

RATHBONE ETHICAL BOND FUND - GBP

INVESTMENT RESEARCH NOTE
MARCH 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

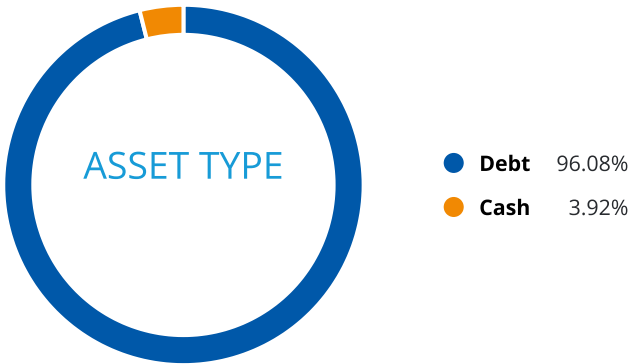
SUMMARY

Rathbone Investment Management is a long established UK investment business with its roots in Liverpool.

Rathbone Ethical Bond Fund is managed by Bryn Jones, who has over 22 years investment industry experience, and Noelle Cazalis, with 11 years' experience. They are supported both by Rathbone's fixed income team and Rathbone Greenbank, the group's dedicated ethical investment and ethical research operation.

The Fund invests primarily in investment grade UK corporate bonds that are subject to strict and intensive ethical criteria and review including a dedicated ethical committee that must pre-approve new investments. Notwithstanding the strict ethical criteria, any potential investment must also pass the managers' pure investment criteria covering credit analysis the interest rate environment and portfolio construction.

The ethical approach requires companies to pass specific exclusions, such as alcohol, armaments, pornography or gambling. It then requires companies to exhibit progressive practices or policies in at least one designated area such as corporate community investment, human rights or the provision of beneficial products and services (e.g. waste re-cycling or social housing).



INVESTMENT PROCESS

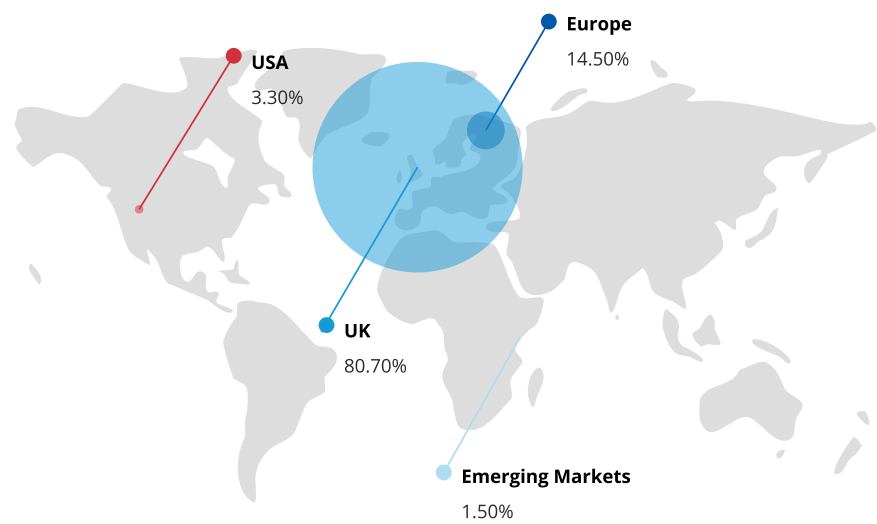
The strategy revolves around a combination of bottom up analysis and macro-economic assessment. In-depth analysis of the current macro environment provides a view on the likely direction of future economic growth, inflation, and interest rates. This helps the selection of the overall maturity, duration, and credit quality of the fund. The team subsequently examines each individual issuer using four principles to cover credit analysis. The team apply their 'Four Cs Plus' principle (the 'Plus' referring to conviction):

1. Character: An assessment is made of a company's management quality and their ability to meet their own and the market's expectations. The ethical research team in Bristol supports this because reputational risk at the management level is currently very high.
2. 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.
3. Collateral: The quality of the assets of any company is of paramount importance. 'Real' assets are considered by the team as good sources of cashflow during good and bad times.
4. 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.

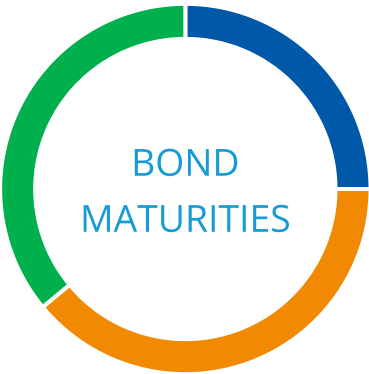
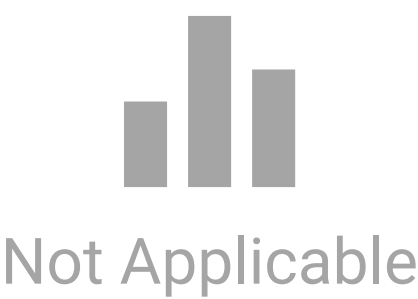
There are limits for each individual issuer in terms of percentage of the whole fund. The team selects those bonds with the best return expectations that collectively meet the macro-economic environment the team has assessed. The issuers of these bonds are then reviewed by Rathbone Greenbank's ethical research team to ensure that they do not participate in activities outside the ethical remit, such as alcohol, animal testing, etc. Issuers passing this screen must also exhibit strong policies in one of several positive areas. Finally, the proposed investment has to be agreed by the funds internal ethical committee.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Short Term (1-3 yr)	25.00%
Intermediate Term (3-10 yr)	39.00%
Long Term (>10 yr)	36.00%



Investment Grade	77.00%
Speculative Grade/High Yield	23.00%

OVERALL PERFORMANCE

● Rathbone Ethical Bond I Acc ● Sterling Aggregate Corporate TR GBP

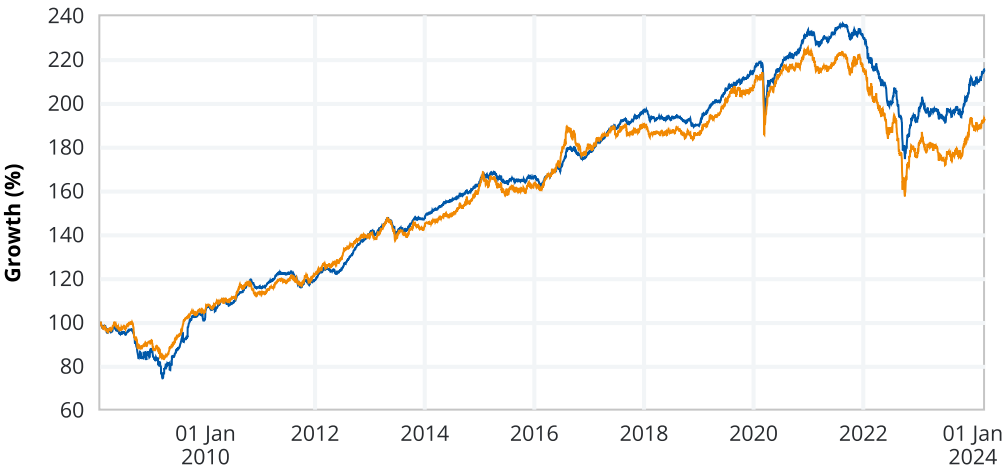
GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



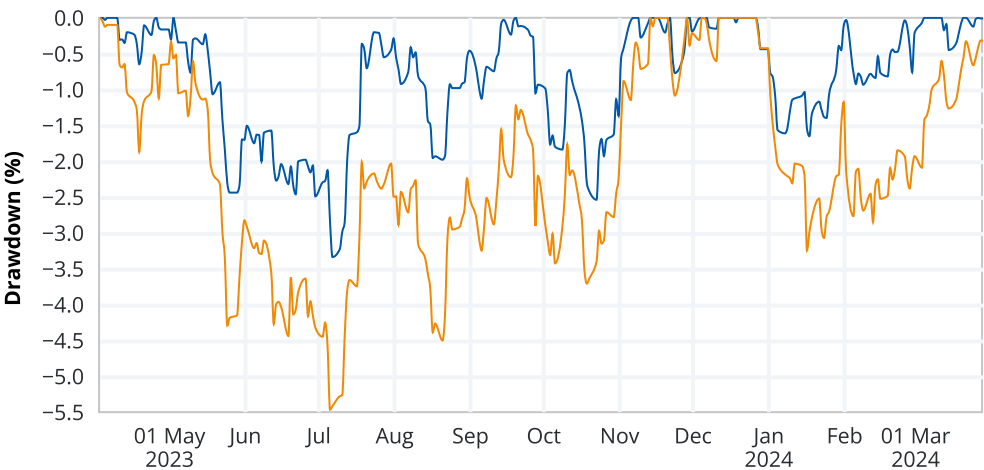
GROWTH (%) - FROM INCEPTION

7 Feb 2008 - 29 Mar 2024



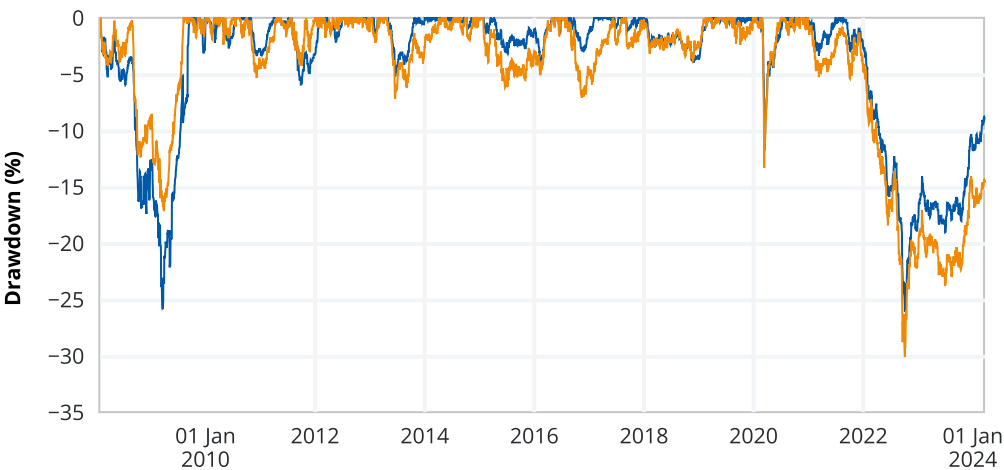
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



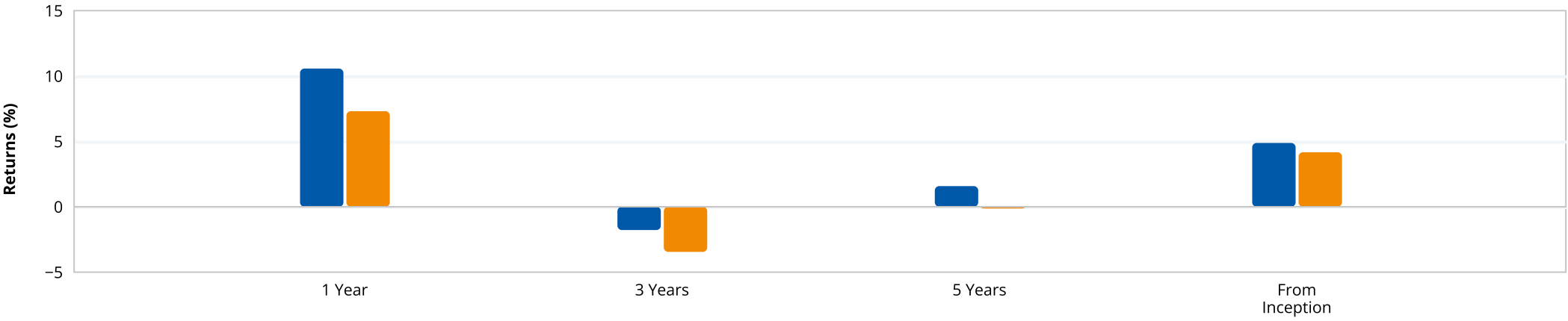
DRAWDOWN (%) - FROM INCEPTION

7 Feb 2008 - 29 Mar 2024



RETURNS

Rathbone Ethical Bond I Acc Sterling Aggregate Corporate TR GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.01	-0.31	2.47										2.14
2023	3.97	-1.68	-0.46	1.13	-1.38	-0.81	2.10	-0.12	0.04	-0.21	3.39	3.88	10.08
2022	-2.41	-3.29	-0.68	-2.72	-0.79	-5.12	3.07	-4.02	-8.59	2.97	4.24	-0.64	-17.21
2021	-0.37	-2.03	0.20	1.02	0.06	1.22	0.94	0.47	-1.38	-0.44	0.08	-0.14	-0.41
2020	2.10	-0.50	-7.13	4.59	1.27	1.16	2.12	0.33	0.51	0.42	2.50	1.66	8.94
2019	2.52	0.50	1.79	0.84	0.11	1.67	1.29	1.05	0.37	0.72	0.50	0.28	12.27

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Rathbone Ethical Bond I Acc	10.57	-1.78	1.58	4.88
Sterling Aggregate Corporate TR GBP	7.31	-3.45	-0.13	4.17

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Rathbone Ethical Bond I Acc	10.48	-5.23	8.10	115.22
Sterling Aggregate Corporate TR GBP	7.26	-9.95	-0.65	92.86

Rathbone Ethical Bond I Acc

Sterling Aggregate Corporate TR GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	<div></div>	<div></div>
RETURNS (%)	10.57	7.31
VOLATILITY (%)	4.79	6.47
ALPHA	0.06 *	
BETA	0.84 *	1.00
CORRELATION	0.95 *	1.00
SHARPE RATIO	1.12	0.35
SORTINO RATIO	1.76	0.51
MAX DRAWDOWN (%)	-3.34	-5.47

*Calculated over a 3 year period where history permits.

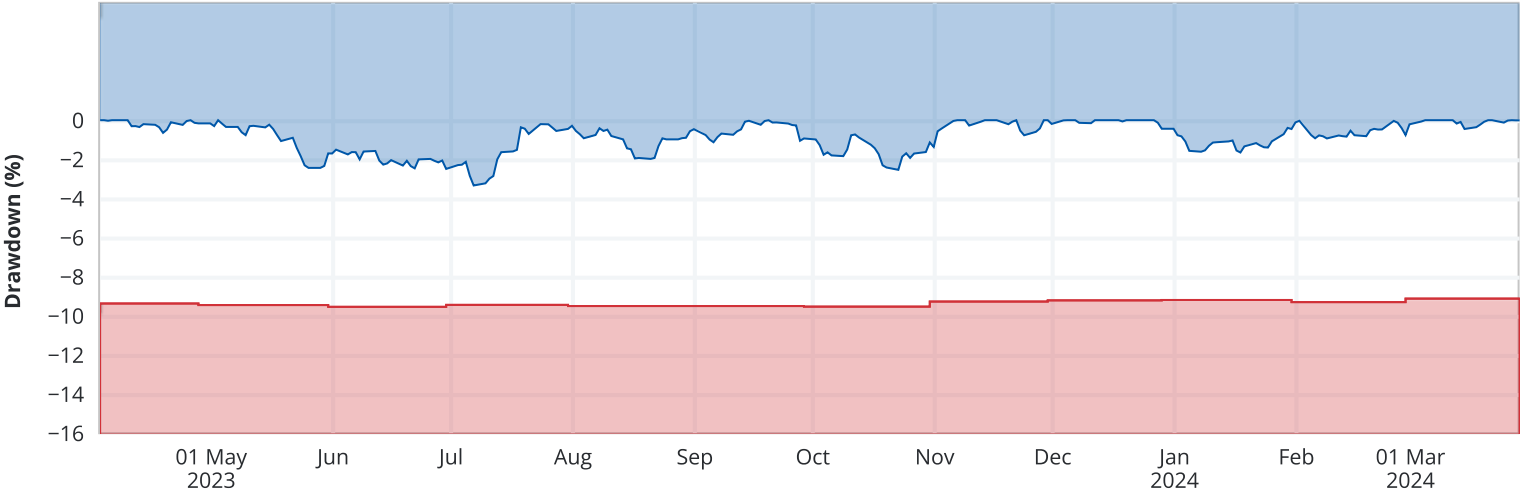
PERFORMANCE - FROM INCEPTION

7 Feb 2008 - 29 Mar 2024

	<div></div>	<div></div>
RETURNS (%)	4.88	4.17
VOLATILITY (%)	5.59	6.18
ALPHA	0.11	
BETA	0.79	1.00
CORRELATION	0.82	1.00
SHARPE RATIO	0.64	0.47
SORTINO RATIO	0.90	0.66
MAX DRAWDOWN (%)	-26.10	-30.11

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).