

An aerial, top-down view of a dense urban area at dusk. The sky is dark, and the city lights are beginning to glow. Several buildings are illuminated from within, showing their internal structures and floors. The buildings vary in height and architectural style, with some featuring modern, angular designs. The streets are visible, with some cars and streetlights. The overall atmosphere is one of a bustling city at the end of the day.

 RATHBONES

RATHBONE STRATEGIC BOND FUND

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“RATHBONE STRATEGIC BOND FUND WILL TARGET A LOWER ANNUALISED VOLATILITY THAN THE MEDIAN LEVEL OF ITS IA STERLING STRATEGIC BOND SECTOR PEER GROUP OVER A FIVE-YEAR ROLLING PERIOD. FURTHERMORE, IT WILL TARGET LOW CORRELATION TO GLOBAL EQUITY MARKETS (THE MSCI WORLD INDEX IS CONSIDERED A SUITABLE REPRESENTATIVE OF GLOBAL EQUITY MARKETS FOR THIS PURPOSE).”

Bryn Jones
Head of Fixed Income



WHY INVEST WITH US?

RATHBONES ASSET MANAGEMENT IS A UK-BASED, LEADING ACTIVE ASSET MANAGER.

We offer actively managed equity, fixed income and multi-asset funds including a wide range of sustainable strategies for retail and institutional-type investors. At Rathbones Asset Management we combine the best flexibility and teamwork of an investment boutique with the strength and resources of a large, patient parent. Our long-established and highly experienced investment teams have the autonomy to follow their own unique processes, as well as the incentives and support to focus on delivering for our clients. We empower our investment teams to strike their own paths and follow their own views. We believe in the power of small teams to build a culture of engagement, motivation and accountability.

We believe in the power of small teams that are given the freedom and support to focus on what they can do well. Tight-knit teams encourage camaraderie and prevent people hiding from mistakes and the lessons they provide. Our fund managers and analysts have the independence to forge their own paths,

yet they know this means they are accountable for their actions. This is responsibility is extremely important, because it makes our people highly attuned to creating long-term returns for our clients, respecting that it's our clients' money that is at risk.

We champion diversity in all its forms, as different perspectives and life experiences allow us to challenge received wisdom and stand out from the crowd. When everyone on a team has similar backgrounds, worldviews and skills, they tend to see the same opportunities and overlook the same risks. Combining people from all walks of life, who have different talents, who come from different cultures and who have faced different challenges, widens a team's horizons. Fostering an environment where anyone can challenge ideas means ensuring an atmosphere of respect and confidence.

In September 2023, Investec Wealth & Investment UK became part of the Rathbones Group, securing our group's position as the UK's largest discretionary wealth manager.



WHY CHOOSE OUR STRATEGIC BOND FUND?

THE GLOBAL FIXED INCOME MARKET IS HUGE, WITH A VARIETY OF SUB-ASSET CLASSES THAT EACH OFFER DIFFERENT RISK AND RETURN PROFILES.

Our fund can invest anywhere across this deep and broad market. The fund will aim to take advantage of the full range of bonds including government bonds, corporate bonds, high yield, emerging market bonds and distressed debt. This list may also include structured products which can be employed to reduce risk and boost returns. Structured products are contracts with investment banks that pay specific returns when triggered by certain scenarios. However, unlike many other strategic bond funds, our fund has a minimum/maximum allocation to sub-asset classes (detailed later in the document). This is because we believe a strategic bond fund should be truly strategic in nature and aim to provide a diversifying benefit to portfolios.

We also believe this approach to asset allocation will help the fund achieve its target of a lower annualised volatility than the median level of its peer group (namely, the IA Sterling Strategic Bond sector) over a five-year rolling period. Furthermore, it will target low correlation to global equity markets (the MSCI World Index is considered a suitable representative of global equity markets for this purpose). This means the fund's value should move differently and independently to global stocks. If so, this will make this fund a good way to diversify equity risk an investor has taken elsewhere. The base asset allocation for the portfolio (i.e. neutral positioning) was generated through back-testing a variety of fixed income asset classes to ascertain the optimal allocation for the portfolio strategy. That means we analysed how different fixed income assets performed in the past, both in good times and bad times, to determine the mix that would deliver the best compromise between risk and return. Of course, past performance isn't an indicator of future performance, but it's a good place for us to start.

We believe this explicit focus on volatility ensures our fund is truly strategic in nature and helps to provide diversifying returns (i.e. limited correlation to equities).

WE USE MINIMUM AND MAXIMUM ALLOCATIONS TO SUB-ASSET CLASSES WHICH WE BELIEVE HELPS OUR FUND TO BE TRULY STRATEGIC.

MEET OUR TEAM

THE TEAM RUNNING THIS FUND IS VASTLY EXPERIENCED WITH A PROVEN TRACK RECORD AND PROCESS.

Everyone working on our Rathbone Strategic Bond Fund recognises that success depends on how effectively they share their knowledge and insights, learn from one another and reflect the input and expertise of people with diverse views and backgrounds.

Lead fund manager Bryn Jones is our head of fixed income. He joined us in 2004 and has managed our Rathbone Ethical Bond Fund for most of the 20+ years since it first launched. He also manages the Rathbone Strategic Bond Fund and the Rathbone Greenbank Global Sustainable Bond Fund. Bryn has won numerous awards and accolades during his career.

He is a long-standing champion of responsible investing and is vocal in advancing its regulation and governance – for example, he took part in and influenced the lengthy consultation process that preceded the UK's first-ever issuance of green sovereign bonds ('green gilts') in 2021.

Fund manager Stuart Chilvers joined us in September 2017. Together with Bryn, he manages the Rathbone Ethical Bond Fund, Rathbone Global Sustainable Bond Fund and the Rathbone Strategic Bond Fund, and he is the lead manager of the Rathbone High Quality Bond Fund. He graduated from Bath University with a first-class Bachelor's degree in Mathematics. He is a CFA Charterholder and also holds the CISI Chartered Wealth Manager qualification, having won the CISI Financial Markets & CISI Chartered Wealth Manager Qualification awards at the annual CISI awards in 2016 and 2017 respectively.

Assistant fund manager Christie Goncalves joined us in January 2024. Christie has vast experience in fixed income markets and joins from Vanguard where she spent eight years as an assistant portfolio manager on global corporate bond funds incorporating environmental, social and governance (ESG) analysis and ETFs, and as a senior trader focused on European and British government bonds and corporate debt. Prior to this she was an emerging markets trader and portfolio manager for Stanlib in South Africa. Christie has an honours degree in Investment Management from the University of Pretoria (cum laude), is a CFA Charterholder and holds the Financial Risk Management qualification.

Bryn, Stuart and Christie are supported by a four-strong team of credit analysts. Two of these analysts – Elisa Bellantonio and Emmanouil Makrygiannakis – focus entirely on Rathbones Asset Management, including our Rathbone Strategic Bond Fund.

OUR MANAGERS



BRYN JONES
Head of Fixed Income



STUART CHILVERS
Fund Manager



CHRISTIE GONCALVES
Assistant Fund Manager

OUR ANALYSTS



ELISA BELLANTONIO
Senior Fixed Income
Credit Analyst



**EMMANOUIL
MAKRYGIANNAKIS**
Credit Analyst



ADOO NARANG
Credit Analyst



SARRA HAMIZI
Senior Fixed Income
Credit Analyst

OUR AWARDS

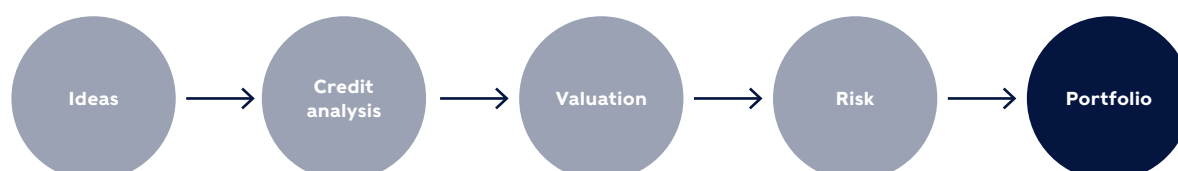






HOW OUR FUND INVESTS

OUR INVESTMENT PROCESS



Our fund uses a top-down/bottom-up approach, but generally the starting point for the fund is the asset allocation. The base asset allocation for the portfolio (i.e. neutral positioning) was generated through back-testing a variety of fixed income asset classes to ascertain the optimal allocation for the portfolio strategy. Our current views on economic and market conditions are then overlaid onto this and the weightings altered from the neutral weights according to these views (subject to the min/max constraints to each asset class).

Following this, we generate ideas of which corporate bonds to buy using a thematic approach, blending top-down and bottom-up views.

A non-exhaustive list of such themes include: macroeconomic, sectoral, regional, supply, demand, new issuance, regulatory issues and interest rate policy. This bottom-up credit research may lead to us deviate from our top-down view on an asset class. For instance, we may be neutral on high yield (riskier corporate bonds) as an asset class, but we may have found a number of extremely compelling ideas within that area of the market. Hence, we may have an overweight position in high yield within the fund because of that bottom-up view. Credit analysis is undertaken in line with our 4 C's credit model and using our proprietary valuation analysis, which is detailed on the following pages. Consideration of credit quality, duration (the sensitivity of a bond's value to changes in prevailing interest rates), risk and liquidity (how easily an asset can be bought or sold) are made at both an individual investment level and a portfolio level, which helps inform position sizing (how much of our portfolio we invest in each of our assets).

Asset Class	Base Portfolio (%)	Min (%)	Max (%)
UK Gilts	12.5	2.5	22.5 (max 100% in extreme circumstances)
UK Index-Linked Gilts	12.5	2.5	22.5
Global Government bonds ex-UK	10.0	0.0	20.0
Emerging Markets Sovereign Bonds	15.0	0.0	25.0
UK Corporate Bonds	25.0	15.0	35.0
Global Corporate Bonds	10.0	0.0	20.0
Global High Yield	15.0	5.0	25.0
Distressed Debt	0.0	0.0	10.0

4 C'S CREDIT MODEL

GIVEN THE ASYMMETRIC RETURN PROFILE OF CORPORATE BONDS, A ROBUST CREDIT ANALYSIS MODEL IS IMPERATIVE.

Character: An assessment is made of a company's management quality and their ability to meet their own and the market's expectations.

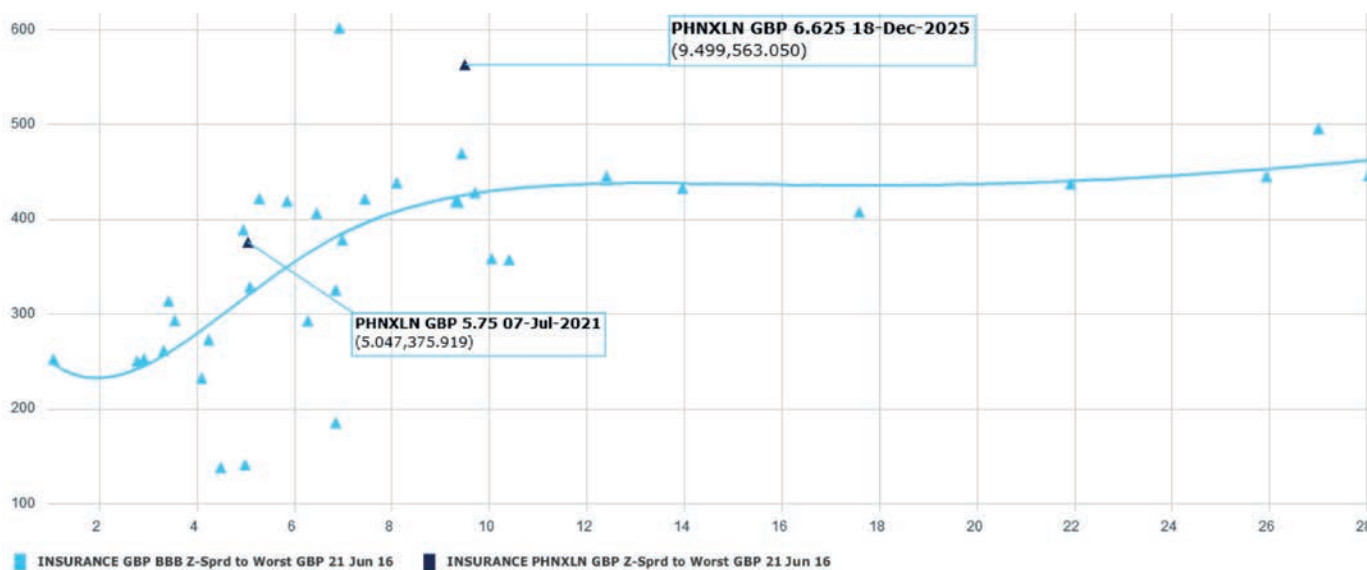
Capacity: The ability of an issuer to repay its debts. In-depth analysis of the cashflow in a business is key to this part of the overall approach.

Collateral: The quality of the assets of any company is of paramount importance. Tangible assets can always be sold, whereas in-tangibles cannot. 'Real' assets are good sources of cashflow during good and bad times.

Covenants: These are the terms and conditions detailed in the bond prospectus that govern the way the management may operate the business. At times, they can restrict managements' options. A covenant default can often be the first warning sign of impending trouble. Covenants play an important role in minimising investor risk when lending to corporates.

VALUATION — AN EXAMPLE

Phoenix Group



Source: Barclays Capital Live Curve

Valuation model

Name	Cpn	Maturity	Yield	Duration	YC score	Rating	Rank	6m Vol	1yr Vol	6m R/A yield	1y R/A yield
TSB Banking Group Plc	5.75	06/05/2021	6.38	2.22	2.31	BBB3	T2	2.01	1.80	3.18	3.54
Paragon Banking Group Plc	6	28/08/2024	4.79	4.65	1.88	BBB2	SENR	3.59	3.58	1.33	1.34
Cybg Plc	3.125	22/06/2024	4.63	5.36	1.68	BBB2	SENR	3.61	3.35	1.28	1.38
Phoenix Group Holdings	6.625	18/12/2025	5.82	5.61	1.68	BBB2	SUB	3.03	3.05	1.92	1.91
Lloyds Bank plc	13	22/01/2029	6.34	7.16	1.67	BB1	T1	2.25	1.97	2.82	3.22
Places for People Fin	4.25	15/12/2023	3.71	4.38	1.61	A2	SENR	1.00	0.98	3.71	3.79
Investec Plc	4.5	05/05/2022	3.06	2.99	0.85	BBB1	SENR	1.45	1.68	2.10	1.82
AXA	6.686	06/07/2026	4.77	5.59	0.71	BBB2	JSUB	2.55	2.72	1.87	1.75
Skipton Building Society	1.75	30/06/2022	2.95	3.30	0.68	BBB1	SENR	1.74	1.88	1.69	1.57

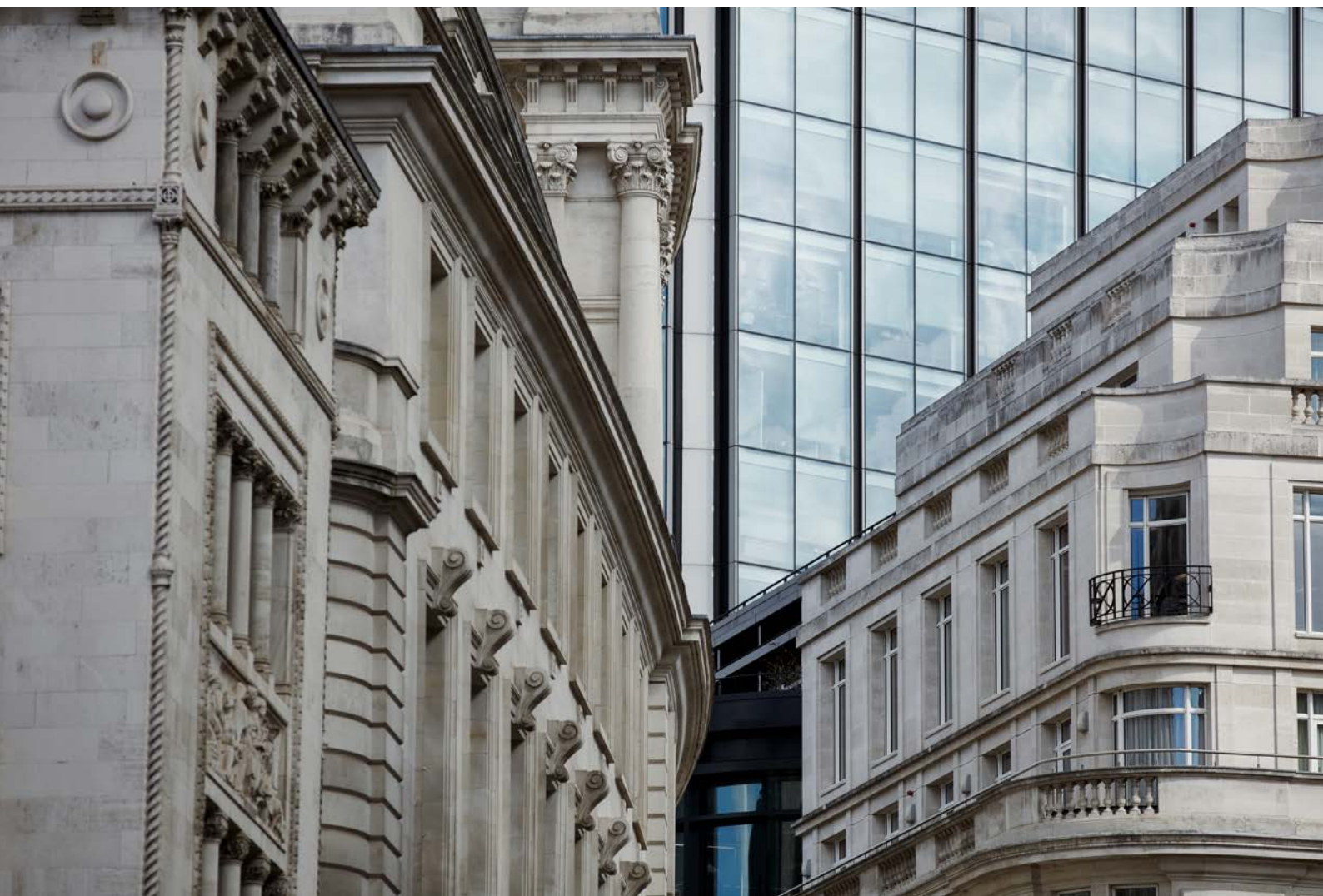
Source: Bloomberg and Rathbones, as at 21.01.2019

YC score

A valuation measure based on the excess yield a bond provides relative to a Rathbones fair value yield curve model. Fair value yield curves are determined by bonds with similar characteristics – i.e. credit rating, subordination (whether the bond is paid back first or after other creditors in a default) and currency.

Risk adjusted yield

This measure calculates how much yield a bond provides per unit of risk. By looking at daily pricing data for a bond, we calculate standard deviations (risk) over six months, one year and three years. We then divide a bond's current yield by its risk to provide a measure similar to a Sharpe ratio (a way to compare returns from assets with different levels of risk) for each bond.



A SNAPSHOT OF THE FUND

WE AIM TO DELIVER A BETTER RETURN THAN THE IA STERLING STRATEGIC BOND SECTOR WITH LOWER VOLATILITY THAN THE MEDIAN OF THE IA STERLING STRATEGIC BOND SECTOR OVER ANY FIVE-YEAR PERIOD.

Key features:

- Flexibility to invest across the full spectrum of fixed income sub-asset classes. The fund will maintain a wide range of investment powers to maximise the potential for strong risk-adjusted returns.
- A truly strategic fund with set asset allocation boundaries and an explicit focus on volatility, as well as targeting low correlation to global equity markets (the MSCI World Index is considered a suitable representative of global equity markets for this purpose).
- A vastly experienced team with a proven track record and process



ADDITIONAL INFORMATION

ANY VIEWS AND OPINIONS ARE THOSE OF THE INVESTMENT MANAGERS, AND COVERAGE OF ANY ASSETS HELD MUST BE TAKEN IN CONTEXT OF THE CONSTITUTION OF THE FUND AND IN NO WAY REFLECT AN INVESTMENT RECOMMENDATION.

Rathbones Group Plc is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

Rathbones Asset Management Limited is authorised and regulated by the Financial Conduct Authority. Registered office: 8 Finsbury Circus, London EC2M 7AZ, Registered in England No. 02376568.

Rathbones Investment Management Limited, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered office: Port of Liverpool Building, Pier Head, Liverpool, L3 1NW, Registered in England No. 01448919.

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Call

020 7399 0399

Visit

rathbonesam.com

Email

ram@rathbones.com

 @RathbonesPlc

 @RathbonesGroup

 Rathbones Asset Management