

SHINING A LIGHT ON THE..... Rathbone Ethical Bond Fund

AT A GLANCE

Investment Objective
The objective of the fund is to deliver a greater total return than the IA Sterling Corporate Bond sector, after fees, over any rolling five-year period. There is no guarantee that this investment objective will be achieved over five years, or any other time period. The manager uses the IA Sterling Corporate Bond sector as a target for our fund's return because we aim to consistently outperform the average return of our competitors. To meet the objective, the fund manager will invest at least 80% of our fund in corporate bonds with an investment-grade rating (AAA to BBB-). The remaining 20% of the fund is invested in corporate bonds with a credit rating below BBB- or with no rating at all. Up to 10% of the fund can be invested directly in contingent convertible bonds. The fund may invest globally but at least 80% of the portfolio will be invested in sterling denominated assets or hedged back to sterling.

Fund Factsheet Link
https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000NQ9V

Management	
Manager Name	Start Date
Bryn Jones	1 st November 2004
Noelle Cazalis	1 st January 2016

FUND PERFORMANCE

Performance from 1st January 2017 to 31st August 2022:

	2017	2018	2019	2020	2021	2022
Rathbone Ethical Bond Fund	10.12%	-3.68%	11.61%	8.26%	-1.03%	-15.44%
IA Sterling Corporate Bond	5.24%	-2.20%	9.52%	7.87%	-1.95%	-14.38%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Rathbone Ethical Bond Fund	-17.20%	-7.88%	-1.06%	141.32%
IA Sterling Corporate Bond	-15.86%	-9.57%	-2.63%	106.44%

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.

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Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Credit Quality
2.83	96.96	84.76	63.89	0.98	1.49	-

Volatility Measurements	
3-Yr Std Dev (volatility)	7.86%
3-Yr Mean Return (average)	-2.70%

Credit Quality	
AAA	-
AA	-
A	-
BBB	-
BB	-
B	-
Below B	-
Not Rated	-

Top 5 Holdings – 218 bond holdings, 105 other holdings		
HSBC Capital Funding (Sterling 1...	-	2.74%
Axa SA 6.379%	-	2.00%
Scottish Widows Ltd. 7%	-	1.97%
Lloyds Banking Group PLC 2.707%	-	1.82%
Aviva PLC 6.875%	-	1.56%

Fixed Income	
Effective Maturity	-
Effective Duration	-

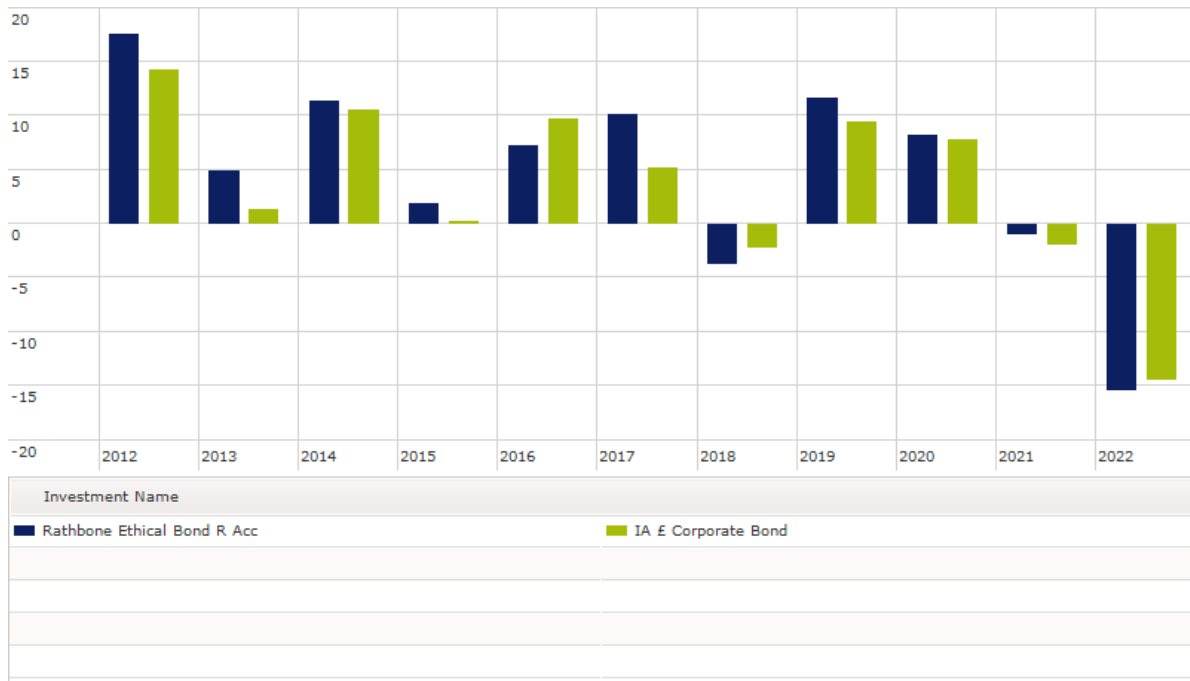
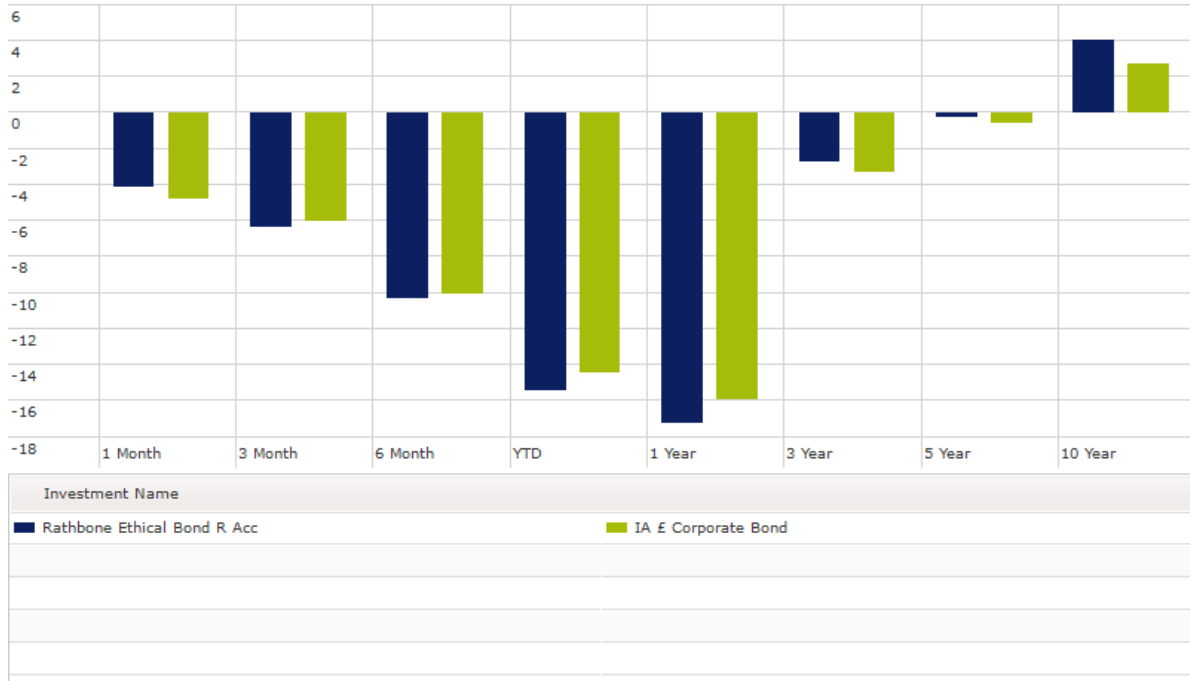
Fund Benchmark	IA Sterling Corporate Bond
Fund size (Mil)	GBP 2232.94
Ongoing Charge	0.76%

Bull (pros)	Bear (cons)
<ul style="list-style-type: none"> One of the most recognized ethical bond managers and teams Focus on high quality investment grade bonds Holdings include social and affordable housing 	<ul style="list-style-type: none"> Not a strategic bond performance

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UPDATE....

We have held this in our Positive Impact Portfolios since launch in 2014. The performance has been consistent although the last 12-months have been difficult for the fund and the wider bond market. This is illustrated in the charts below:



Bryn has managed the fund for 18 years and the team has expanded to seven people. The fund has received an array of awards over the years and this reflects the style this fund follows. This has an ethical screen and therefore it is exclusionary. So, areas like fossil fuels are excluded.

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The market environment for bonds has been hard and in fact is the worse year since 1778. Bryn feels that from this point onwards investors are being compensated for the risk they take. The fund does invest across areas such as social housing and affordable homes.

We discussed the impact of social and affordable homes on the wider market as this can sometimes be seen as contributing to the housing crisis. Bryn used two examples:

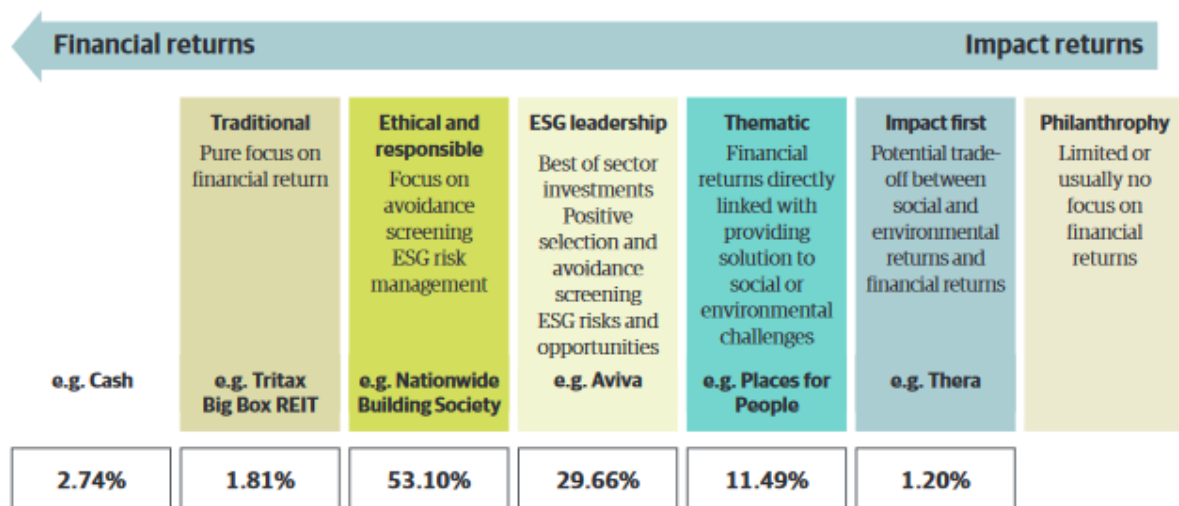
Places for People create communities and often build next to well-off neighbourhoods. One result they have seen is that unemployment within these communities is lower than similar projects in less well-off neighbourhoods

Dolphin Living have developed affordable homes in Soho where a 2-bed flat is charging rent at 4 times below the level of soho rents, and this is changing people's lives

His view is that choosing the right investments, far from contributing to the housing crises, enable people to be in a significantly better place.

The fund's style is described as ethically balanced, applying both positive and negative screening. The chart below shows how the fund is split in terms of financial and impact returns.

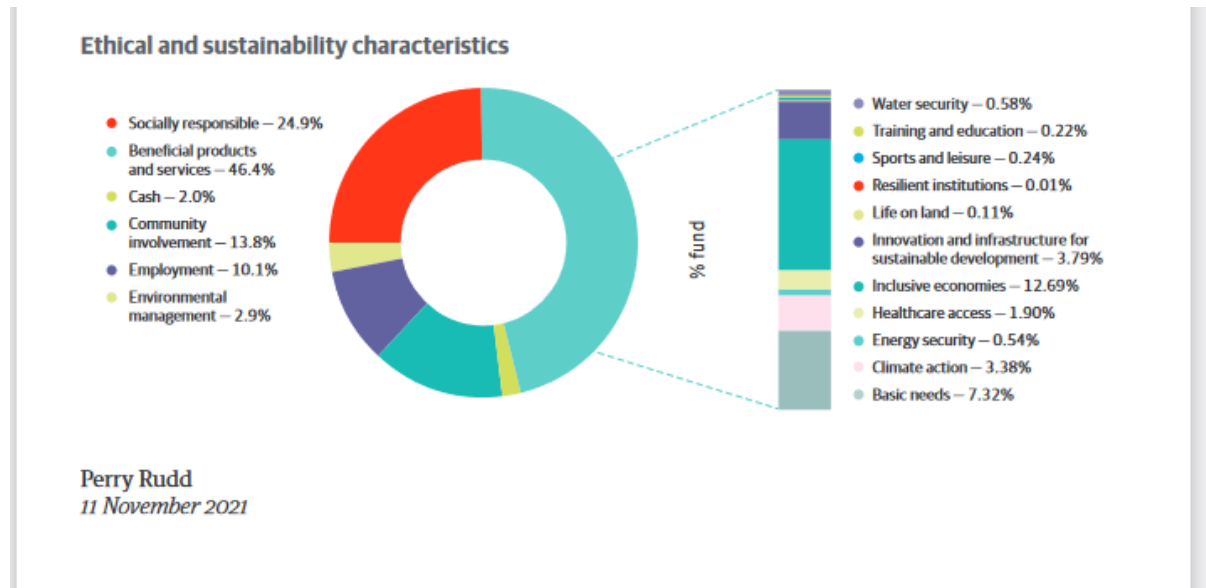
Spectrum of capital



Source: Graphic modified from Bridges Fund Management's *The Bridges Spectrum of Capital*

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The chart below shows the funds exposure to companies offering solutions to various sustainability challenges as well as the primary ethical attributes of the remaining portion of the fund's portfolio.



In summary, this is probably one of the best-known ethical bond funds, with a stable team going back many years. Although performance has been mixed recently, this reflects the wider market, and they feel that investors are now being compensated to hold bonds. This is an exclusionary fund that focuses purely on corporate bonds. The only potential downside is that this is not a strategic bond so does not invest across the whole market.

The source of information in this note has been provided by Rathbone and is correct as of September 2022. 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 decide based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.