RBC BlueBay
Asset Management

BlueBay Global Sovereign Opportunities Fund

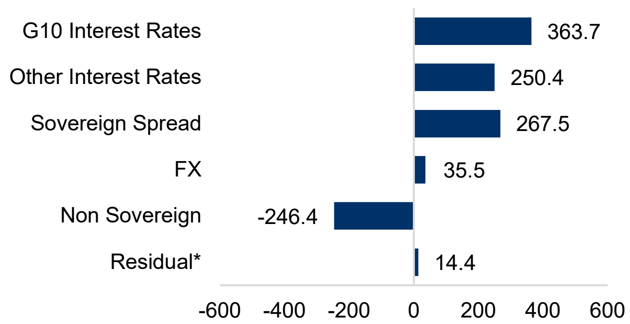
December 2023

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

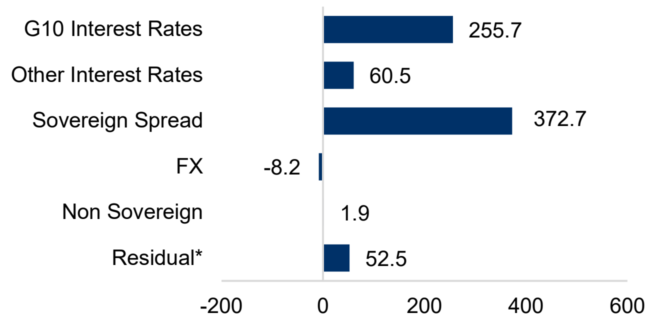
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	0.14	1.39	0.43	-0.02	-0.73	-1.99	4.81	0.40	0.44	0.09	1.29	-1.51	4.68
2022	3.25	0.41	0.72	0.44	2.42	-1.65	0.72	4.21	-0.23	2.15	0.22	2.71	16.32
2021	0.86	1.43	-2.49	-0.01	-1.38	-1.64	-3.11	1.49	2.84	-1.96	-2.30	2.96	-3.51
2020	-1.49	-1.79	-4.85	0.71	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

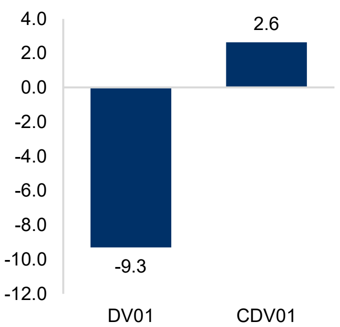


*Since Inception Performance by Strategy (bps) Gross

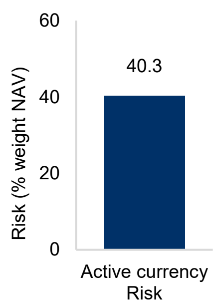


*The performance by strategy charts reflect a change in the methodology for reflecting FX carry returns, introduced in November 2017

Risk Allocation (Duration in Yrs)



Active CCY risk (%, NAV)



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

Annualised return (%) [3]	4.98
Whole months data required to calculate the below	
Annualised volatility (%)	7.04
Sharpe ratio [4]	0.40
Positive months (%)	61.46
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

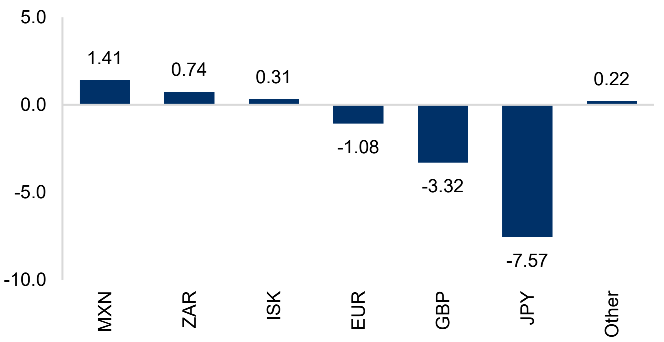
- A macro thematic, global government bond strategy trading G10 rates, local markets, sovereign credit and currencies
- The Fund seeks to achieve an annual net return of 10% over a full investment cycle, with an expected volatility of 8%, with 5-15% range.
- An actively traded and highly liquid portfolio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

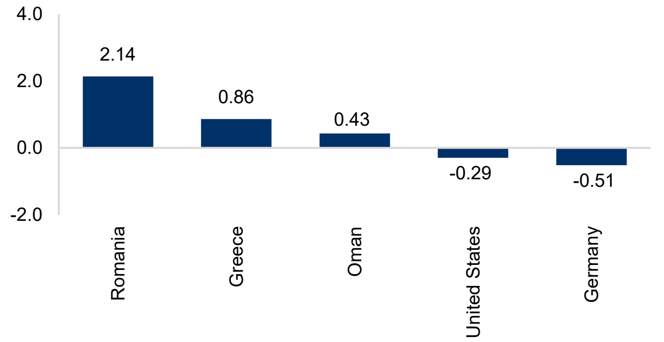
Total fund size [5]	USD 482m
Inception date	22 December 2015
Base currency	USD
Liquidity	Daily
Fund legal name	BlueBay Funds—BlueBay Global Sovereign Opportunities Fund
Share classes	Further information on available Share Classes and eligibility for this Fund is detailed in BlueBay Funds Prospectus
ISIN	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.

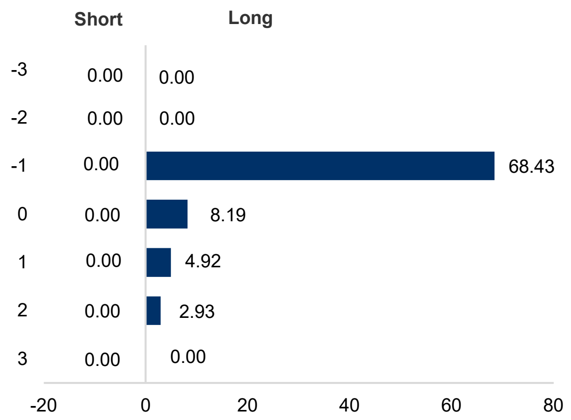
Duration Exposure (duration contribution in yrs)



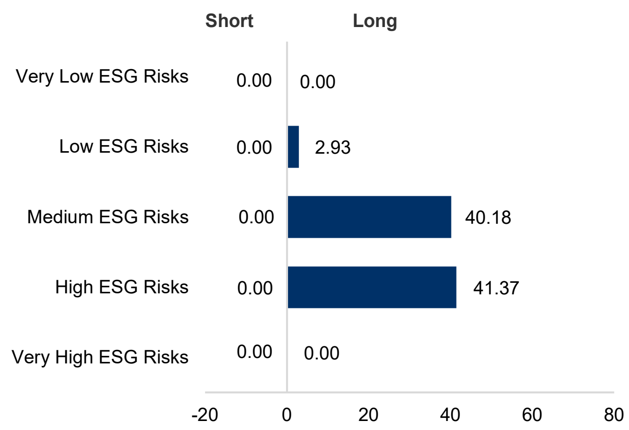
Credit Spread Duration Exposure (spread duration in yrs)



BlueBay: Security Investment ESG Scores (% of NAV)



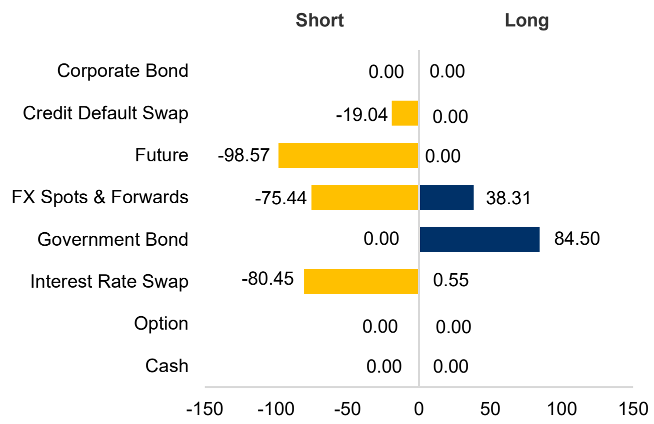
BlueBay: Issuer Investment ESG Scores (% of NAV)



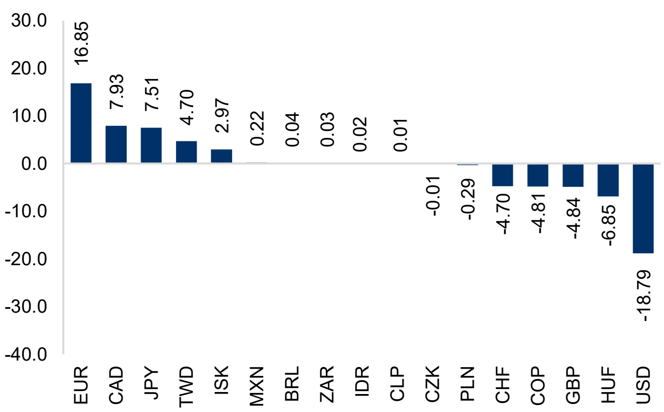
Top 3 Long Issuers by Spread Duration Contribution (yrs)

Issuer	Years (absolute)	Years (relative)	BlueBay ESG Fundamental (Risk) Rating[9]	BlueBay Investment ESG Score[10]
Romanian Government International Bond	2.06	2.06	Medium ESG Risk	-1
Hellenic Republic Government Bond	0.84	0.84	Medium ESG Risk	0
Oman Government International Bond	0.43	0.43	High ESG Risk	1

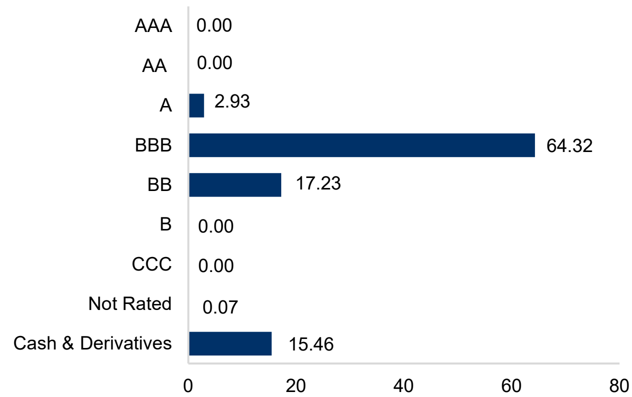
Product Breakdown (% of NAV)



Currency Exposure (% of NAV)



Credit Quality Breakdown (% of NAV)



Portfolio Characteristics

No. of positions	45
No. of issuers	5
Weighted Rating	BBB-
Gross long exposure [6]	1.23x
Gross short exposure [6]	-2.73x
Net exposure	-1.50x

Liquidity[7]

	Long	Short
<= 1 day	92.96%	100.00%
> 1 days <= 1 wk	7.04%	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]	2.63
DV01 [9]	-9.30
Equity delta (+1%)	0.00
FX delta (+1%)	19.43
Equity Vega	0.00
VAR (95%, 1 day) [10]	79.51

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 29th December 2023.

Portfolio Managers Comments

Review

In December, the US Federal Reserve (Fed) delivered a dovish surprise, prompting a further significant rally in global yields. The Fed indicated it is now expecting to lower rates by 75 basis points (bps) in 2024, on increased confidence that inflation is coming back to its 2% target. At the same time, the economy is expected to remain around full employment, with Fed chair Jerome Powell essentially messaging that he has managed to deliver a soft landing. While we saw several Fed speakers seeming to row back on this afterwards, the market took it as a green light to buy bonds and stocks into year-end. The European Central Bank (ECB) meeting contained fewer surprises than the Fed's, but in truth, the ECB governing council had already moved in a slightly more dovish direction in the wake of slowing growth and declining inflation. The Bank of England was somewhat more hawkish at its meeting, with only a 6-3 vote to maintain rates at 5.25%. Rounding off the year, we saw the Bank of Japan (BoJ) leave policy unchanged. US economic data remained consistent in December, with relatively healthy growth, justifying Powell's victory lap for now! Weaker JOLTS data on job openings may suggest some softening of activity. However, claims and payrolls continue to indicate a relatively healthy US labour market. Although inflation prints have mostly been heading in the right direction – and generally coming in below expectations – last month's US consumer price index figure still showed core inflation at 4%.

Core government bond yields were meaningfully lower, boosted by the aforementioned dovish Fed. This served to stoke further demand for bonds as investors were comforted that rates have peaked and will be coming back down through 2024. Looking at 10-year bonds as a proxy, US Treasury yields were another 45bps lower, meaning they have fallen over 100bps in the last two months; meanwhile, Bund and Gilt yields were 43bps and 64bps lower, respectively. Remarkably, this leaves 10-year US Treasuries exactly unchanged at 3.88% for the full year, despite having traded in a range of 3.31% to 4.99%. Meanwhile, 10-year Bund yields were 55bps lower for the year, ending at 2.02%. As we end 2023, the market believes that rates have peaked, with the US markets now pricing the first cut in March, and 175bps of Fed rate cuts now priced by the end of January 2025. In Europe, the market is pricing the first cut in March or April 2024, with over 150bps of cuts in 2024. In the UK, the market is now pricing a first cut in May, with basically 25bps of cuts every meeting thereafter in 2024.

European sovereign credit spreads were tighter, led by Italy and Greece, where 10-year spreads tightened by 11bps and 19bps, respectively. Greece was helped by a Fitch upgrade to investment grade (IG), which sees Greek bonds return to IG indices after a 13-year hiatus. As a proxy for the year, 10-year Italian spreads ended 46bps tighter at 167bps. Looking at select emerging-market (EM) sovereigns, Mexican (95-year eurobond) spreads were flat in December, but 10-year Romanian spreads recovered from recent weakness, tightening 29bps, leaving them 89bps tighter for 2023.

Contributors and detractors

Source of Alpha	Contributors	Detractors	P&L
G10 rates		Short: Japan, UK	-227
Other rates	Long: Mexico, South Africa		+65
Sovereign	Long: Romania, Greece	Short: CDX-EM	+64
Currency	Long: CAD, JPY, TWD	Short: COP	+18
Non-sovereign		Short: iTraxx Crossover	-85

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

Performance for December was negative, led by our short duration bias in G10 rates. The drag in rates was a result of the risk rally on the back of central-bank messaging (primarily the Fed) that suggested a more dovish tilt. Our short bias, expressed primarily via UK Gilts and Japanese rates, was the key detractor. Long local currency rates, in Mexico and South Africa, went some way to offsetting the drawdown in developed-market positioning.

Within government bonds, on spread, Romania and Greece were the main long risk views and these delivered positive performance in the risk rally into year-end. A CDX-EM index hedge was a small drag.

The non-sovereign book highlighted above contains the short risk (bought protection) in the iTraxx Crossover Index, which detracted in the risk-on environment towards the end of the period.

Finally, in foreign exchange (FX), it was pleasing to see another positive month of performance from FX positioning. In developed-market crosses, longs in the Canadian dollar and Japanese yen added. EM positions were also positive, led by a long in the Taiwan dollar, while negative performance came mainly from being short the Colombian peso.

Outlook

It does not yet feel as if markets have got into their stride yet in 2024. Sentiment is cautious and it feels like there is still a lot of uncertainty at the macroeconomic level. In the first instance, we continue to play tactically for a further unwinding of the exuberance that we saw develop in rates markets in December around rate cuts, particularly in Europe and the UK. In the medium term, we are more open-minded about how the macroeconomic landscape is going to evolve. The biggest question, quite obviously, is whether the Fed will have justification to cut rates at its meeting in March (the market is currently pricing 60%). Given the data flow over the last week, we are biased toward scepticism that the Fed will have justification to go in March. However, there is a lot of wood to chop between now and then, and we have an open mind as to how macroeconomic data will evolve.

Japan remains the big structural trade in the book, with 10-year yields at 0.60% and the yen at long-term extreme valuation levels; therefore, we remain short rates and long currency exposure.

In credit, we have continued to selectively add exposure to sovereign names that have good fundamental anchors and are coming to market with cheap issuance. The latest of these has been a new issue from Poland. We want to be modestly long of credit exposure.

Turning to FX, we have continued to simplify the book, cutting long positions (Canadian dollar and Taiwan dollar) early in the year on the view that positive risk sentiment is overdone. We want to be modestly short EM FX, particularly with regards to carry-oriented currencies. However, again, this is a more tactical theme we are playing for. The major structural theme in FX for 2024 is going to be central-bank policy divergence. Essentially, we want to be short those currencies where we expect more aggressive easing and long where the central bank is more conservative.

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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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