RBC BlueBay Asset Management

BlueBay Global Sovereign Opportunities Fund

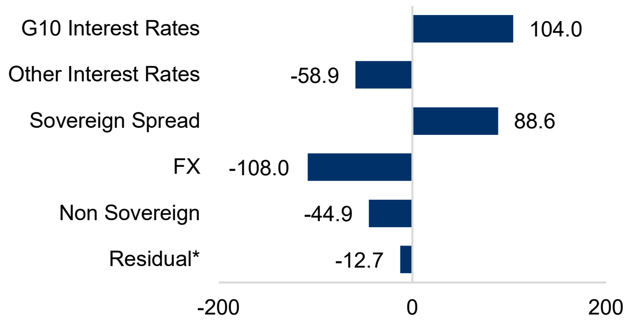
March 2024

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

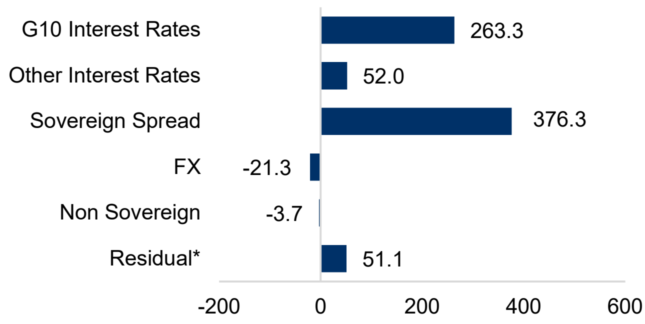
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	1.52	-0.32	-1.76										-0.58
2023	0.14	1.39	0.43	-0.02	-0.73	-1.99	4.81	0.40	0.44	0.09	1.29	-1.51	4.68
2022	3.25	0.41	0.72	0.44	2.42	-1.65	0.72	4.21	-0.23	2.15	0.22	2.71	16.32
2021	0.86	1.43	-2.49	-0.01	-1.38	-1.64	-3.11	1.49	2.84	-1.96	-2.30	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

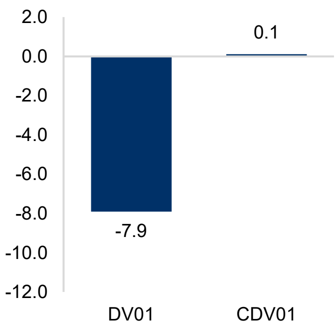


*Since Inception Performance by Strategy (bps) Gross

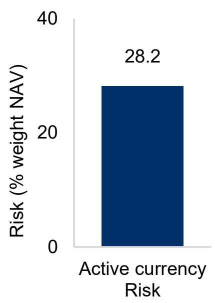


*The performance by strategy charts reflect a change in the methodology for reflecting FX carry returns, introduced in November 2017

Risk Allocation (Duration in Yrs)



Active CCY risk (%, NAV)



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

Annualised return (%) [3]	4.75
Whole months data required to calculate the below	
Annualised volatility (%)	6.96
Sharpe ratio [4]	0.33
Positive months (%)	60.61
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

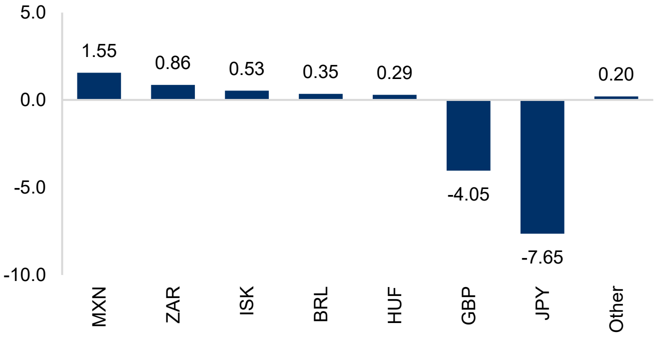
Investment Strategy

- 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/

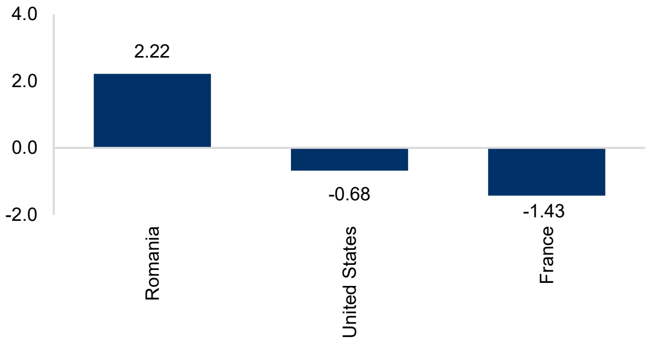
Fund Facts

Total fund size [5]	USD 437m
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

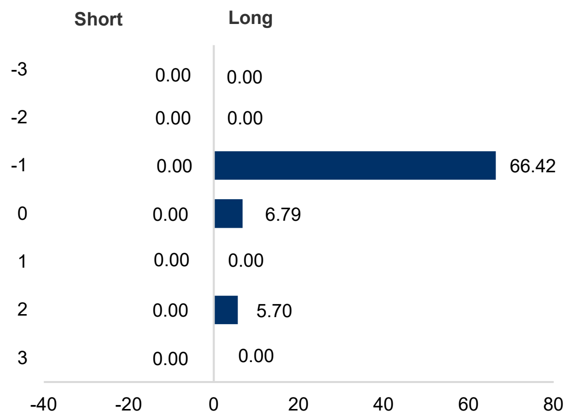
Duration Exposure (duration contribution in yrs)



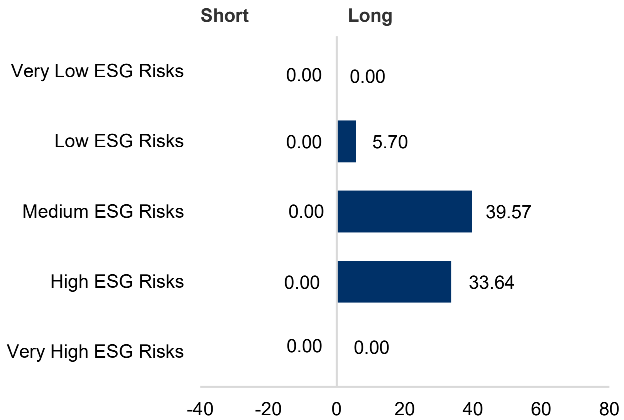
Credit Spread Duration Exposure (spread duration in yrs)



BlueBay: Security Investment ESG Scores (% of NAV)



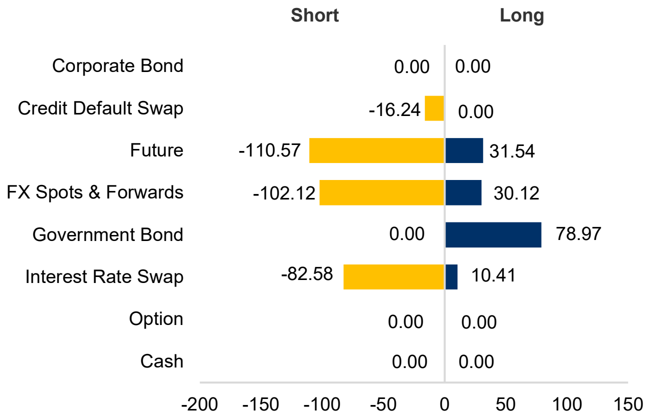
BlueBay: Issuer Investment ESG Scores (% of NAV)



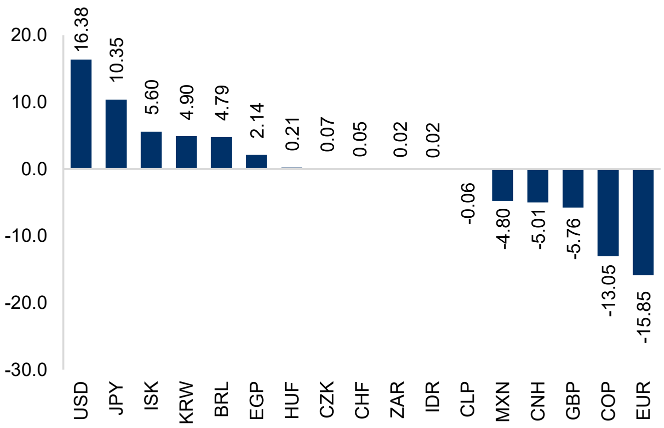
Top Long Issuers by Spread Duration Contribution (yrs)

Issuer	Years (absolute)	Years (relative)	BlueBay ESG Fundamental (Risk) Rating[9]	BlueBay Investment ESG Score[10]
Romanian Government International Bond	2.14	2.14	Medium ESG Risk	-1

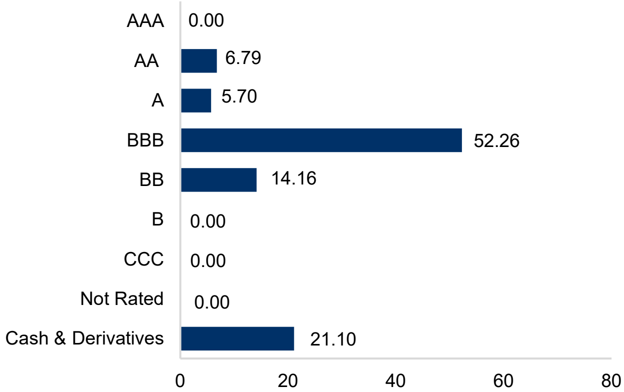
Product Breakdown (% of NAV)



Currency Exposure (% of NAV)



Credit Quality Breakdown (% of NAV)



Portfolio Characteristics

No. of positions	47
No. of issuers	5
Weighted Rating	BBB
Gross long exposure [6]	1.51x
Gross short exposure [6]	-3.12x
Net exposure	-1.60x

Liquidity[7]

	Long	Short
<= 1 day	100.00%	89.95%
> 1 days <= 1 wk	0.00%	10.05%
> 1 wk <= 1 mth	0.00%	0.00%
> 1 month	0.00%	0.00%

Risk Sensitivities (as bps of NAV)

	TOTAL
CDV01 [8]	0.11
DV01 [9]	-7.91
Equity delta (+1%)	0.00
FX delta (+1%)	-16.65
Equity Vega	0.00
VAR (95%, 1 day) [10]	54.54

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

Contact information

Marketing and Client Relations Department
100 Bishopsgate
London EC2N 4AA

tel: +44(0)20 7653 4000
marketing@bluebay.com
www.rbcbluebay.com

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 28th March 2024.

Portfolio Managers Comments

Review

In newsflow for March: it was a busy month of central-bank meetings, though the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all left rates on hold, as expected. The Fed meeting did not offer much new information to investors, and so had little impact on yields, though Fed chair Jerome Powell's testimony to Congress early in the month had already reaffirmed a narrative of rate cuts in the months to come. Once again, Powell sounded like he wants to be the market's friend, and the stock market reacted by continuing to hit new record highs. In Europe, the ECB meeting was equally uneventful, with policymakers continuing to wait for more progress on inflation before easing policy, but increasingly guiding towards June for the first cut. However, the Swiss National Bank did cut rates as expected, becoming the first G10 nation to cut; this helped yields across the continent thanks to the narrative that it won't be too long before the ECB follows suit. Meanwhile, at its meeting, the BoE continued to emphasise the need to wait and see before taking any policy action. The main central-bank action in March came as the Bank of Japan (BoJ) took the momentous decision to end the era of negative interest rates and yield curve control, with Japanese inflation well above the 2% target and the shunto wage round showing average rises of 5.3%, which is a 33-year high.

In terms of economic data, we have continued to see a backdrop of growth generally holding up better than many expected, supported by solid labour markets; meanwhile, inflation remains sticky and a bit above target, with the US core consumer price index (CPI) figure at 3.8%, and indeed, a bit above expectations for the March print. It is worth noting that as we end the quarter, oil is trading at a five-month high, up around 15% year to date, with other commodities also at recent highs, reflecting the decent growth backdrop, but also reminding us about the risk of inflation.

Turning to market moves: as highlighted, core government bond yields moved back lower over the month. Looking at 10-year bonds as a proxy: 10-year US Treasury yields ended 5 basis points (bps) lower, 10-year Bund yields were 11bps lower and UK Gilt yields outperformed and were 19bps lower. For the first quarter, this leaves 10-year US Treasuries 32bps higher at 4.20%, 10-year Bunds 28bps higher at 2.30% and 10-year Gilts 40bps higher at 3.93%. (Note: in some cases, these change numbers are somewhat distorted by rolls to new underlying benchmark issues).

In terms of what is priced into rates markets here: for some time now, the market has been pricing in that rates have peaked and that cuts are around the corner. The US market is now pricing the first Fed rate cut most likely in July, with 85bps of rate cuts now priced by the end of January 2025, which is largely in line with the Fed's own dot plots. In Europe, the market is pricing that we will see the first cut probably in June, with around 90bps of cuts in 2024. In the UK, the market is currently pricing a first cut in June or August, with 75bps of cuts by year-end. It's also worth highlighting the drop in volatility in rates markets, which has helped risk assets to outperform. For example, the MOVE index, which measures US rates volatility, subsided to its lowest level since early 2022.

European sovereign credit spreads were relatively flat over the month, though Italian spreads were slightly tighter again, leaving them 29bps tighter for the first quarter, and at a 2-year tight in spread at 138bps. Looking at 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	Curve: US 10s vs 30s steepener	Short: Japan, UK	-94
Other rates		Long: South Africa	-56
Sovereign	Long: Romania	Short: CDX-EM	+28
Currency	Short: CHF, HUF (vs EUR)	Long: JPY Short: COP, MXN	-36
Non-sovereign		Short: iTraxx Crossover	-18

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

The short in core rates was the biggest driver of negative performance in March. The combination of softer data points in the UK and dovish messaging from all the big central banks – particularly the BoJ – damped down volatility and increased demand for yield. UK 10-year yields fell nearly 20bps, and the 10-year interest rate swap in Japan was 10bps lower. Unusually, this did not extend out to EM local rates markets. Relative to core markets, the dynamic in EM markets has been for central banks to both talk and walk a more orthodox/conservative/hawkish line. In addition, in South Africa, polls are showing the ANC losing ground to radical parties, which has hurt sentiment. The spectre of the ANC being forced into a coalition with the radical EFF party is a low-probability, high-impact outcome that is causing investors to reduce risk into the election. South Africa has been the big underperformer in the space, with yields moving nearly 100bps higher since the start of the year. Foreign-exchange (FX) positioning was also negative in March: quite simply, high-carry currencies have remained in vogue as volatility has continued to decline. The Colombian peso and Mexican peso have both outperformed in this environment, causing a drag on performance. The long position in Romanian sovereign credit has been one of the few bright spots, but we remain sceptical about the case for holding excessive amounts of credit in the fund at this point in the cycle.

Outlook

The rise in core rates, particularly in the US, has taken the front end of the US curve back into our buy zone. We have long targeted 4.75% as an attractive level to enter a more tactically oriented long-duration position. At the start of April, we have used this move to add some duration to the fund in 2-year US government bond futures. Given the proximity of the US CPI data release in the second week of April, and the rebound in general rates volatility, the initial position is relatively cautious.

Away from the US, the fund is relatively unchanged. The structural short in Japan remains as it was, and we also continue to see the case for remaining short in 10-year UK Gilts. In EM local rates, we are inclined to add to our exposure here, given improving valuations, but want to wait until the inflation data is out of the way in the US.

In non-G10 rates, exposure to our favoured long positions – Mexico, South Africa, Brazil and Iceland – is largely unchanged. We added a modest long position in Hungary in the weak environment at the start of April.

In sovereign credit, we still have exposure to Romania, although this is partially hedged via a CDX-EM short position.

Turning to FX: our positioning in G10 countries is unchanged – long the Japanese yen (versus the euro) and short UK sterling. In EM, shorts include the Colombian peso, Mexican peso and Chinese yuan. We are still long the Brazilian real, Egyptian pound and Icelandic krona. We have exited the long position in the Korean won.

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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

A summary of investor rights can be obtained in English on www.rbcbluebay.com/investorrights. It is important to note that the Fund Management Company may terminate arrangements for marketing under new Cross-border Distribution Directive denotification process. There are several risks associated with investing in financial products. With all investments there is a risk of loss of all, or a portion of the amount invested. Recipients are strongly advised to make an independent review with their own advisors and reach their own conclusions regarding the investment merits and risks, legal, credit, tax and accounting aspects of all transactions.