RBC BlueBay Asset Management

BlueBay Global Sovereign Opportunities Fund

October 2023

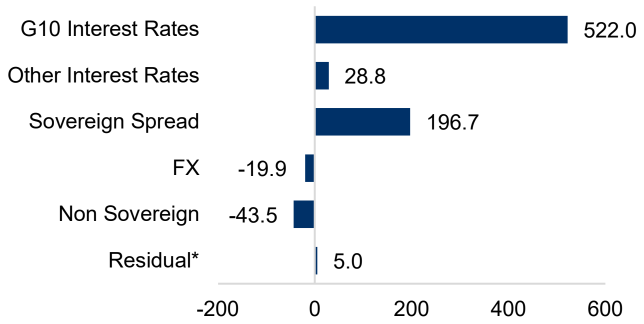
For Professional Investors Only

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

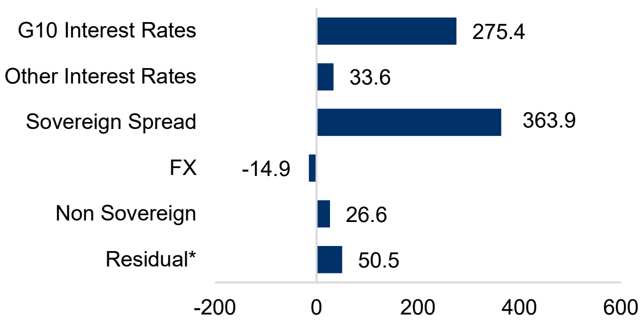
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	0.14	1.39	0.43	-0.02	-0.73	-1.99	4.81	0.40	0.44	0.09			4.93
2022	3.25	0.41	0.72	0.44	2.42	-1.65	0.72	4.21	-0.23	2.15	0.22	2.71	16.32
2021	0.86	1.43	-2.49	-0.01	-1.38	-1.64	-3.11	1.49	2.84	-1.96	-2.30	2.96	-3.51
2020	-1.49	-1.79	-4.85	0.71	3.65	-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

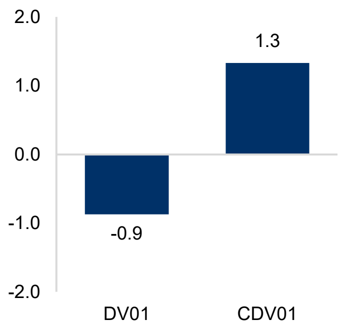


*Since Inception Performance by Strategy (bps) Gross

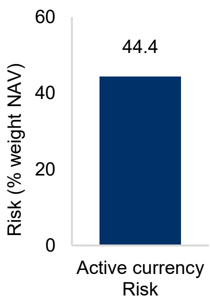


*The performance by strategy charts reflect a change in the methodology for reflecting FX carry returns, introduced in November 2017

Risk Allocation (Duration in Yrs)



Active CCY risk (%, NAV)



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

Annualised return (%) [3]	5.12
Whole months data required to calculate the below	
Annualised volatility (%)	7.36
Sharpe ratio [4]	0.42
Positive months (%)	61.70
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

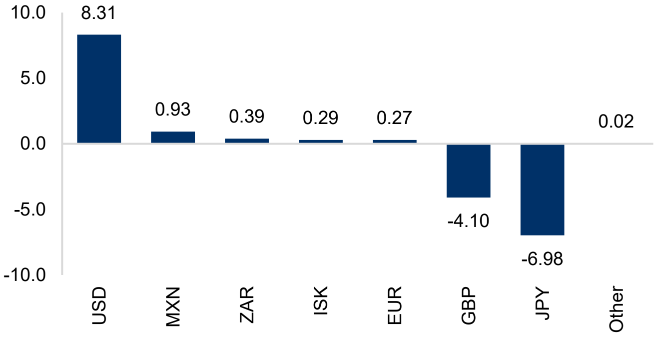
- A macro thematic, global government bond strategy trading G10 rates, local markets, sovereign credit and currencies
- The Fund seeks to achieve an annual net return of 10% over a full investment cycle, with an expected volatility of 8%, with 5-15% range.
- An actively traded and highly liquid portfolio 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

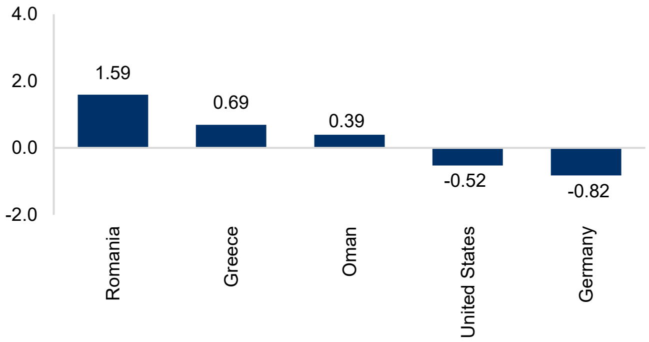
Total fund size [5]	USD 474m
Inception date	22 December 2015
Base currency	USD
Liquidity	Daily
Fund legal name	BlueBay Funds—BlueBay Global Sovereign Opportunities Fund
Share classes	Further information on available Share Classes and eligibility for this Fund is detailed in BlueBay Funds Prospectus
ISIN	LU1542977316
Class	Class I - USD Shares
Bloomberg	BBGSIUP LX
Fund type	UCITS
Domicile	Luxembourg
Investment manager	RBC Global Asset Management (UK) Limited

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions.

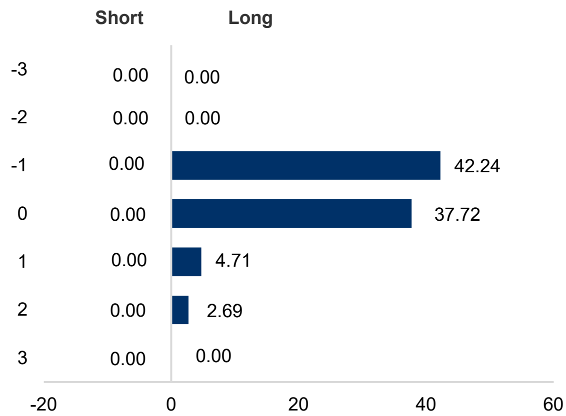
Duration Exposure (duration contribution in yrs)



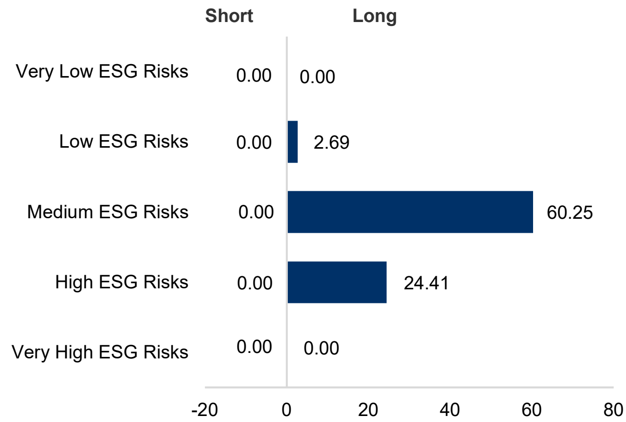
Credit Spread Duration Exposure (spread duration in yrs)



BlueBay: Security Investment ESG Scores (% of NAV)



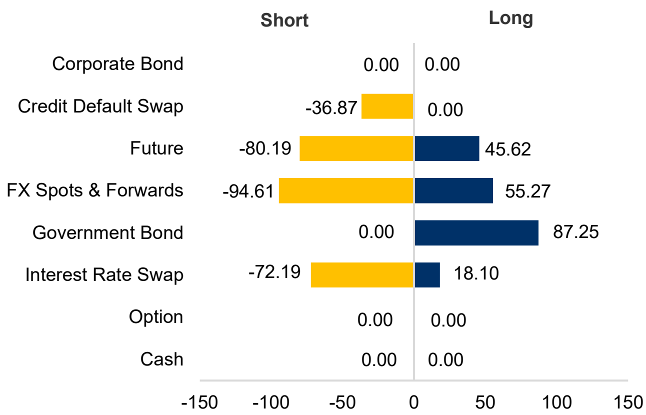
BlueBay: Issuer Investment ESG Scores (% of NAV)



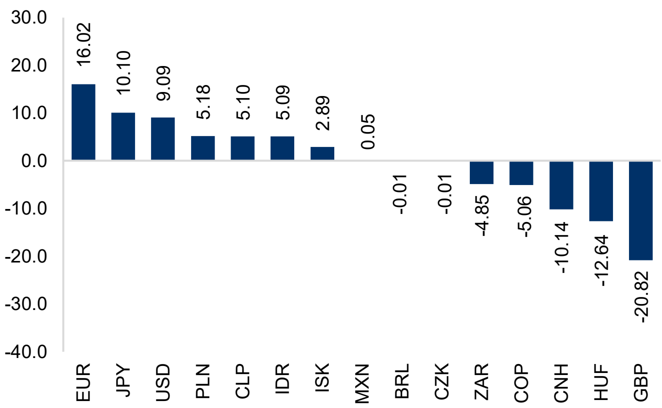
Top 3 Long Issuers by Spread Duration Contribution (yrs)

Issuer	Years (absolute)	Years (relative)	BlueBay ESG Fundamental (Risk) Rating[9]	BlueBay Investment ESG Score[10]
Romanian Government International Bond	1.54	1.54	Medium ESG Risk	-1
Hellenic Republic Government Bond	0.67	0.67	Medium ESG Risk	0
Oman Government International Bond	0.38	0.38	High ESG Risk	1

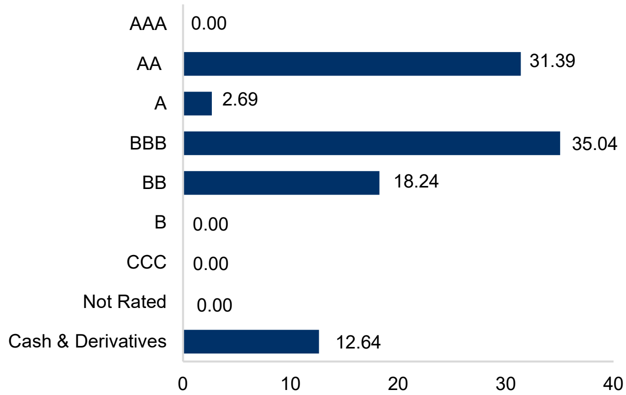
Product Breakdown (% of NAV)



Currency Exposure (% of NAV)



Credit Quality Breakdown (% of NAV)



Portfolio Characteristics

No. of positions	48
No. of issuers	6
Weighted Rating	A-
Gross long exposure [6]	2.06x
Gross short exposure [6]	-2.84x
Net exposure	-0.78x

Liquidity[7]

	Long	Short
<= 1 day	86.94%	100.00%
> 1 days <= 1 wk	13.06%	0.00%
> 1 wk <= 1 mth	0.00%	0.00%
> 1 month	0.00%	0.00%

Risk Sensitivities (as bps of NAV)

	TOTAL
CDV01 [8]	1.33
DV01 [9]	-0.87
Equity delta (+1%)	0.00
FX delta (+1%)	-8.98
Equity Vega	0.00
VAR (95%, 1 day) [10]	63.79

Team

	Joined BlueBay	Investment industry experience
Russel Matthews	September 2010	24 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 31st October 2023.

Portfolio Managers Comments

Review

Fixed income returns were mixed in October, driven by the mixed performance in underlying government bonds. Higher US Treasury yields weighed on US – and therefore global – index returns, while European indices fared better as Bund yields were mostly lower.

Neither the US Federal Reserve (Fed) nor Bank of England had meetings in October, while the European Central Bank (ECB) and Bank of Japan (BoJ) had meetings towards the end of the month. As expected, the ECB held rates at 4%; it seems happy to wait and see how the economy evolves as it digests the policy moves to date. The BoJ meeting on Halloween was a bit more interesting, and in some ways, muddled and confusing – perhaps deliberately so! It kept the easing bias but tweaked its yield curve control policy again – this time converting its 1% cap on 10-year Japanese government bonds (JGBs) to a reference point. Time will tell how this works and what it means for JGBs and the yen; however, at first glance, it seems to imply that the market can find its own level if volatility is not excessive.

Looking at data, economic growth continues to hold up better than many expected. This is best demonstrated by third-quarter US GDP, which printed at 4.9% on an annualised basis. This continued a string of hot activity data, including retail sales, which are clearly being supported by healthy consumer balance sheets and a solid labour market. The US consumer price index (CPI) figure came in broadly in line with expectations, but it's worth remembering that core CPI in both the US and Europe remains above 4%. Away from data, clearly all eyes were on tragic events in the Middle East. So far, bond and stock market reactions to this have been relatively muted. This is perhaps a sign of complacency, but you could also argue that anything that dampens growth – thereby reducing the likelihood of more rate hikes – is at this stage good for risk assets. Bad news is good news until it's so bad that it's bad news!

Core government bonds saw mixed performance as US Treasury yields moved higher, while Bund yields mostly moved lower; in both cases, the curves steepened notably in a continuation of the trend seen in the third quarter. Looking at 10-year bonds as a proxy, Bund yields ended 4 basis points (bps) lower, US Treasury yields were 36bps higher and Gilt yields were 7bps higher. Interestingly, in the US, 10-year Treasury yields moved above 5% for the first time since 2007, although we would also highlight the ongoing volatility, which saw yield moves of over 5bps nearly every day in October, with an intra-day range of 4.52% to 5.02%. YTD, this leaves 10-year US Treasuries 105bps higher at 4.93% and 10-year Bunds 24bps higher at 2.80%.

US rates are now pricing in a less than 50% probability of one more rate hike around year-end, although the market is then expecting at least two rate cuts from the Fed in 2024. In Europe, the market is pricing that the ECB is finished hiking and we will see the first cut in the second quarter of 2024. In the UK, the market is now not even fully pricing one more hike and is in fact pricing a cut in quarter three of 2024. Market participants are prone to blaming newsflow for the kind of price action we are seeing in rates, but in reality, it is likely a combination of numerous factors: events in the Middle East; the flight to quality, with stocks softer; heavy issuance; fiscal loosening; inflation/additional policy tightening fears; BoJ policy changes; Fed messaging; social media comments from the self-proclaimed 'Bond King'; and just generally divergent opinion. All of these illustrate the uncertainty markets are currently experiencing.

European sovereign credit spreads were mixed but unexciting compared to rates. Greece outperformed, helped by an upgrade to investment grade from S&P, while Italian spreads were slightly tighter. In emerging markets (EM), Mexican (95-year euro bond) spreads were c.5bps wider and 10-year Romanian spreads were 13bps wider but are still 62bps tighter YTD.

Contributors and detractors

Source of Alpha	Contributors	Detractors	P&L
G10 rates	Short: Japan, UK	Long: US	-14
Other rates	Long: South Africa	Long: Mexico, Korea	-23
Sovereign	Long: Greece, Romania, Oman		+23
Currency	Short: GBP, COP, MXN	Long: JPY, CLP, ILS Short: HUF (vs EUR)	+12
Non-sovereign	Short: iTraxx CDS		+14

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

Performance for October was modestly positive. The credit book drove most of the upside, led by long positions in Greece, Romania and Oman. Currency trades were also additive, led by the short book of UK sterling, Colombian peso and Mexican peso. Interest-rate positioning detracted, led by EM local currency positions in Mexico and Korea, with South Africa offsetting this somewhat. Overall, G10 rates were a small negative, with the long in US duration dragging but largely offset by positive performance via short rates positioning in both Japan and the UK.

Outlook

We have cut back materially on the long exposures in US duration to leave the strategy close to neutral in overall duration beta. The risk we have been running in this space has been more tactical than structural, and with US 10-year yields at 4.60%, we don't have much conviction on the next 25bp move. Our macroeconomic views are little changed, despite the seemingly perfect data that came out of the US in early November. We still see data-oriented risks as material, especially with regards to CPI inflation data. On this number, we don't have a firm view either way, but at the margins, we are biased to see upside surprises to inflation over the next few months. We want to be close to home in terms of our exposure to global rates (excluding Japan).

Japanese rates remain our biggest structural bet. We see rising risks that the BoJ is behind the curve versus the underlying fundamentals associated with pricing pressure and activity. Ultimately, we expect JGB yields to resolve toward 1.50% over the next six months or so. We also retain a (smaller) long position in the Japanese yen. The case for being long the yen is this: the currency is extremely undervalued, positioning is extreme (short the yen) and the threat of intervention from the Ministry of Finance is high. However, conviction is lower than in the past as the laissez-faire approach of the BoJ could see the currency continue to weaken in the near term.

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Due to the extensive use of derivatives including, but not limited to, the use of short term interest rate contracts, the BlueBay Global Sovereign Opportunities Fund is only suitable for Financially Sophisticated Investors who can bear the economic risk of the loss of their investment in the fund.

Financially Sophisticated Investor for this purpose means an investor who:
a) has knowledge of, and investment experience in, financial markets generally and financial products which invest in securities and/or derivatives with complex features; and
b) understands and can evaluate the strategy, characteristics and risks of the strategy in order to make an informed investment decision

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