BlueBay Global Sovereign Opportunities Fund

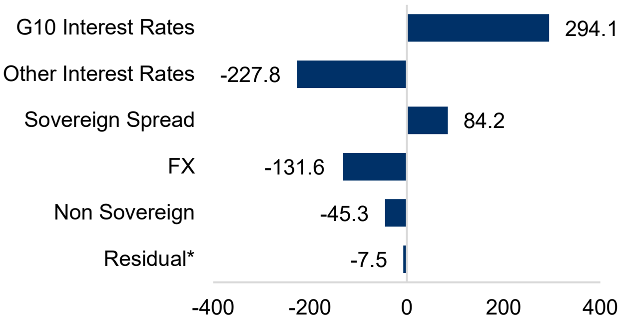
April 2024

Fund Performance (%) Net of Current Fees (USD) [1]

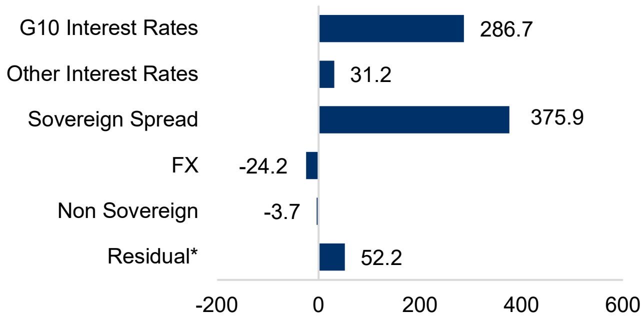
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	1.52	-0.32	-1.76	-0.11									-0.69
2023	0.14	1.39	0.43	-0.02	-0.73	-1.99	4.81	0.40	0.44	0.09	1.29	-1.51	4.68
2022	3.25	0.41	0.72	0.44	2.42	-1.65	0.72	4.21	-0.23	2.15	0.22	2.71	16.32
2021	0.86	1.43	-2.49	-0.01	-1.38	-1.64	-3.11	1.49	2.84	-1.96	-2.30	2.96	-3.51
2020	-1.49	-1.79	-4.85	0.71	3.65	-0.37	0.76	-0.56	-0.03	-1.43	4.69	3.77	2.71
2019	2.25	1.27	-2.88	1.57	-1.86	2.41	1.80	-0.45	2.36	1.17	-1.33	1.55	7.95
2018	3.79	0.21	0.04	-0.61	-1.54	0.07	1.33	-1.49	0.68	-3.29	-0.78	-3.06	-4.83
2017	0.00	0.84	-0.52	-1.34	-0.36	2.91	0.39	-0.13	1.84	0.67	0.42	1.47	6.30
2016	-1.14	0.79	0.19	-0.64	0.35	1.46	3.78	1.48	0.94	1.90	0.79	1.35	11.74
2015	-	-	-	-	-	-	-	-	-	-	-	0.31	0.31

The performance figures listed above are based on the net returns of the I USD Perf Share Class from March 2017 onwards and the I USD Share Class from December 2015 to March 2017. To provide representative comparison for a typical investor, the performance above represents the actual performance of the Fund since inception, but calculated net of fees assuming the standard terms of the I USD Perf Share Class which carry a 1% management fee and 15% performance fee.

*YTD Performance by Strategy (bps) Gross

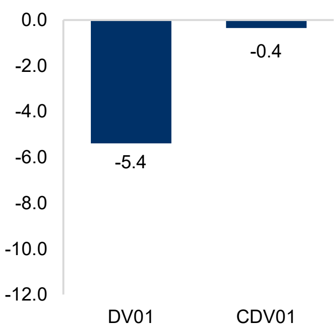


*Since Inception Performance by Strategy (bps) Gross

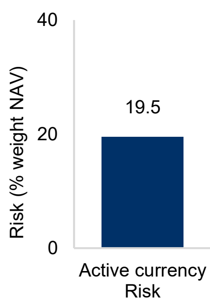


*The performance by strategy charts reflect a change in the methodology for reflecting FX carry returns, introduced in November 2017

Risk Allocation (Duration in Yrs)



Active CCY risk (%, NAV)



Performance Analysis [2] (net of fees) [1]

Annualised return (%) [3]	4.69
Whole months data required to calculate the below	
Annualised volatility (%)	7.22
Sharpe ratio [4]	0.30
Positive months (%)	60.00
Worst drawdown (%)	-9.06
Recovery time (months)	9

Past performance does not predict future returns. The return of your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation. Fees and other expenses will have a negative effect on investment returns.

Investment Objective

Seeks to achieve attractive risk-adjusted returns from a portfolio of interest rates, currencies and fixed income government securities across developed and emerging market countries, including local currency bonds

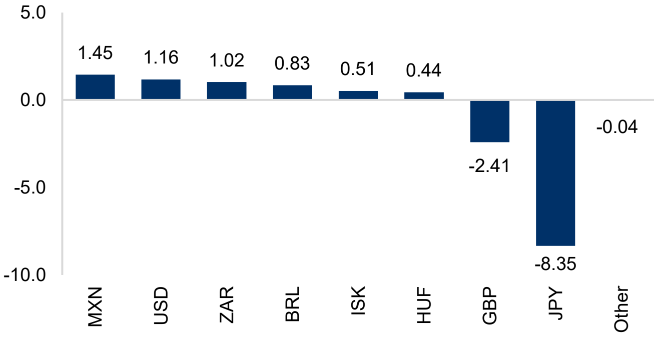
Investment Strategy

- A macro thematic, global government bond strategy trading G10 rates, local markets, sovereign credit and currencies
- The Fund seeks to achieve an annual net return of 10% over a full investment cycle, with an expected volatility of 8%, with 5-15% range.
- An actively traded and highly liquid portfolio that aims to minimise downside risk during periods of market volatility
- The Fund meets the conditions set out in Article 8 of the Sustainable Finance Disclosure Regulation as it promotes environmental/social characteristics through binding requirements as a key feature. Full details available online https://www.rbcbluebay.com/en-gb/institutional/what-we-do/funds/sustainability-related-disclosures/

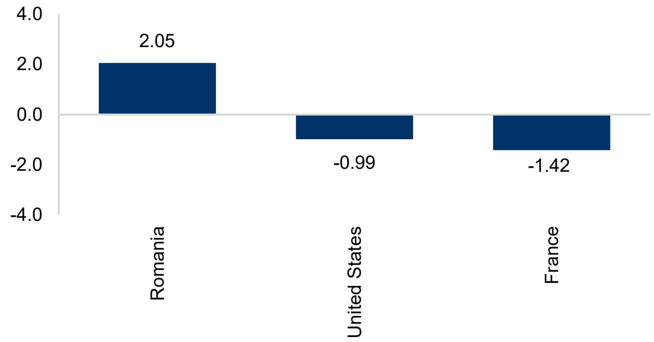
Fund Facts

Total fund size [5]	USD 455m
Inception date	22 December 2015
Base currency	USD
Liquidity	Daily
Fund legal name	BlueBay Funds—BlueBay Global Sovereign Opportunities Fund
Share classes	Further information on available Share Classes and eligibility for this Fund is detailed in BlueBay Funds Prospectus
ISIN	LU1542977316
Class	Class I - USD Shares
Bloomberg	BBGSIUP LX
Fund type	UCITS
Domicile	Luxembourg
Investment manager	RBC Global Asset Management (UK) Limited

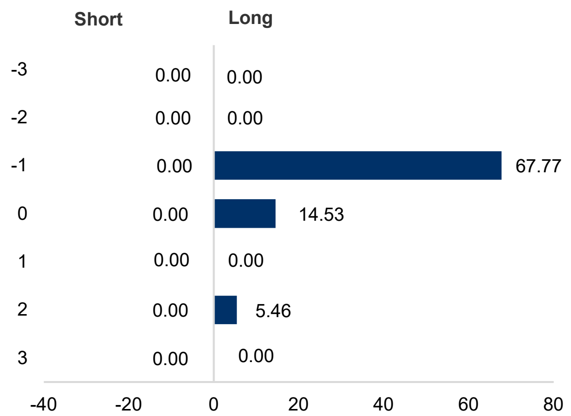
Duration Exposure (duration contribution in yrs)



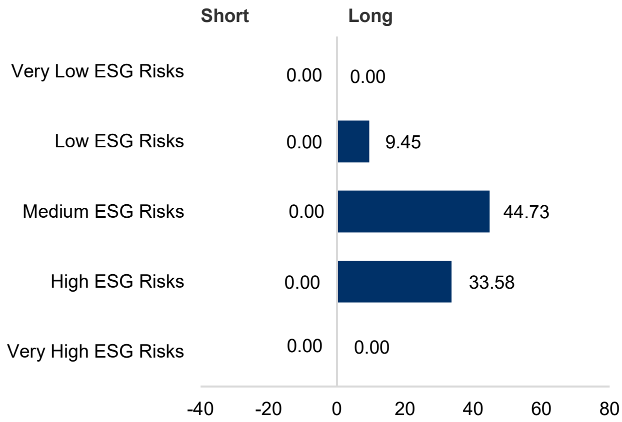
Credit Spread Duration Exposure (spread duration in yrs)



BlueBay: Security Investment ESG Scores (% of NAV)



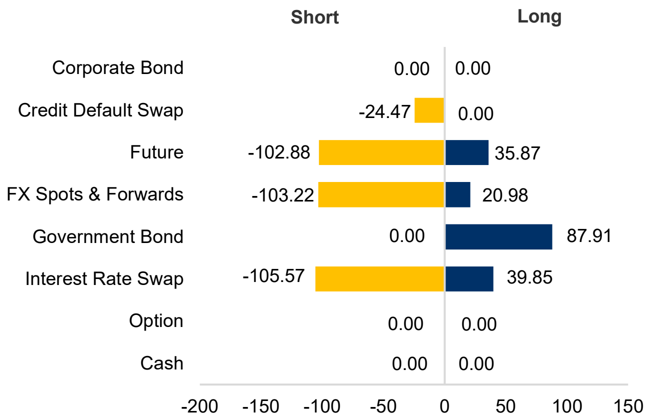
BlueBay: Issuer Investment ESG Scores (% of NAV)



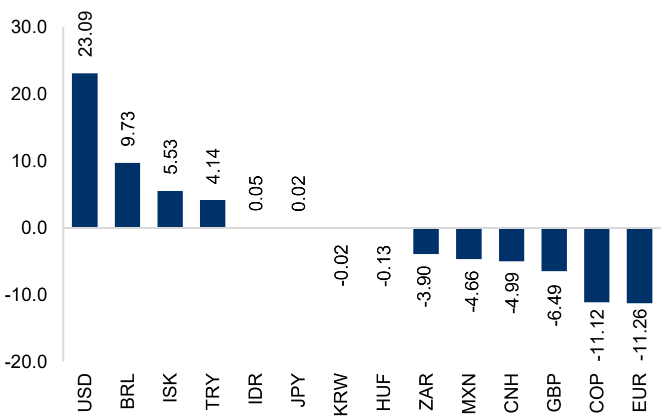
Top Long Issuers by Spread Duration Contribution (yrs)

Issuer	Years (absolute)	Years (relative)	BlueBay ESG Fundamental (Risk) Rating[9]	BlueBay Investment ESG Score[10]
Romanian Government International Bond	2.05	2.05	Medium ESG Risk	-1

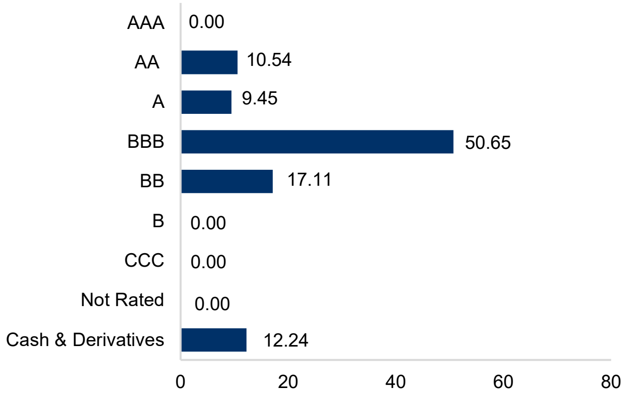
Product Breakdown (% of NAV)



Currency Exposure (% of NAV)



Credit Quality Breakdown (% of NAV)



Portfolio Characteristics

No. of positions	59
No. of issuers	6
Weighted Rating	BBB
Gross long exposure [6]	1.85x
Gross short exposure [6]	-3.36x
Net exposure	-1.52x

Liquidity[7]

	Long	Short
<= 1 day	100.00%	90.66%
> 1 days <= 1 wk	0.00%	9.34%
> 1 wk <= 1 mth	0.00%	0.00%
> 1 month	0.00%	0.00%

Risk Sensitivities (as bps of NAV)

	TOTAL
CDV01 [8]	-0.35
DV01 [9]	-5.39
Equity delta (+1%)	0.00
FX delta (+1%)	-22.95
Equity Vega	0.00
VAR (95%, 1 day) [10]	41.97

Team

	Joined BlueBay	Investment industry experience
Russel Matthews	September 2010	25 years
Mark Dowding	August 2010	30 years

Risk Considerations

- At times, the market for investment grade bonds may dry up, which could make it difficult to sell these bonds, or the fund may only be able to sell them at a discount
- There may be cases where an organisation with which we trade assets or derivatives (usually a financial institution such as a bank) may be unable to fulfil its obligations, which could cause losses to the fund
- Investing in emerging market bonds offers you the chance to gain higher returns through growing your capital and generating income. Nevertheless, there is a greater risk that the organisation which issued the bond will fail, which would result in a loss of income to the fund along with its initial investment
- RBC BlueBay's ESG analysis can rely on input from external providers. Such data may be inaccurate or incomplete or unavailable and RBC BlueBay could assess the ESG risks of securities held incorrectly
- RBC BlueBay could suffer from a failure of its processes, systems and controls – or from such a failure at an organisation on which we rely in order to deliver our services – which could lead to losses for the fund

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Effective from 3 October 2023 the Fund's return target has been adjusted from 8% to 10% per annum over the market cycle, net of fees. The target volatility of the Fund is 8% with a 5-15% range.*

*Targets or objectives reflect the subjective input of the Investment Manager based upon a variety of factors, including but not limited to, the investment strategy and its prior performance, volatility measures, portfolio characteristics, risks and market conditions. Performance targets or objectives should not be relied upon as an indication of actual or projected performance. Actual volatility and returns depend upon a variety of factors. No representation is made any targets or objectives will be achieved, in whole or in part. The alpha target does not form part of the Fund's Investment Objective or legal terms, which are governed by the Fund's applicable subscription and offering materials."

1. While gross of fee figures would reflect the reinvestment of all dividends and earnings, it would not reflect the deduction of investment management and performance fees. An investor's return will be reduced by the deduction of applicable fees which will vary with the rate of return on the strategy. For example, if there was an annualised return of 10% over a 5-year period then the compounding effect of a 0.60% management fee and a 0.20% performance fee would reduce the annualised return to 9.32% (figures used are only to demonstrate the effect of charges and are not an indicator of future performance). In addition, the typical fees and expenses charged to a strategy will offset the strategy's trading profits. A description of the specific fee structure for each BlueBay strategy is contained in the strategy's prospectus
2. Risk statistics are annualized and calculated using weekly data points since inception. Risk statistics will be produced once there are 12 complete months of data available; for meaningful results a minimum sample of 36 data points is recommended and where history is less than 3 years caution should be taken with the interpretation and representation of this data. Returns for periods of less than 1 year have not been annualized in accordance with current industry standard reporting practices
3. Since inception. Cumulative if less than 1 year history
4. The Sharpe Ratio is calculated on a weekly basis before all fees and expenses, relative to the risk free rate. Between July 2018 and October 2022, the Sharpe Ratio was understated in error. This has now been corrected and measures have been put in place to prevent recurrence.
5. The Fund AUM is stated on a T+1 basis and includes non-fee earning assets
6. Exposure is calculated by dividing positions (gross long, gross short, net) by NAV, with exposure measured by market value for cash products, ten year bond equivalents for interest rate derivatives and delta adjusted notionals for other derivatives
7. Estimated periods to liquidate positions without materially impacting market values under normal market conditions, as calculated in accordance with RBC BlueBay's proprietary methodology. Investors should be aware that in other market conditions, for example, during periods of exogenous/systemic or macro shock, liquidity conditions may be notably different from those disclosed above
8. CDv01 represents the exposure of the portfolio in base currency to a decrease in credit spreads in the relevant currency of one basis point across all maturities
9. Dv01 represents the exposure of the portfolio in base currency to a decrease in risk free interest rates in the relevant currency of one basis point across all maturities
10. VaR is calculated using Monte Carlo simulations. The reported figure is the 95% confidence loss amount at a one day horizon. VAR by currency is the contribution to the overall VAR from assets denominated in each currency. Results presented as basis points of NAV
11. Fundamental ESG (Risk) Rating is assigned at an issuer level by RBC BlueBay. Categories range from 'very high' to 'very low' ESG (Risk) Rating and is a function of the ESG risk profile of an issuer and how well it manages these risks.
12. Investment ESG Score is assigned at an issuer level by RBC BlueBay unless otherwise stated (i.e. assigned at the security level). Scores ranges from '+3' through to'-3' and indicates the extent to which ESG is considered investment material, as well as the nature and scale of the materiality impact (i.e. positive credit impact, negative credit impact, no impact).

All data unless otherwise specified is sourced from RBC Global Asset Management, as at 30th April 2024.

Portfolio Managers Comments

Review

April saw weak returns across fixed-income indices, led by a rise in core government yields that more than offset slightly tighter spreads and the positive from the carry/income.

In newsflow for April: there was little action from the major central banks, with the US Federal Reserve (Fed) and Bank of England having no meetings, and the European Central Bank leaving rates on hold, as expected, although it continues to guide towards its meeting on 6 June for the first cut. Somewhat more unexpected was the decision from the Bank of Japan to leave policy unchanged, especially given the weakness of the yen.

In terms of economic data, the US consumer price index (CPI) report marked the third consecutive monthly rise of 0.4% in core prices; although some of this is seasonal, it seems difficult to sustain a narrative that inflation is headed back towards the Fed's 2% target any time soon. We saw US Treasury yields lurch higher on its release. US first-quarter GDP data was a downside miss, but this piece of data is erratic and subject to revision, and we would add that nominal growth remained positive, but it was a surprisingly high deflator that pulled real growth lower. Indeed, we would highlight that with solid employment numbers, and with the Institute for Supply Management survey back above 50 in April, the US economy feels more mid-cycle than late-cycle. European inflation behaved a little better, with the core figure down to 2.7%.

Turning to market moves: as highlighted, core government bond yields moved back higher despite ongoing geopolitical tensions in the Middle East. This upward pressure on yields came as solid data increased the likelihood of 'higher rates for longer' and has probably been exacerbated by investor positioning, which has been on the long side. Looking at 10-year bonds as a proxy: US Treasury yields ended 48 basis points (bps) higher (the worst month since September 2022), while the yields on Bunds and UK Gilts were 28bps and 42bps higher, respectively. Year to date (YTD), this leaves 10-year US Treasuries 80bps higher at 4.68%, 10-year Bunds 56bps higher at 2.58% and 10-year UK Gilts 82bps higher at 4.35%. (Note: in some cases, these change numbers are somewhat distorted by rolls to new underlying benchmark issues). To give some further context to the repricing of rate expectations that we have seen YTD, 2-year US Treasuries have ended April at around 5%, having touched 4.14% in early January.

In terms of what is actually priced into rates markets here: for some time now, the market has been pricing in that rates have peaked and cuts are around the corner, but the expected policy loosening has gradually been pared back as we have moved through the early part of 2024. The US market is now pricing the first Fed rate cut in November or December, with 35bps of cuts now priced by the end of January 2025. In Europe, the market is pricing that we will probably see the first cut in June, with around 65bps of cuts in 2024. In the UK, the market is now pricing a first cut in August or September, with 50bps of cuts by year-end. It's also worth highlighting the spike in volatility in rates markets, after a drop in March. This has somewhat dampened the enthusiasm for risk assets, demonstrated by a rise in the VIX during the month.

European sovereign credit spreads were tighter over the month, led by Spain and Italy, with semi-core countries such as France lagging somewhat. Looking at BBB rated emerging-market (EM) sovereigns: both Mexican (95-year eurobond) and Romanian spreads were again tighter, adding to their positive start to the year.

Contributors and detractors

Source of Alpha	Contributors	Detractors	P&L
G10 rates	Short: Japan, UK	Curve: US 10s vs 30s steepener	+189
Other rates	Long: South Africa	Long: Mexico, Hungary, Brazil	-168
Sovereign		Short: France	-4
Currency	Short: MXN	Long: JPY, BRL Short: COP	-23
Non-sovereign			-

P&L figures quoted are "gross of fees".

The short in core rates was the biggest driver of positive performance in April, in a positive rebound from March's underperformance. Local markets offset most of that upside from the G10 nations, with underperformance from our long positions in Mexico, Hungary and Brazil. The sovereign book was mostly flat, and while the long in the Japanese yen was a meaningful detractor, the short in the Mexico peso went a long way to recover the performance of the overall foreign-exchange (FX) book, which ended the month modestly negative.

Outlook

Financial markets are feeling in a more positive place in the early days of May, after more benign economic data and dovish rhetoric from Fed policymakers. We would caution, however, that one swallow does not make a summer. There is still US CPI data on the horizon, and this will be a hurdle for the market to overcome. We don't have a firm conviction but take a cautiously optimistic stance that an in-line set of numbers (0.3% on headline and core) will be enough to keep the macroeconomic environment reasonably calm. This macroeconomic backdrop should be supportive for strategy returns. Nevertheless, we are aware of the risk scenario – weaker activity data but sticky inflation numbers (stagflation). This is a bad outcome for markets, and with this in mind, we continue to run relatively low levels of macroeconomic directional risk.

From a top-down perspective, we remain short core rates versus long EM local rates (where the value proposition remains outstanding). We also remain long the US dollar versus G10 currencies (UK sterling and euro), but in EM, we are closer to flat in beta terms. In general, the strategy is currently more driven by idiosyncratic/bottom-up risk than a top-down macroeconomic theme.

In core rates, we remain short Japan and the UK. We are long in the US front end (2-year), and we have a US curve steepener in place via a combination of 2s/30s and 10s/30s. In non-G10 rates, top-down exposure to the asset class has increased modestly via Mexico, Brazil, South Africa, Iceland and Hungary.

In sovereign credit, we are long Romania, although this position is partially hedged via a CDX-EM short position.

In FX, we remain long the US dollar versus G10 and EM currencies (the net position is +15%) versus a net short in the euro -10% and UK sterling -7%. In non-G10 currencies, we cut the short position in the Mexican peso and increased long positions in the Turkish lira to +5% and Brazilian real to +10%. Short positions include the Colombian peso -11%, Chinese renminbi -5% and South African rand -4%. Longs include the Brazilian real, +10%, Turkish lira +5% and Icelandic krona +5%.