BlueBay Emerging Market Unconstrained Bond Fund[1]

June 2020

FUND PERFORMANCE (%) GROSS OF FEES (USD)[2]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	1.53	-1.91	-10.68	6.00	8.53	2.40	-	-	-	-	-	-	4.78
2019	5.86	-0.29	-0.68	-0.29	0.10	3.58	2.27	-4.86	4.41	2.55	-0.67	3.30	15.88
2018	2.04	0.91	0.84	0.08	-3.05	-1.98	1.91	-1.97	0.62	-0.67	-0.22	0.58	-1.06
2017	-0.09	1.37	0.77	1.21	0.11	0.96	1.01	2.41	0.43	1.08	0.59	0.38	10.69
2016	-1.21	1.08	0.85	3.41	-0.75	3.55	2.01	1.48	0.70	0.47	-1.67	0.29	10.52
2015	-0.62	1.23	-0.43	1.76	-0.83	-2.60	-0.89	-0.06	-3.86	4.45	0.90	-3.46	-4.62
2014	-1.32	2.61	0.28	0.99	1.01	0.87	0.08	0.90	-2.13	0.66	-1.79	-2.12	-0.09
2013	-0.95	-0.70	-1.22	3.16	-0.96	-1.11	-0.44	-0.86	1.49	0.77	-1.09	0.60	-1.38
2012	1.99	2.36	-0.72	0.50	-0.66	2.61	1.59	0.88	1.36	0.15	1.38	1.01	13.11
2011	-0.39	0.29	2.34	2.04	0.99	0.85	1.43	-1.03	-3.47	2.99	-0.90	0.55	5.66
2010	–	–	–	–	–	–	1.26*	1.88	1.83	1.39	-1.35	1.29	6.43

Net returns, for the performance figures shown above, can be made available upon request.
* Partial performance since inception 20 July 2010

PERFORMANCE ANALYSIS[2,3] (GROSS OF FEES)

Annualised return (%)	5.83
Annualised standard deviation (%)	7.25
Sharpe ratio	0.70
Positive months (%)	63.87
Worst drawdown (%)	-12.39
Recovery time (months)	2

TEAM INFORMATION

Anthony Kettle, Senior Portfolio Manager
Joined BlueBay in March 2006 and has 20 years of investment experience

Polina Kurdyavko, Head of Emerging Markets
Joined BlueBay in July 2005 and has 20 years of investment experience

FUND FACTS

Total Fund size[5]	USD 454m
Inception date	20 July 2010
Base currency	USD
Subscription/redemption	Daily
Fund legal name	BlueBay Emerging Market Unconstrained Bond Fund
Share classes	Information on available Share Classes and eligibility for this Fund are detailed in the BlueBay Funds Prospectus and Application Form
ISIN	LU1278659575
Class	Class M – EUR Shares
Bloomberg	BBEMAME LX
Structure	UCITS
Domicile	Luxembourg

CONTACT INFORMATION

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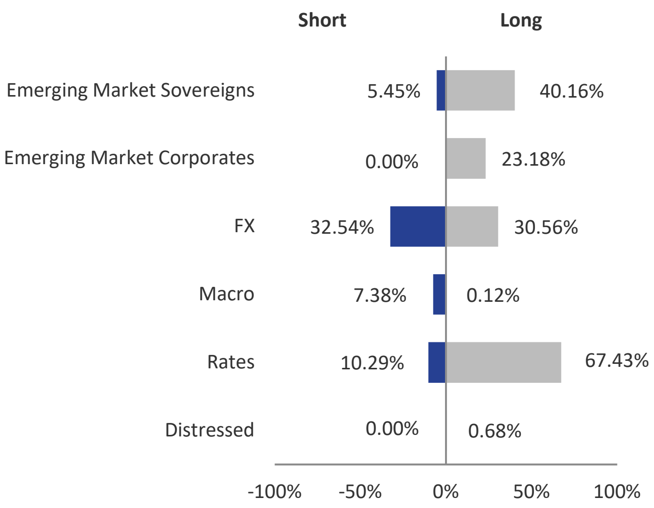
INVESTMENT STRATEGY

To achieve a total return from a portfolio of fixed income securities predominantly issued by Emerging Market Issuers and denominated in any currency, as well as making investments linked directly or indirectly to currencies and/or interest rates of Emerging Market Countries.

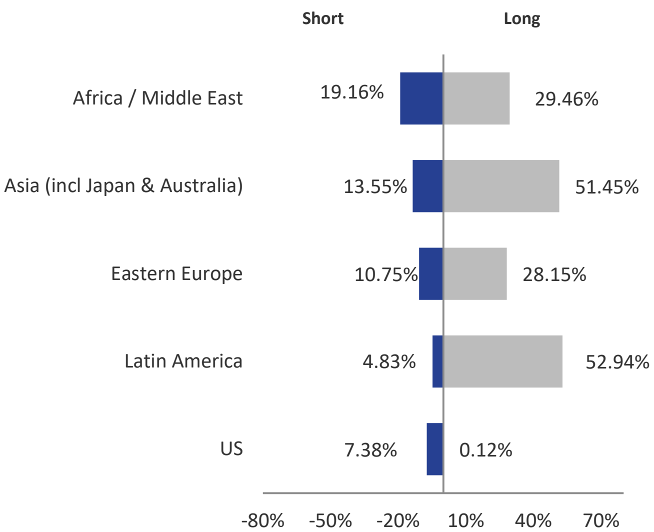
Global Asset Management

Please refer to the notes overleaf for important information regarding the gross performance shown above.

STRATEGY BREAKDOWN (EXPOSURE, % OF NAV) [4]



REGIONAL BREAKDOWN (EXPOSURE, % OF NAV) [4]



Notes:

1 Fund name changed from BlueBay Emerging Market Absolute Return Bond Fund on 17/09/2018.

2 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

3 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

4 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

5 The Fund AuM is stated on a T+1 basis and includes non-fee earning assets

6 Weighted Yield to Maturity (%) excludes distressed names.

Source: All data unless otherwise specified is sourced from BlueBay Asset Management LLP, as at 30th June2020.

PORTFOLIO CHARACTERISTICS

Weighted interest rate duration (yrs)	6.72
Weighted spread duration (yrs)	2.90
Local interest rate duration (yrs)	4.41
Weighted yield to maturity (%) [6]	6.37
FX Delta (+1%)	36.16
Weighted rating	B+

	Long	Short	Net	Gross
Leverage [4]	1.62x	-0.56x	1.06x	2.18x
No of positions	67	20		87

SOVEREIGN DEBT (EXTERNAL) (% OF NAV)

Argentine Republic Government International Bond	5.84 %
Colombia Government International Bond	3.33 %
Egypt Government International Bond	3.07 %
Egypt Government International Bond	2.21 %
Angola Government International Bond	2.05 %

CORPORATE / QUASI-SOVEREIGN (EXTERNAL) (% OF NAV)

Petronas Global Finance	3.75 %
Kaisa Group Holdings Ltd	2.82 %
China Evergrande Group	2.46 %
China Evergrande Group	2.39 %
Kaisa Group Holdings Ltd	1.97 %

LOCAL MARKETS (% OF NAV)

Republic of South Africa Government Bond	6.21 %
Malaysia Government Bond	6.08 %
Republic of South Africa Government Bond	3.74 %
Peruvian Government Bond	2.89 %
Petroleos Mexicanos Bond	2.86 %

TOP AND BOTTOM 3 FX POSITIONS (% OF NAV)

Long	
Indian rupee	8.03 %
Mexican peso	6.83 %
Peruvian sol	5.55 %
Shorts	
Hong Kong dollar	-9.23 %
Omani rial	-6.88 %
Czech koruna	-0.24 %

Market review

Emerging-market (EM) assets continued their positive performance in June, even as some countries relaxed their lockdowns and others – like China – reintroduced them on a smaller scale. Markets, however, were volatile, with investors attempting to judge the reach of the infection and the potential economic consequences. US equities, proxied by the S&P 500 Index, sold off by nearly 7% mid-month but subsequently recovered to close the month almost flat. US 10-year Treasuries also had a volatile month, rising to nearly 95 basis points (bps) at the beginning of the month but then subsequently retracing back closer to the 60bps level. EM hard-currency sovereign spreads at the index level tightened by nearly 40bps, with the index return positive overall. EM local currency also posted a small positive return, mainly driven by the rates component, given that most central banks remained dovish in their outlook or cut rates. The EM corporate index also posted a positive return.

Notwithstanding investor sentiment around the spread of infection, there were clear signs of a bounce-back in activity across most economies on the data front. In the US, there was a steady improvement in the housing and labour markets. The June purchasing managers' index numbers also posted 10-point gains from May, despite both the manufacturing and services readings printing just below 50. Asia led the way in the recovery of economic activity compared to the rest of the EM universe, especially Latin America. This is also linked, to a large extent, to the government policies towards covid-19, with Latin America clearly lagging. This divergence is also impacting asset performance to an extent.

Within stressed hard-currency assets, Argentina continued with its restructuring discussions with bondholders but has been unable to find a clear path forward so far. Ecuador also conducted negotiations with the aim of finding a sustainable path forward.

Another noteworthy development was in South Africa, where the 2020 supplementary budget was presented to parliament. It outlined forecasts for a 7.2% contraction of GDP in 2020 and for a budget deficit of close to 15% in 2020/21. Gross debt was expected to reach 82% of GDP by 2020/21 versus the National Treasury's previous projection of 65.6%. Borrowings were projected at around USD7 billion, with multilaterals set to comprise the vast majority of this, representing a material credit weakness of this prominent EM issuer. On the other hand, the International Monetary Fund approved a USD5.2 billion stand-by arrangement for Egypt, which follows a USD5 billion eurobond issuance from the country in May, which was credit positive.

The technical picture of the asset class overall was mixed over the month, with EM hard-currency and blended assets enjoying some inflows, while dedicated local-currency assets witnessed some outflows.

Performance

The fund had a positive end to the second quarter, taking year-to-date returns further into positive territory. During June, the fund returned +2.40%, with the positive performance primarily driven by core positions within sovereign and corporate credit. Positioning in local markets was flat, while macro hedges were a modest detractor.

In sovereign credit, longs in Ukraine and Ecuador were the main contributors to performance. In Ukraine, the fund was long via a CDS position and GDP-linked warrants. In Ecuador, bonds continued to rally as investors were confident of a speedy resolution to restructuring talks. A long in a Zambian front-end bond performed well, as the government initiated steps to reprofile its external debt, which, if successful could meaningfully reduce its external interest payments. The long-standing basis trade in Argentina also added to returns; the CDS leg of this trade has now crystallised, given the CDS auction held at the beginning of the month. We are now focusing on the long bond leg of the trade.

In corporate credit, long positions to Brazilian oil & gas issuer Petrobras and metals & mining issuer Samarco benefited from higher commodity prices. These, along with exposure to Chinese real estate, were the main contributors. In terms of detractors, there was a small markdown on Venezuelan PDVSA-20 bonds.

In local markets, long rates positions in South Africa and China were the key detractors, while receivers in Brazil and Russia were the main contributors. On the foreign-exchange side, a long position to the Mexican peso underperformed, while long positioning in Asian currencies such as the Thai baht and Korean won added to performance.

Market outlook

In our opinion, the key dilemma for investors now is how to weigh up the renewed spread of the virus across the US and parts of the EM against the improving economic data and the record stimulus that has been pumped into markets. On the data front, we are seeing a positive bounce in economic activity in June, with China leading the way. In the US, the relaxation of lockdowns is also resulting in a solid bounce as pent-up demand is released. However, we believe the key variable to watch is how activity progresses as some of the Southern states are forced into slowing the pace of reopening. In our opinion, the strength of the labour market will be keenly watched as a key barometer of the US economy's health. We feel that a large divergence remains in terms of the quality of the covid-19 policy response between Asia and the rest of the EM, particularly Latin America, which means that Asian economies are generally outperforming.

We also see value selectively in credit markets, particularly as dividends are eroded in equity markets and as the need for income persists. On the hard-currency credit side, as we have noted before, we don't see systemic risk in EM arising from the coronavirus crisis but we do expect some localised stress. The new-issues market remains active and solid investment-grade (IG) or BB-rated issuers are taking advantage of the market to refinance their obligations, while also providing investors with attractive spreads. In our portfolios, we have made a relatively prominent allocation to IG-rated assets while balancing that with selective high-yield and distressed opportunities. In terms of local-currency assets, we are now seeing EM central banks act more gradually, following a period of aggressive easing as part of the initial covid-19 policy response. We continue to see more of a structural case for owning local rates, on account of a still-large real-interest-rate differential between EMs and their developed-market peers.