

BlueBay Investment Grade Structured Credit Fund

June 2020

Fund performance (%) gross of fees¹ (EUR)

	1 M	3 M	6 M	YTD	1 YR	SI ²
BlueBay Investment Grade Structured Credit Fund	0.73	12.14	-0.48	-0.48	0.55	2.05
ICE BofA Merrill Lynch Euro Currency 3-Month Deposit Offered Rate Constant Maturity Index	0.00	-0.06	-0.17	-0.17	-0.36	-0.34
Alpha	0.73	12.20	-0.31	-0.31	0.91	2.39

Launch date of the Fund was 17th Dec 2018 and the since inception performance reflects a partial period. Past performance is not indicative of future results.

Review

Review

- Structured-credit markets traded with balanced flows in June, with spread tightening and positive performance across most asset classes.
- Issuance in the primary CLO market remained robust in the US and picked up in Europe. We saw USD6 billion across 16 deals in the US and EUR2.5 billion across nine deals in Europe. This takes year-to-date volume to USD35 billion in the US and EUR10 billion in Europe, both lower than issuance levels this time last year.
- This month, the market began to think about what the second half of the year will bring. We saw a record month for selling in the secondary US CLO market, with almost USD1 billion changing hands every day. Morgan Stanley used TRACE data to show that dealers remained net flat, implying a deep investor base for the product and healthy market dynamics. Year-to-date trading volumes are already double those from 2019.
- CLO spreads in the secondary market rallied at the start of June, then marginally sold off towards month-end. In the European market, AAA spreads were 170 basis points (bps), AAs were 230bps, As were 315bps and BBBs were 485bps. Dispersion, however, remains wide, notably in the BBB space, where there is a risk of downgrade to sub-investment grade for some tranches.
- In ABS/MBS, we have been adding positions in UK RMBS AAAs ahead of a light supply calendar. Spreads in senior UK automotives and RMBS have rallied 10–30bps over the month as the dearth of new issuance may lead to a net negative UK RMBS supply over the summer months.
- Fund performance was positive during June, with all positions contributing to performance. European CLOs drove much of the return, with a significant contribution from tranches rated AA through to BBB.

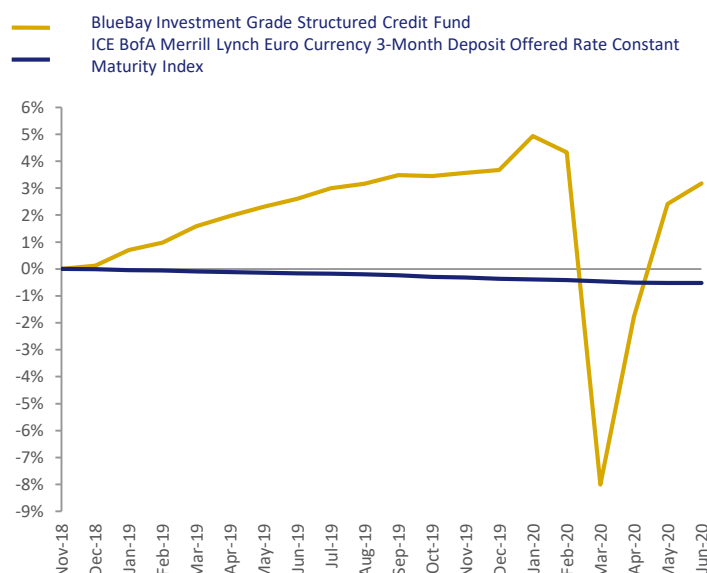
Outlook

- As noted in the May outlook, the pandemic will continue to impact corporate earnings in the near to medium term. We would observe that, despite the partial recovery seen in markets, we continue to see an increase in leveraged loan defaults, downgrades and restructuring, most notably in the US. Therefore, a degree of caution is necessary. We remain flexible in our thinking and, if the evidence shows that global economies can reopen, we will become more constructive on asset prices versus underlying fundamentals.
- In our opinion, senior tranches in the structured-credit market continue to offer investors a compelling opportunity as they are cheap relative to other highly rated fixed-income assets and offer a cushion from a pick-up in defaults.
- While we believe it is too early to determine how severe the recession caused by covid-19 will be, we are continually updating our stress tests to cover future adverse scenarios and will not include any securities in the fund that we feel may be at risk if the worst-case outcomes occur.
- The key focus for our team is finding opportunities among the pricing and valuation dispersion created by the market volatility in the USD1 trillion structured-credit market. We continue to focus on our rigorous investment process and risk analysis.

Investment objective

- To achieve a total return in excess of the ICE BofA Merrill Lynch Euro Currency 3-Month Deposit Offered Rate Constant Maturity Index from a portfolio of Structured Credit Securities.

Cumulative performance gross of fees^{1,2} (EUR)



Note: Past performance is not indicative of future results.

Fund characteristics

	Fund
Weighted yield (%)*	2.32
Weighted discount margin (bps)*	260
Weighted spread duration (yrs)*	3.06
Weighted average life (yrs)*	3.18
Weighted rating	AA-
Floating rate (%)	91.27
Fixed rate (%)	0.00

* Analytics for CLO securities calculated to 2 years after the end of reinvestment period

Risk statistics

CDV01	3.11
DV01	2.62

Investment strategy

- Mainly invests in Investment Grade Structured Credit Securities, which are debt instruments that typically pay a floating rate of interest and which are backed by specific pools of financial assets including, but not limited to, leveraged loans, credit card loans, auto loans, residential and commercial mortgages.

Fund facts

Total fund size ⁵	EUR 119m
Inception date	17 December 2018
Base currency	EUR
Benchmark	ICE BofA Merrill Lynch Euro Currency 3-Month Deposit Offered Rate Constant Maturity Index
Fund legal name	BlueBay Funds - BlueBay Investment Grade Structured Credit Fund
Share classes	Information on available Share Classes and eligibility for this Fund are detailed in the BlueBay Funds Prospectus and Application Form
Fund type	UCITS
Domicile	Luxembourg
Investment manager	BlueBay Asset Management LLP

Team

	Joined BlueBay	Investment industry experience
Sid Chhabra	June 2018	16 years
Luka Miodragovic	October 2018	12 years
Ashley Blatter	September 2018	20 years
Alex Navin	July 2019	9 years
Size of team	11 investment professionals	

Contact information

Marketing and Client Relations Department

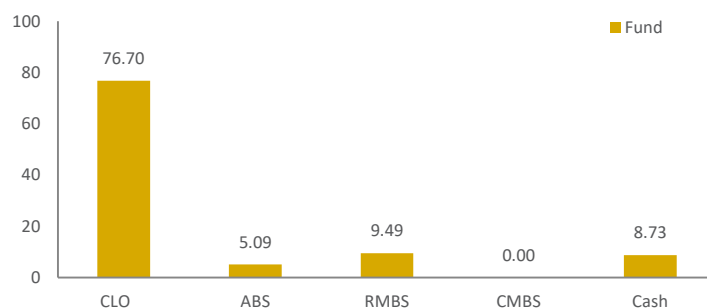
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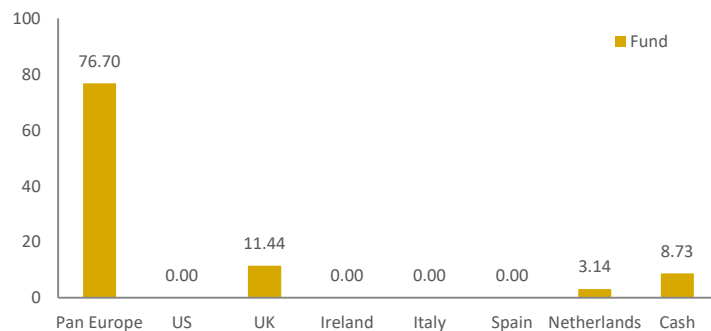
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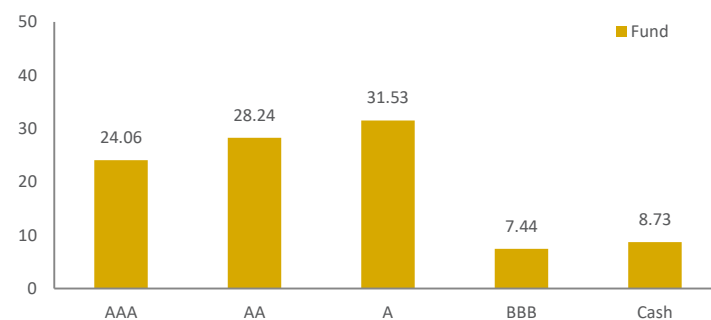
Asset Type breakdown (% NAV)



Region Breakdown (% NAV)



Credit Quality breakdown (% NAV)



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. Since inception.

Note: All data unless otherwise specified is sourced from BlueBay Asset Management LLP, as at 30th June 2020

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