information

Closing net asset value	£4,577,381	£20,511,764	£30,156,666	£8,424,516
Closing number of shares	5,448,584	22,639,672	30,769,644	8,602,031
Operating charges**	0.40%	0.40%	0.40%	0.41%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices***

Highest share price	91.36p	99.18p	100.73p	100.81p
Lowest share price	81.93p	91.22p	98.12p	96.46p

** 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 share shown in the comparative table, this may result in the opening/closing net asset value per share being higher or lower than the published highest or lowest prices for the period.

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

Net asset value per share and comparative tables

I-class accumulation shares

	31.10.22 pence per share	30.04.22 pence per share	30.04.21 pence per share	30.04.20**** pence per share
Change in net assets per share				
Opening net asset value per share	96.90p	102.25p	99.67p	100.00p
Return before operating charges*	(5.55p)	(4.95p)	2.99p	(0.03p)
Operating charges	(0.19p)	(0.40p)	(0.41p)	(0.30p)
Return after operating charges*	(5.74p)	(5.35p)	2.58p	(0.33p)
Distributions on accumulation shares	(1.36p)	(2.51p)	(2.54p)	(1.61p)
Retained distributions on accumulation shares	1.36p	2.51p	2.54p	1.61p
Closing net asset value per share	91.16p	96.90p	102.25p	99.67p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	(5.92%)	(5.23%)	2.59%	(0.33%)
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Other information

Closing net asset value	£5,862,279	£11,905,249	£5,757,878	£3,296,090
Closing number of shares	6,430,619	12,285,846	5,631,395	3,306,856
Operating charges**	0.40%	0.40%	0.40%	0.41%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices***

Highest share price	97.71p	103.58p	103.75p	101.51p
Lowest share price	88.23p	96.92p	99.85p	97.58p

** 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 share shown in the comparative table, this may result in the opening/closing net asset value per share being higher or lower than the published highest or lowest prices for the period.

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

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

S-class income shares

	31.10.22 pence per share	30.04.22 pence per share	30.04.21 pence per share	30.04.20 pence per share
Change in net assets per share				
Opening net asset value per share	92.35p	99.75p	99.51p	100.57p
Return before operating charges*	(5.26p)	(4.72p)	3.00p	1.62p
Operating charges	(0.11p)	(0.25p)	(0.25p)	(0.28p)
Return after operating charges*	(5.37p)	(4.97p)	2.75p	1.34p
Distributions on income shares	(1.30p)	(2.43p)	(2.51p)	(2.40p)
Closing net asset value per share	85.68p	92.35p	99.75p	99.51p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	(5.81%)	(4.98%)	2.76%	1.33%
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Other information

Closing net asset value	£175,628,653	£190,230,851	£243,976,145	£193,385,432
Closing number of shares	204,974,610	205,999,047	244,581,322	194,329,497
Operating charges**	0.25%	0.25%	0.25%	0.27%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices***

Highest share price	93.12p	100.98p	102.46p	102.83p
Lowest share price	83.56p	92.97p	99.70p	98.00p

** 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 share shown in the comparative table, this may result in the opening/closing net asset value per share being higher or lower than the published highest or lowest prices for the period.

Net asset value per share and comparative tables

S-class accumulation shares

	31.10.22 pence per share	30.04.22 pence per share	30.04.21 pence per share	30.04.20 pence per share
Change in net assets per share				
Opening net asset value per share	100.26p	105.63p	102.79p	101.40p
Return before operating charges*	(5.74p)	(5.11p)	3.10p	1.67p
Operating charges	(0.12p)	(0.26p)	(0.26p)	(0.28p)
Return after operating charges*	(5.86p)	(5.37p)	2.84p	1.39p
Distributions on accumulation shares	(1.41p)	(2.60p)	(2.62p)	(2.54p)
Retained distributions on accumulation shares	1.41p	2.60p	2.62p	2.54p
Closing net asset value per share	94.40p	100.26p	105.63p	102.79p
*after direct transaction costs ¹ of:	0.00p	0.00p	0.00p	0.00p

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

Performance

Return after charges	(5.84%)	(5.08%)	2.76%	1.37%
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Other information

Closing net asset value	£13,573,332	£20,201,231	£19,093,462	£13,144,117
Closing number of shares	14,378,655	20,148,648	18,076,114	12,787,108
Operating charges**	0.25%	0.25%	0.25%	0.27%
Direct transaction costs	0.00%	0.00%	0.00%	0.00%

Prices***

Highest share price	101.10p	107.04p	107.13p	104.64p
Lowest share price	91.35p	100.28p	102.97p	100.62p

** 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 share shown in the comparative table, this may result in the opening/closing net asset value per share being higher or lower than the published highest or lowest prices for the period.

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 31 October 2022

	2018	2019	2020	2021	2022
I-class shares	—	—	1.94%	0.35%	-13.50%
S-class shares	—	—	2.41%	0.51%	-13.36%
Bank of England Base Rate +0.5%	—	—	0.89%	0.60%	1.28%

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

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

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

Portfolio and net other assets as at 31 October 2022

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Corporate Bonds (30.04.22: 98.07%)		
£4,100,000 A2Dominion Housing 3.5% 2028	3,645,471	1.83
£3,873,500 A2D Funding 4.5% 2026	3,725,470	1.87
£835,000 Anglian Water Services Financing 6.875% 2023	848,297	0.42
£5,400,000 Athene Global Funding 1.75% 2027	4,307,674	2.16
£6,200,000 Athene Global Funding 1.875% 2028	4,775,435	2.39
£5,000,000 Banco Santander 1.5% 2026	4,261,769	2.13
£4,000,000 Banco Santander 1.75% 2027	3,284,021	1.64
£500,000 Banco Santander 2.75% 2023	489,810	0.25
£2,600,000 Banco Santander 3.125% VRN 2026	2,379,262	1.19
£1,700,000 Banco Santander 4.75% VRN 2028	1,605,491	0.80
£2,300,000 Bank of America 7% 2028	2,425,714	1.22
£800,000 Bank of Montreal 1.5% 2024	739,593	0.37
£2,200,000 Banque Federative du Credit Mutuel 1% 2026	1,888,361	0.95
£1,000,000 Banque Federative du Credit Mutuel 1.75% 2024	931,494	0.47
£2,000,000 Banque Federative du Credit Mutuel 1.875% 26/10/2028	1,625,534	0.81
£600,000 Barclays Bank 3% 2026	535,143	0.27
£4,200,000 Blackstone Property Partners Europe 2% 2025	3,595,759	1.80
£6,950,000 BNP Paribas SA 3.375% 2026	6,427,630	3.22
£2,300,000 BPCE 2.5% VRN 2032	1,793,079	0.90
AUD\$700,000 BPCE 4.5% 2028	349,306	0.17
£1,300,000 Clydesdale Bank FRN 2026	1,294,610	0.65
£2,700,000 Cooperatieve Rabobank 1.875% VRN 2028	2,236,258	1.12
£2,300,000 Coventry Building Society 1% 2025	2,029,311	1.02
£4,200,000 Credit Suisse London Branch 1.125% 2025	3,606,148	1.81
£3,200,000 DNB Bank 4% VRN 2027	2,983,239	1.49
£1,500,000 DNB Bank 2.625% VRN 2026	1,401,080	0.70
£2,624,000 East Japan Railway Company 1.162% 2028	2,081,756	1.04
£6,129,000 First Abu Dhabi Bank 0.875% 2025	5,257,401	2.63
£3,478,000 First Abu Dhabi Bank 1.125% 2026	2,845,543	1.43
£6,657,000 Goldman Sachs 1% VRN 2025	6,067,699	3.04
£2,143,000 Goldman Sachs 1.5% 2027	1,733,003	0.87
£1,850,000 Goldman Sachs 4.25% 2026	1,767,477	0.89
£1,760,000 Hiscox 6% 2027	1,718,525	0.86
£6,150,000 HSBC 6.5% 2024	6,234,896	3.12
£5,786,000 HSBC Holdings 1.75% VRN 2027	4,876,058	2.44
£2,650,000 HSBC Holdings 2.256% VRN 2026	2,361,506	1.18
£6,180,000 JPMorgan Chase 0.991% VRN 2026	5,532,472	2.77

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

Holding (Bonds unless otherwise stated)		Value £	Percentage of total net assets
\$2,000,000	JPMorgan Chase FRN 2028	1,682,043	0.84
£3,700,000	Just 3.5% 2025	3,269,875	1.64
£2,400,000	KBC 1.25% VRN 2027	2,012,174	1.01
£2,200,000	KBC 5.5% VRN 2028	2,125,006	1.06
£4,120,000	Leeds Building Society 1.5% VRN 2027	3,505,107	1.76
£5,400,000	Lloyds Bank 1.875% VRN 2031	4,918,250	2.46
£5,557,000	Lloyds Bank 2.25% 2024*	5,216,499	2.61
AUD\$1,000,000	Lloyds Banking Group 5.3906% VRN 2027	548,175	0.27
£6,090,000	Logicor 2019-1 1.875% 2031	5,222,804	2.62
£3,000,000	Macquarie 4.08% 2029	2,600,252	1.30
£2,200,000	Nationwide Building Society FRN 2031	2,133,657	1.07
£3,423,000	Nats En Route 1.375% 2031	2,834,849	1.42
£1,770,000	NatWest Markets 6.875% 2025	1,823,256	0.91
AUD\$5,000,000	NBN 1% 2025	2,470,615	1.24
\$4,247,000	NBN 1.45% 2026	3,211,568	1.61
£2,703,000	Nordea Bank 1.625% VRN 2032	2,078,933	1.04
£3,000,000	OP Corporate Bank 1.375% 2026	2,534,615	1.27
£1,769,000	OP Corporate Bank 3.375% 2026	1,655,855	0.83
£1,641,500	Places For People Finance 4.25% 2023	1,617,580	0.81
£5,600,000	Places for People Homes 3.625% 2028	4,985,792	2.50
£4,909,000	Places for People Treasury 2.875% 2026	4,468,549	2.24
£900,000	Realty Income Corporation 1.875% 2027	761,612	0.38
£150,000	Retail Charity Bonds 4% 2029	130,544	0.07
£5,393,000	Scottish Widows 5.5% 2023	5,387,693	2.70
£2,893,000	Skipton Building Society 2% VRN 2026	2,575,439	1.29
£792,000	Svenska Handelsbanken 4.625% VRN 2032	719,674	0.36
£5,556,000	Swedbank 1.375% VRN 2027	4,624,019	2.32
£2,000,000	Santander FRN 2026	1,982,120	0.99
£670,000	Telereal Securitisation 1.3657% 2033	467,355	0.23
£600,000	Tesco Personal Finance 3.5% 2025	553,597	0.28
£1,600,000	TorontoDominion Bank 2.875% 2027	1,416,108	0.71
£2,000,000	Total Capital International 1.25% 2024	1,858,043	0.93
£3,616,000	UBS 8.75% 2025	3,885,428	1.95
£5,643,000	UK Municipal Bonds Agency Finance FRN 2025	5,661,565	2.84
\$3,475,000	Zurich Finance 3% VRN 2051	2,164,781	1.08
£1,039,000	Zurich Finance 5.125% VRN 23/11/2052	918,922	0.46
		197,683,649	99.02

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

Holding (Bonds unless otherwise stated)	Value £	Percentage of total net assets
Forward Foreign Exchange Contracts (30.04.22: (0.25%))		
Buy £3,569,140, Sell AUD6,059,486	204,221	0.10
Buy AUD\$147,620, Sell £83,301	(1,325)	0.00
Buy \$2,173,406, Sell £1,955,512	(70,860)	(0.04)
Buy £8,651,045, Sell \$10,170,324	(168,073)	(0.08)
	(36,037)	(0.02)
Total value of investments (30.04.22: 97.82%)	197,647,612	99.00
Net other assets (30.04.22: 2.18%)	1,994,033	1.00
Total value of the fund as at 31 October 2022	199,641,645	100.00

Summary of portfolio investments

	Value £	Percentage of total net assets
Investment grade	185,294,709	92.80
Below investment grade	12,388,940	6.22
Debt securities	197,683,649	99.02
Derivatives	(36,037)	(0.02)
Total value of investments	197,647,612	99.00

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

	31.10.22 £	31.10.22 £	31.10.21 £	31.10.21 £
Income				
Net capital losses		(15,089,754)		(3,468,833)
Revenue	2,336,613		2,590,054	
Expenses	(285,494)		(409,164)	
Interest payable and similar charges	(138)		(507)	
Net revenue before taxation	2,050,981		2,180,383	
Taxation	—		—	
Net revenue after taxation		2,050,981		2,180,383
Total return before distributions		(13,038,773)		(1,288,450)
Distributions		(3,162,937)		(3,629,039)
Change in net assets attributable to shareholders from investment activities		(16,201,710)		(4,917,489)

Statement of change in net assets attributable to shareholders for the half year ended 31 October 2022

	31.10.22 £	31.10.22 £	31.10.21 £	31.10.21 £
Opening net assets attributable to shareholders		242,849,095		298,984,151
Amounts receivable on issue of shares	11,741,864		20,734,813	
Amounts payable on cancellation of shares	(39,068,245)		(16,454,106)	
		(27,326,381)		4,280,707
Change in net assets attributable to shareholders from investment activities (see Statement of total return above)		(16,201,710)		(4,917,489)
Retained distributions on accumulation shares		320,641		337,348
Closing net assets attributable to shareholders		199,641,645		298,684,717

Balance sheet as at 31 October 2022

	31.10.22 £	31.10.22 £	30.04.22 £	30.04.22 £
Assets				
Fixed assets:				
Investments		197,887,870		238,243,707
Current assets:				
Debtors	4,768,467		2,681,393	
Cash and bank balances	2,315,528		4,338,971	
Total current assets		7,083,995		7,020,364
Total assets		204,971,865		245,264,071
Liabilities				
Investment liabilities		(240,258)		(698,736)
Creditors:				
Distribution payable on income shares	(1,387,703)		(1,392,432)	
Bank overdrafts	(38)		–	
Other creditors	(3,702,221)		(323,808)	
Total liabilities		(5,330,220)		(2,414,976)
Net assets attributable to shareholders		199,641,645		242,849,095

Notes to the interim financial statements

Accounting policies

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

All accounting policies applied are consistent with those of the annual report for the year ended 30 April 2022 and are detailed in full in those financial statements.

Portfolio transactions

Total purchases and sales transactions for the half year ended 31 October 2022 were £29,431,308 and £55,006,876 respectively.

Distribution tables for the half year ended 31 October 2022

Distribution tables (pence per share)

First Interim

Group 1 – Shares purchased prior to 1 May 2022

Group 2 – Shares purchased on or after 1 May 2022 and on or before 31 July 2022

I-class income shares	Income	Equalisation	Paid 30.09.22	Paid 30.09.21
Group 1	0.63	–	0.63	0.58
Group 2	0.34	0.29	0.63	0.58

I-class accumulation shares	Income	Equalisation	Accumulated 30.09.22	Accumulated 30.09.21
Group 1	0.67	–	0.67	0.61
Group 2	0.48	0.19	0.67	0.61

S-class income shares	Income	Equalisation	Paid 30.09.22	Paid 30.09.21
Group 1	0.64	–	0.64	0.60
Group 2	0.29	0.35	0.64	0.60

S-class accumulation shares	Income	Equalisation	Accumulated 30.09.22	Accumulated 30.09.21
Group 1	0.69	–	0.69	0.63
Group 2	0.34	0.35	0.69	0.63

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

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

Second Interim

Group 1 – Shares purchased prior to 1 August 2022

Group 2 – Shares purchased on or after 1 August 2022 and on or before 31 October 2022

I-class income shares	Income	Equalisation	Payable 30.12.22	Paid 31.12.21
Group 1	0.64	–	0.64	0.59
Group 2	0.32	0.32	0.64	0.59
I-class accumulation shares	Income	Equalisation	Allocated 30.12.22	Accumulated 31.12.21
Group 1	0.69	–	0.69	0.62
Group 2	0.29	0.40	0.69	0.62
S-class income shares	Income	Equalisation	Payable 30.12.22	Paid 31.12.21
Group 1	0.66	–	0.66	0.60
Group 2	0.27	0.39	0.66	0.60
S-class accumulation shares	Income	Equalisation	Allocated 30.12.22	Accumulated 31.12.21
Group 1	0.72	–	0.72	0.64
Group 2	0.40	0.32	0.72	0.64

Equalisation

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

Directors' statement

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

MM Webb T Carroll
for Rathbone Unit Trust Management Limited
ACD of Rathbone High Quality Bond Fund
20 December 2022

General information

Authorised status

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

Valuation of the sub-funds

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

Stewardship code

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

Buying and selling of shares

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

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

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

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

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

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

Statements

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

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

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

Prices

Prices are available on our website rathbonefunds.com

Other information

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

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

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

If you have any queries or complaints about the operation of the fund you should put them to the Compliance Officer, Rathbone Unit Trust Management Limited, 8 Finsbury Circus, London EC2M 7AZ. Any complaint we receive will be handled in accordance with our internal complaint procedures. A copy of these are available from the Compliance Officer.

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

ISA eligibility

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

Risk factors

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

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

and the Authorised Corporate Director of:

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

Further details

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

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

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

Data protection

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

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

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

Rathbones

Look forward

Rathbone Unit Trust Management Limited

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

Information line

020 7399 0399
rutm@rathbones.com
rathbonefunds.com

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