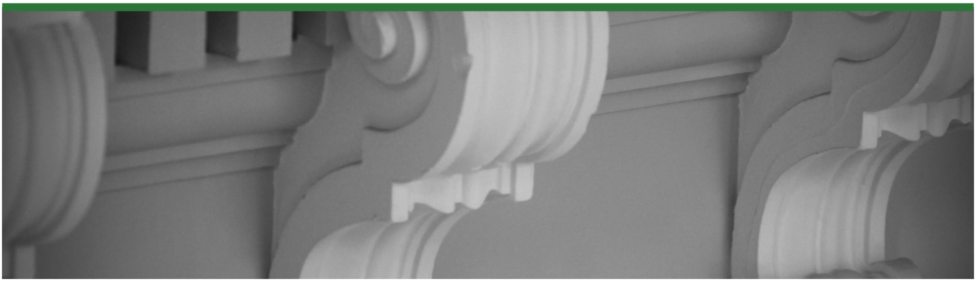
RATHBONE UNIT TRUST MANAGEMENT
FUND MANAGEMENT FOR YOUR INVESTMENT NEEDS

Rathbone Ethical Bond Fund

Short report for the year ended 30 April 2013



Manager's report for the year ended 30 April 2013

During the 12 months to 30 April 2013, the FTSE All-Stock Gilt index returned 5.99% (total return). The iBoxx Sterling Non-Gilt index returned 15.14% and, the IMA Sterling Corporate Bond sector retuned 14.39%. Over the period in question, your fund returned 16.45%.

The ten-year gilt yield started the period at 2.11%. The start of the year was a period where there was a shift into 'safe havens' as investors worried about a "Grexit" (the possibility of Greece leaving the European Union), and prospective contagion to other European economies, such as Spain and Italy. There was no let-up in June, which was compounded by weak economic data and disappointing outlooks from the US and China. As a result, the US Federal Reserve embarked on 'Operation Twist', further forcing down long bond yields, with low rates anchoring the front end of the curve. The UK also employed more Quantative Easing, adding another £50 billion of purchases to its remit. By late summer, it was the turn of the European Central Bank, with its "we will do what ever it takes" philosophy, that put a floor under weakening bond prices in European government bonds, and helped risk assets move aggressively upwards toward the back-end of 2012.

In our half-yearly commentary, we highlighted our concerns about a sell-off in government bond markets impacting bond returns during 2013. We did not have to wait long, as January saw ten-year Gilt yields rise from the year-end level of 1.83%, to close January at 2.10%. Credit markets rallied at first, however, but ructions in Spain and Italy rocked the boat, and we started seeing credit coming under more strain. The biggest surprise came from the no-change announcement in relation to the RPI re-calculation, and index-linked Gilts rallied significantly. February saw the UK lose its investment grade rating, as it received a downgrade to Aa1. The reaction from the Gilt market was muted, but Sterling came under pressure. March saw the fall-out from the Cypriot bank collapses. On a relative basis, April was a benign month, with the most positive news coming from a revision up for UK Q1 Gross Domestic Product.

On the purchase side, during the period we added duration by buying the EIB 6% 2028 and the KFW 6% 2028. In purchasing the Nationwide 7.971% VRN, we added to a bond that will perform well as the Nationwide Building Society looks to strengthen its capital structure. We added to a bond called Suncorp Metway 6.25% 2027 which has a strong balance sheet and attractive valuation and we added to a preferred name in the Insurance Australia 5.62% 2026.

On the sell side, during the period we disposed of British Land 6.75% 2020 after a rally in prices meant that the yield was not sufficient to reach our target yield. The sale of both the EIB 6% 2028 bond and the KFW 6% 2028 bond was to manage our duration position. We sold Holmes Master 4.009% 2054 as yields rallied to a level that was too low and therefore insufficient for the returns we want to generate. Lastly, we sold the Standard Life 6.546% 2020 variable rate note as the bond rallied to levels where valuations looked stretched.

As we review the last year, there has been an unprecedented level of activity on a macro, political and company basis. The outlook to the end of the year is an interesting one to say the least. We have already experienced reasonable rises in the yield levels of Gilts and US Treasuries that have put pressure on returns. Add to this the fact that credit spreads have struggled, credit portfolios might experience some difficulties in posting positive returns over the next few months. Where possible, we have positioned some of the fund in RMBS (Residential mortgage-backed securities), with floating coupons, as well as traditional floating rate corporates, both as a defensive measure against the continued weakness in bond markets from QE tapering and the extraction of the huge support central banks have given risk markets over the last few years.

We are pleased with the your fund's returns, and we hope to navigate it over the next 12 months in similar fashion, whereby the outlook and journey is likely to be as equally as challenging, if not more so.

Bryn Jones
7 June 2013

Social change

In January 2013, the fund bought bonds issued by the Together Housing Group (THG) as part of a public issue which raised £250 million. The original issue was five times oversubscribed, illustrating the enthusiasm of investors for the social housing sector in general, and THG's issue in particular. The bond issue will provide THG with funding to build new homes and to deliver its ambitious social housing regeneration and property development plans in the north of England. Together Housing was formed in April 2011 when six housing associations from across Lancashire and Yorkshire came together, and now manages over 35,000 homes. The group is among the 20 largest housing associations in the UK. Its core business strategy is to provide rental and social housing properties to tenants in need. It also provides a wide range of supporting services such as repairs and neighbourhood management, with the aim of continually improving communities. The group also aims to reduce the impact of its properties on the environment by installing a range of energy efficiency schemes and solar panels in both new and old houses. THG has secured £15 million in grant funding from the Homes and Communities Agency to help build 783 new homes across the group by 2016; all will incorporate environmentally-friendly technology.

Having been the first UK charity to launch a bond issue to the public back in 2003, Mencap's housing arm, Golden Lane Housing (GLH), launched another £10 million charity bond in April 2013 (in partnership with Triodos Bank) to raise money to buy homes for people with learning disabilities. The fund participated in this issue to the sum of £400,000, thus helping to ensure the success of the UK's largest ever charity bond issue. The bond was developed to address the chronic shortage of housing for people with a learning disability, and will enable GLH to provide high quality housing of the right type and in the right location, and adapted to the needs of the tenants. The issue was the first tranche of a total issue which is looking to raise £30 million over the next few years. Recent Mencap research found that four-fifths of councils in England and Wales had reported a housing shortage for adults with a learning disability in their areas, with some two-thirds stating that this has worsened in the last twelve months. Demand is set to grow further due to cuts in local authority budgets and a Government commitment to return many of the 3,000 people currently in long-stay hospitals to their local communities.

Education

In March 2013, the fund invested in University Partnerships Programme (UPP). UPP is the leading operator and developer of quality residential accommodation and asset management services in partnership with the university sector. Established in 1998, it is the largest provider of on-campus residential and academic accommodation in the UK. With a business model based on long-term partnerships with leading universities, UPP delivers an integrated service including funding, design, construction and operation of student accommodation. PGGM Infrastructure Fund 2010 (managed by the leading Dutch pension provider) owns a 60% controlling share in UPP, with the other 40% owned by the People's Bank of China.

Screening activity

During the period, the fund's ethical screening research provider, Rathbone Greenbank Investments, screened 16 new bond issuers on behalf of the fund; 15 were approved for investment and one was rejected on the grounds of involvement in operating casinos. A further 13 existing issuers were reviewed for ongoing suitability.

Perry Rudd
5 June 2013

Net asset value per unit and comparative tables

Fund size

Date	Net Asset Value £	Attributable to	Units in issue	Net Asset Value (pence per unit)
30 April 2011	43,561,796	R-Class Income	52,248,578	83.37
30 April 2011	17,256,704	R-Class Accumulation	13,273,742	130.01
30 April 2012	55,347,182	R-Class Income	69,459,135	79.68
30 April 2012	29,803,309	R-Class Accumulation	22,763,328	130.93
30 April 2012	563,988	I-Class Income*	703,643	80.15
30 April 2012	21,001	I-Class Accumulation*	16,070	130.68
30 April 2013	33,683,735	R-Class Income	37,614,126	89.55
30 April 2013	40,264,928	R-Class Accumulation	25,967,339	155.06
30 April 2013	37,454,835	I-Class Income	41,311,231	90.67
30 April 2013	2,477,360	I-Class Accumulation	1,594,227	155.40

Income record

Year	R-Class Income Units Net income per unit (p)	R-Class Accumulation Units Net income per unit (p)	I-Class Income Units* Net income per unit (p)	I-Class Accumulation Units* Net income per unit (p)
2008	4.16	5.41	n/a	n/a
2009	4.20	5.77	n/a	n/a
2010	4.89	7.14	n/a	n/a
2011	4.38	6.76	n/a	n/a
2012	4.69	7.66	3.28	4.97
2013**	1.94	3.31	1.96	3.21

* I-Class was launched on 1 March 2012 at 82.46p (I-Class income) and 133.54p (I-Class accumulation).
** To 30 June 2013

The annual management fee is taken from the capital of the fund. This will enhance income but will restrict capital growth.

For more information on our charges, please visit the fund-specific pages of our website www.rutm.com

Distributions

A distribution of 0.94p and 0.95p will be paid to R-Class Income unitholders and I-Class Income unitholders respectively on 30 June 2013.

The total distribution for the period under review amounts to 4.47p per R-Class Income unit and 4.52p per I-Class Income unit with 4.27p per R-Class Income unit and 0.72p per I-Class Income unit for the same period last year.

Risk factors

An investment in a unit trust should be regarded as a medium to long term investment. Investors should be aware that the price of units and the revenue 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 fluctuation in exchange rates, which can be favourable or unfavourable.

Ongoing Charges Figure

R-Class Income Units

Expense type	**30.04.13**	**30.04.12**
Manager's periodic charge	1.25%	1.25%
Other expenses	0.12%	0.11%
Ongoing Charges Figure (OCF)	1.37%	1.36%

R-Class Accumulation Units

Expense type	**30.04.13**	**30.04.12**
Manager's periodic charge	1.25%	1.25%
Other expenses	0.11%	0.12%
Ongoing Charges Figure (OCF)	1.36%	1.37%

I-Class Income Units*

Expense type	**30.04.13**	**30.04.12**
Manager's periodic charge	0.625%	0.625%
Other expenses	0.082%	0.070%
Ongoing Charges Figure (OCF)	0.707%	0.695%

I-Class Accumulation Units*

Expense type	**30.04.13**	**30.04.12**
Manager's periodic charge	0.625%	0.625%
Other expenses	0.294%	0.160%
Ongoing Charges Figure (OCF)	0.919%	0.785%

* I-Class was launched on 1 March 2012.

Risk and reward profile as published in the fund's most recent Key Investor Information Document

1	2	3	4	5	6	7

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.

Risk profile

There is little exposure to credit or cash flow risk. There are no net borrowings and little exposure to liquidity risk because assets can be readily realised to meet redemptions. The main risks arising from the financial instruments are foreign currency, interest rate, market price and counterparty. The fund may invest up to 10% of its net asset in securities for which there is no ready market.

The investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed and the Prospectus and the rules of the Financial Conduct Authority's Collective Investment Scheme Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Top 10 largest holdings

The top 10 holdings at the end of the current year and at the end of the previous year are shown below.

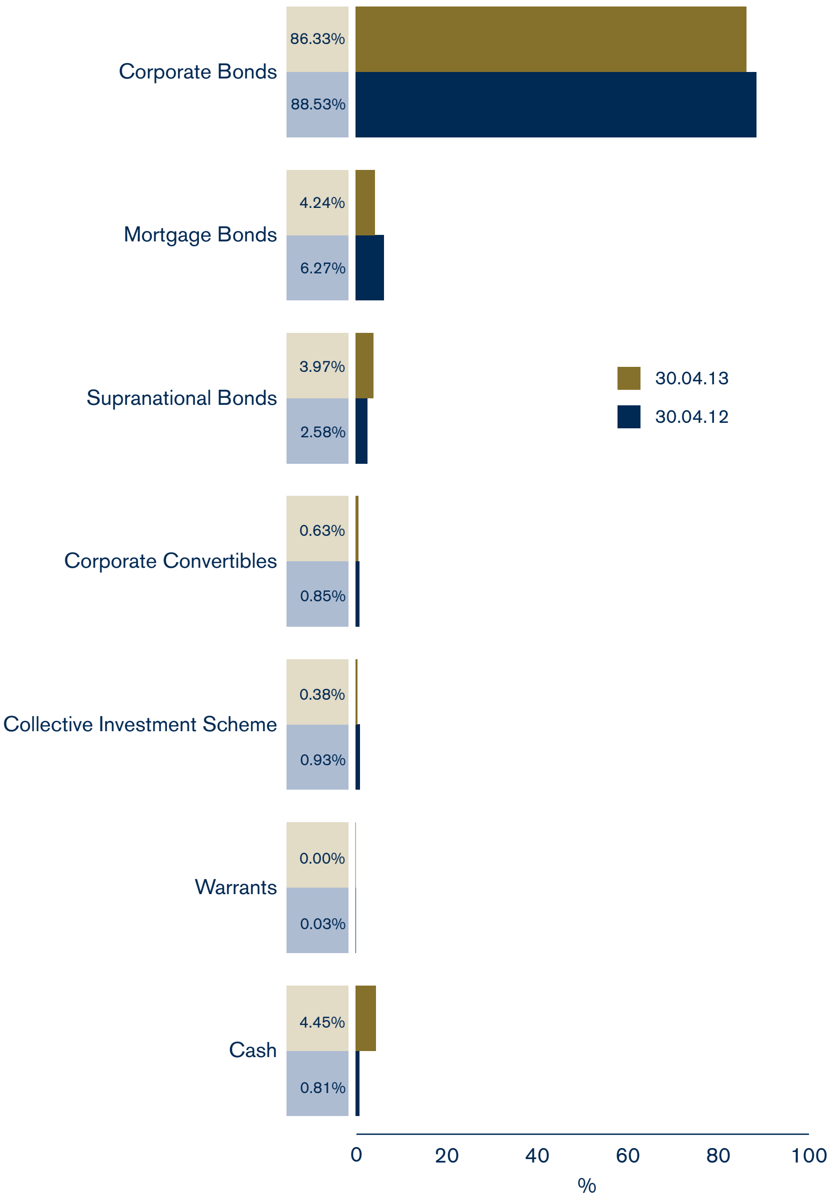
	30.04.13
Insurance Australia 5.62% 2026	2.43%
Suncorp Metway 6.25% 2027	2.28%
Coventry Building Society 6.092% VRN perp	2.06%
BUPA Finance 6.125% 2020	2.04%
Society Lloyds 7.421% VRN perp	2.01%
Lloyds Banking Group FRN 2016	1.95%
Close Brothers 6.5% 2017	1.93%
Principality Building 5.375% 2016	1.92%
Nationwide Building Society 7.971% VRN perp	1.84%
Fresh Finance for Residential Social Housing 11.126% 2058	1.82%

	30.04.12
Holmes 4.009% 2054	3.06%
Standard Life 6.546% 2020	2.51%
Fresh Finance for Residential Social Housing 11.126% 2058	2.36%
British Land 6.75% 2020	2.13%
JP Morgan 6.125% VRN 2017	2.08%
Coventry Building Society 6.092% VRN perp	2.01%
Legal & General Finance 6.385% VRN perp	2.00%
Australia & New Zealand Banking 6.54% perp	1.97%
Close Brothers 6.5% 2017	1.91%
Lloyds Banking Group floating rate notes 2016	1.88%

FRN = Floating Rate Note
VRN = Variable Rate Note

Portfolio information

Sector breakdown



General information

Authorised status

The Rathbone Ethical Bond Fund is an authorised unit trust scheme, authorised by the Financial Conduct Authority on 29 October 2001 and launched in May 2002.

It is a 'UCITS Scheme' authorised under Section 243 of the Financial Services and Markets Act 2000, and the currency of the fund is Pounds Sterling.

Investment objective, policy and strategy

The objective of the fund is to provide a regular, above average income through investing in a range of bonds and bond market instruments that meet a strict criteria ethically and financially.

To meet these objectives, the fund may also invest, at the Manager's discretion, in other transferable securities, money market instruments, warrants, cash and near cash, deposits and units in collective investment schemes. Use may be made of stocklending, borrowing, cash holdings, hedging and other investment techniques permitted by the FCA rules.

Valuation of the fund

The fund is valued on each business day at 12 noon for the purpose of determining prices at which units in the fund may be bought or sold. Valuations may be made at other times on business days with the Trustee'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 www.rutm.com.

Fund composition

The performance data have been based on mid-day bid-market prices ruling on the markets on which the bonds are quoted, on the last business day of the accounting period. All other data have been based on investments valued at the closing bid-market prices on the last business day.

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.

Long report

The full report and accounts are available free of charge upon written request from:

Client Services Department
Rathbone Unit Trust Management Limited
1 Curzon Street
London W1J 5FB

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, a Key Investor Information Document, please write to:

Client Services Department
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London W1J 5FB

All literature is available free of charge.

Information is also available on our website: www.rutm.com

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