RBC BlueBay Asset Management

BlueBay Global Sovereign Opportunities Fund

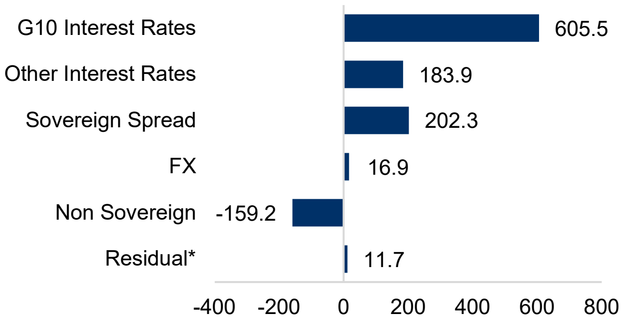
November 2023

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

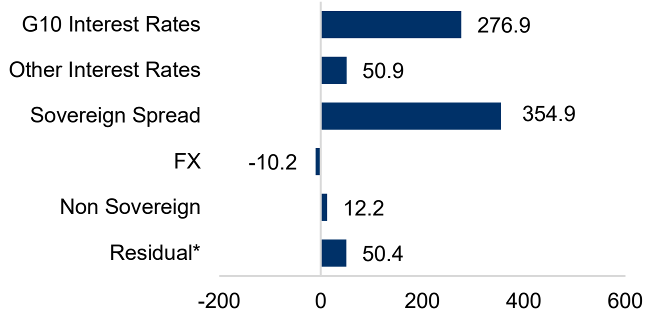
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	0.14	1.39	0.43	-0.02	-0.73	-1.99	4.81	0.40	0.44	0.09	1.29		6.28
2022	3.25	0.41	0.72	0.44	2.42	-1.65	0.72	4.21	-0.23	2.15	0.22	2.71	16.32
2021	0.86	1.43	-2.49	-0.01	-1.38	-1.64	-3.11	1.49	2.84	-1.96	-2.30	2.96	-3.51
2020	-1.49	-1.79	-4.85	0.71	3.65	-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

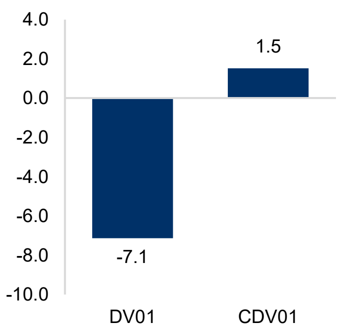


*Since Inception Performance by Strategy (bps) Gross

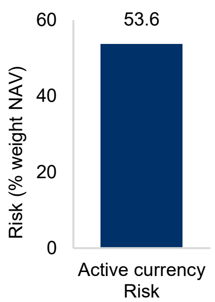


*The performance by strategy charts reflect a change in the methodology for reflecting FX carry returns, introduced in November 2017

Risk Allocation (Duration in Yrs)



Active CCY risk (%, NAV)



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

Annualised return (%) [3]	5.24
Whole months data required to calculate the below	
Annualised volatility (%)	7.21
Sharpe ratio [4]	0.44
Positive months (%)	62.11
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

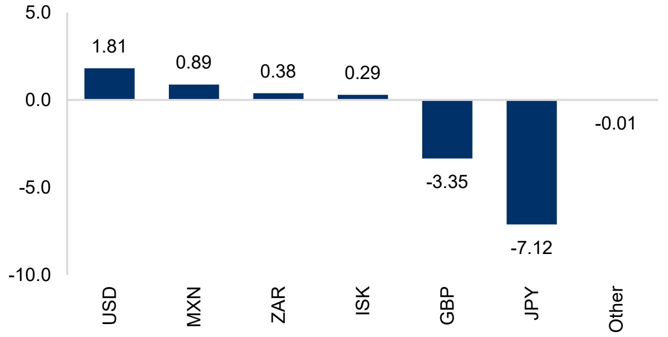
- A macro thematic, global government bond strategy trading G10 rates, local markets, sovereign credit and currencies
- The Fund seeks to achieve an annual net return of 10% over a full investment cycle, with an expected volatility of 8%, with 5-15% range.
- An actively traded and highly liquid portfolio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

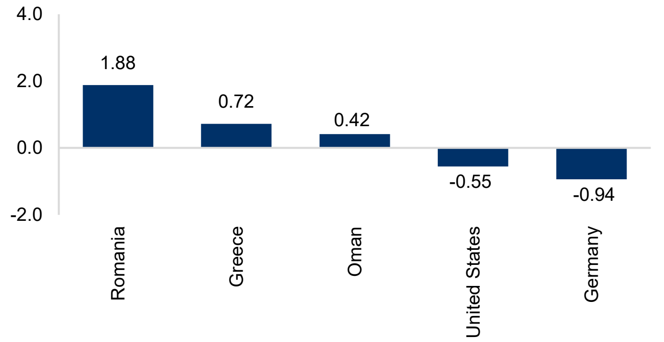
Total fund size [5]	USD 495m
Inception date	22 December 2015
Base currency	USD
Liquidity	Daily
Fund legal name	BlueBay Funds—BlueBay Global Sovereign Opportunities Fund
Share classes	Further information on available Share Classes and eligibility for this Fund is detailed in BlueBay Funds Prospectus
ISIN	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.

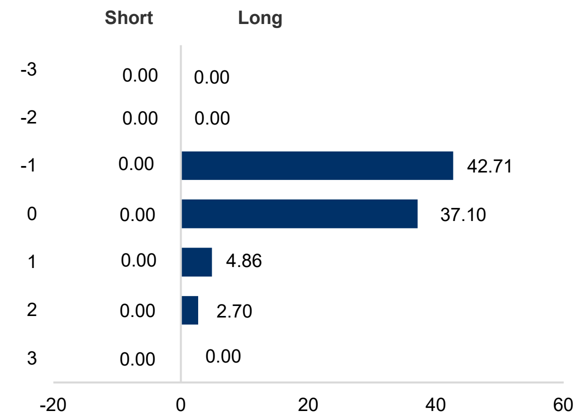
Duration Exposure (duration contribution in yrs)



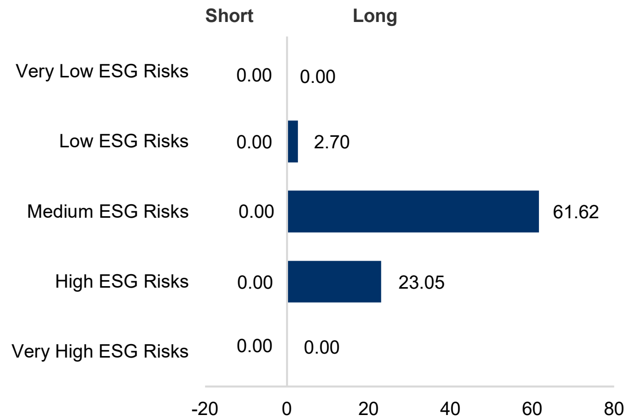
Credit Spread Duration Exposure (spread duration in yrs)



BlueBay: Security Investment ESG Scores (% of NAV)



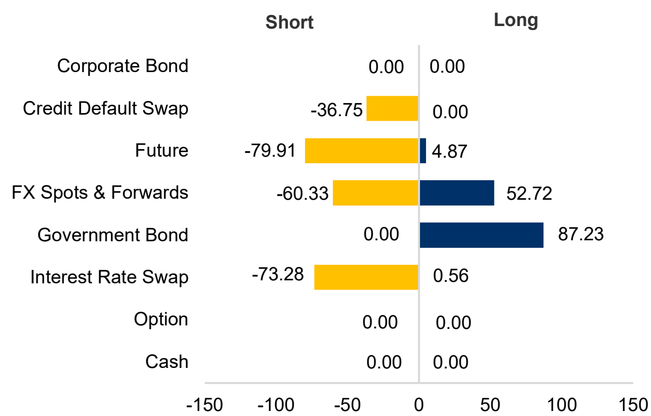
BlueBay: Issuer Investment ESG Scores (% of NAV)



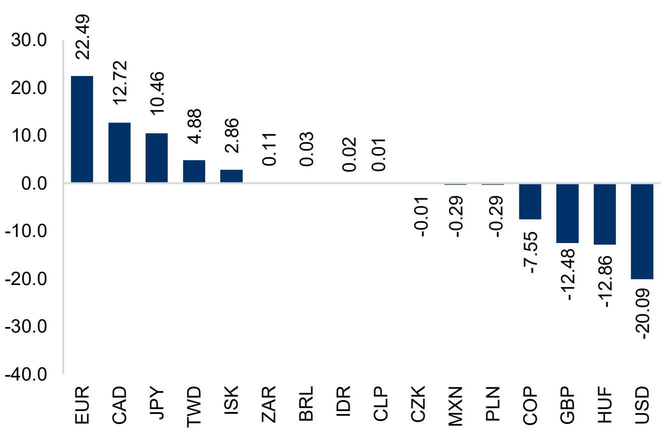
Top 3 Long Issuers by Spread Duration Contribution (yrs)

Issuer	Years (absolute)	Years (relative)	BlueBay ESG Fundamental (Risk) Rating[9]	BlueBay Investment ESG Score[10]
Romanian Government International Bond	1.80	1.80	Medium ESG Risk	-1
Hellenic Republic Government Bond	0.70	0.70	Medium ESG Risk	0
Oman Government International Bond	0.41	0.41	High ESG Risk	1

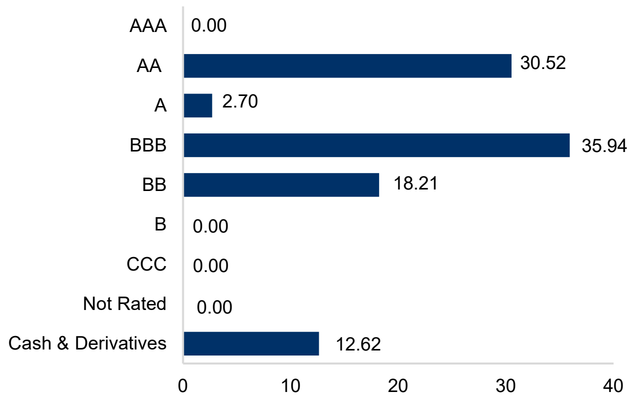
Product Breakdown (% of NAV)



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]	1.45x
Gross short exposure [6]	-2.50x
Net exposure	-1.05x

Liquidity[7]

	Long	Short
<= 1 day	94.94%	100.00%
> 1 days <= 1 wk	5.06%	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]	1.52
DV01 [9]	-7.12
Equity delta (+1%)	0.00
FX delta (+1%)	19.94
Equity Vega	0.00
VAR (95%, 1 day) [10]	53.58

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 30th November 2023.

Portfolio Managers Comments

Review

November saw solid returns for fixed-income indices, driven by a combination of lower core government yields, tighter credit spreads and the underlying yield/income/carry. According to BofA index data, European governments returned +2.99%. Equities were also solid, with the S&P 500 up some 9%, which represents its seventh-largest month of returns in the last 100 years.

Although equity and fixed-income market returns were notably solid in November, not much actually changed in the backdrop. We had US Federal Reserve (Fed) and Bank of England meetings at the start of the month, but rates were left unchanged. If anything, the Fed affirmed its tightening bias, while the European Central Bank (ECB) and Bank of Japan had no meetings. Looking at data over the month, inflation prints were generally a touch softer, which helped the move lower in yields, but we would highlight that inflation remains well above target. We have also seen some signs of growth slowing in the US, but part of this is likely a cooling from a notably solid third quarter.

Core government bond yields were meaningfully lower, with curves bull-flattening (longer-maturity yields falling more than short-maturity yields). If we look at 10-year bonds as a proxy, US Treasury yields were a whopping 60 basis points (bps) lower, while 10-year Bund and Gilt yields were both around 35bps lower. Year to date (YTD), this leaves 10-year US Treasuries 45bps higher at 4.33% and 10-year Bunds 11bps lower at 2.45%. In terms of what is priced in, the market believes that rates have peaked, with the US market now pricing a 50% probability of a cut in March, with 125bps of Fed rate cuts now priced by the end of 2024. In Europe, the market is pricing that we will see the first rate cut in March or April 2024, with 125bps of cuts by October 2024. In the UK, the market is now pricing a first cut in mid-2024.

European sovereign credit spreads were tighter, led by Italy and Greece, where 10-year spreads tightened by 14bps. If we look at BBB rated emerging-market (EM) sovereigns, Mexican (95-year eurobond) spreads were slightly tighter, but 10-year Romanian spreads ended slightly wider after news on pension legislation, which was seen as adding to the government's deficit in 2024. Romanian spreads remain 60bps tighter YTD.

Contributors and detractors

Source of Alpha	Contributors	Detractors	P&L
G10 rates	Long: US, Europe	Short: UK, Japan	+77
Other rates	Long: Mexico, South Africa		+150
Sovereign	Long: Greece, Oman	Long: Romania, Short: CDX-EM	+4
Currency	Long: JPY, CAD, CLP, IDR, PLN (vs EUR)	Short: GBP, COP, HUF (vs EUR)	+36
Non-sovereign		Short: iTraxx CDS	-111

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

Performance for November was positive, led by the local currency rates book, particularly long positions in Mexico and South Africa. The core rates channel was also positive despite the move lower in yields, with the loss suffered from our short positions in UK Gilts and Japanese rates more than offset by the long positions in the US and Europe. The sovereign book was flat, with Greece and Oman contributing but largely offset by our beta hedge through the CDX-EM index. Indeed, the other main hedge, iTraxx CDS, cost returns in a positive month for fixed income. The foreign-exchange (FX) channel was positive overall, with longs in the Japanese yen, Canadian dollar and Chilean peso contributing, while shorts in UK sterling, the Colombian peso and Hungarian forint detracted.

Outlook

We find it interesting that November is the first month since January in which we have seen all financial assets rally on hopes of a Fed pivot and a goldilocks outcome to the current economic cycle. Looking back to the start of 2023, there were similar hopes around a Fed pivot and soft-landing outcome. But the year has turned out to be far choppier and more difficult. When we look forward, we doubt the evolution of macroeconomic data – and central-bank activity – will give the market a free run at a sustained period of risk-on yields lower.

Christopher J Waller is influential, but it is interesting that the market has chosen to ignore the warning comments from many Fed policymakers, most notably Jerome Powell himself. Of course, there is a path to the soft-landing immaculate disinflation outcome that is currently being priced by the market and propagated by many investors and analysts. If we receive continued softer inflation data, but the US economy does not roll over and growth stays reasonably robust, then current pricing and the bullish sentiment will be justified. It's just that we place a greater probability on the two main alternative outcomes. First, that growth rolls over more sharply in the coming weeks and months, and the market moves quickly from a goldilocks scenario to fears over a harder landing, weaker earnings outlook and higher default rates. This would involve a rapid move in the unemployment rate above 5%. The other scenario versus the current market pricing is that inflation and growth remain more robust as we head into 2024, resulting in a more hawkish Fed, ultimately leading to tighter monetary policy conditions, higher rates for longer and a much less favourable outlook for risk in general.

On a tactical basis, we are leaning against the market moves that have taken place in November. When we analyse incoming data, we see risk reward favoring higher yields. We have moved our US duration view to a modest short duration position, and have also taken a short position in the front end of the European curve (EUR 3-month September 2024 contract) on the conviction that the market has now priced in too much too fast in terms of the path of ECB rates. We have taken profits on the long FX position in the Indonesian rupee and added some downside protection risk in the S&P Index through a March 2024 4000 strike put (25bps of spend).

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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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