

**SHINING A LIGHT ON.....
RATHBONE ETHICAL BOND FUND**

Update....

We reviewed this fund in 2014. Our concern with bonds remains that we are uncertain as to what returns can be gained going forward, what we believe is that these returns will be lower than they have been with potentially greater volatility but this is by no means certain.

For those looking for a Corporate Bond Fund this is certainly one worthy of consideration. It is not only a well-managed fund but has a track record of performance to support this.

In the update with the manager I was interested to discuss the theme based approach that Bryn takes. In the last update he used the example of investing in railways as more people turned to using them due to high oil prices.

He explained that now oil prices are cheaper and likely to remain so, Railways seem expensive and now he is looking for ways to exploit this. This I think reflects the different approach that Bryn takes. It is as much about being on the ground and looking for anomalies as it is searching out the best investment. You can find the best investment but if the market is against you it just won't work!

The fund continues to favour financials with the likes of Principality and Friends Life being the types of holdings he likes. The area which remains different is social finance and housing which is nearly 12% of the fund.

There were two projects which the fund supports. The first is Midlands Together where the fund lent money. The project buys beaten up properties, and actively looks to employ ex-offenders so that they can redevelop the properties and sell as low cost housing. Currently the yield on this is 4%. There are a number of social benefits of this including redevelopment, employment and environmentally friendly properties.

The other project is Places for People – we mentioned this in the last update. This project focuses on social and environmental development and not just building homes. By creating a community it means voids are low and provides a good investment opportunity.

In summary this is a corporate bond fund and it is likely that returns will be squeezed however Bryn operates a relatively small fund and his ability to look for trends as well as invest in social projects means that he does have the potential ability to continue to deliver positive returns.

LWM Consultants Ltd

Fund performance

Performance vs iShares £ Corporate Bond from 2010 to 31 March 2015 is shown below:

	2010	2011	2012	2013	2014	2015
Rathbone Ethical Bond Fund	16.11%	3.08%	19.09%	5.95%	12.03%	3.23%
iShares £ Corporate Bond ETF	8.69%	10.73%	9.24%	0.17%	13.23%	3.10%

	1 Year	3 Years	5 Years
Rathbone Ethical Bond Fund	11.92%	39.14%	63.89%
iShares £ Corporate Bond ETF	14.26%	26.86%	49.10%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

The source of information in this note has been provided by Rathbone and is correct as at April 2015. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.