

The Emerging Market Unconstrained Bond Fund

February 2024

For Professional Investors Only

Fund Performance (%) Gross of Fees (USD) ²

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	-0.01	1.67											1.65
2023	5.13	-1.76	0.68	-0.18	2.08	5.18	2.12	-1.95	-2.79	-0.07	5.77	4.37	19.68
2022	-0.67	0.34	2.53	-1.42	-0.15	-8.86	-0.79	0.41	-3.91	-0.90	5.11	1.35	-7.36
2021	-0.15	-1.34	-3.73	3.28	1.54	-0.69	-1.36	1.47	-3.24	-2.01	-5.75	2.68	-9.29
2020	1.53	-1.91	-10.68	6.00	8.53	2.40	2.37	1.14	-1.80	-1.23	6.81	5.89	19.01
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

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.

* Partial performance since inception 20 July 2010

Performance Analysis^{2,3} (Gross of fees)

Annualised return (%)	5.38
Annualised standard deviation (%)	7.81
Sharpe ratio	0.50
Positive months (%)	59.51
Worst drawdown (%)	-21.12
Recovery time (months)	14

Fund Facts

Total Fund size ⁵	USD 504m
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

Risk Considerations

- At times, the market for emerging market 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
- Emerging markets may be more volatile and it could be harder to sell or trade these bonds. There is also a greater risk of less government supervision, legal regulation and less well-defined tax laws and procedures than in countries with more developed trading markets. Emerging markets can be particularly sensitive to political instability, which can result in greater volatility and uncertainty, subjecting the fund to the risk of losses
- 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

Portfolio Characteristics

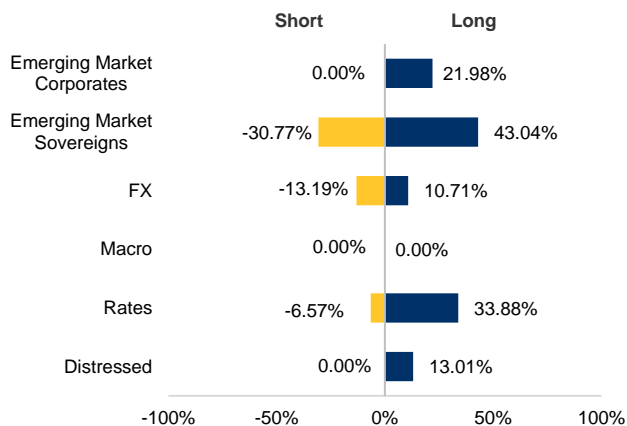
Weighted interest rate duration (yrs)	5.76
Weighted spread duration (yrs)	3.39
Local interest rate duration (yrs)	2.42
Weighted yield to maturity (%) ⁶	8.90
FX Delta (+1%)	23.19

	Long	Short	Net	Gross
Leverage ⁴	1.23x	-0.51x	0.72x	1.73x
No of positions	80	26	106	

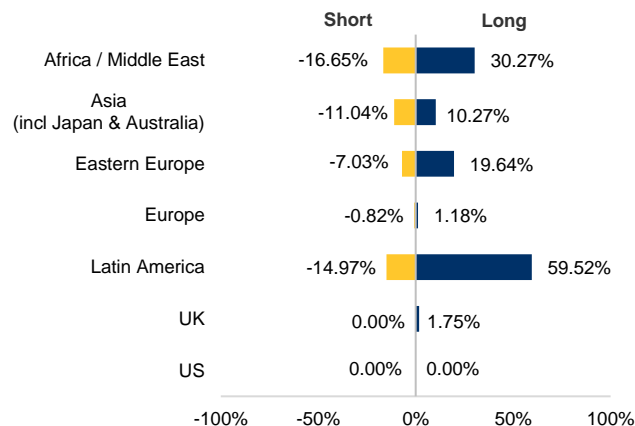
Investment Strategy

- 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.
- 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/>

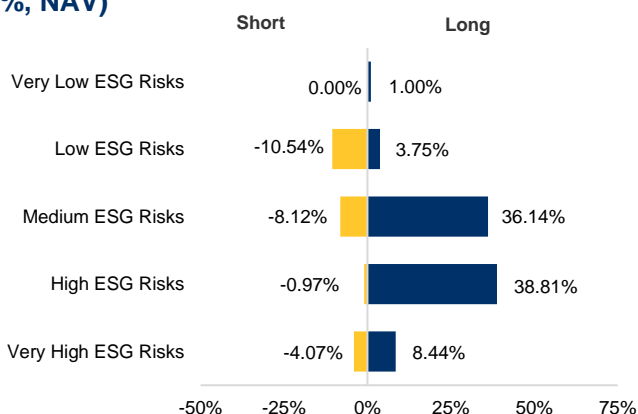
Strategy Breakdown (Exposure, % of NAV)⁴



Regional Breakdown (Exposure, % of NAV)⁴



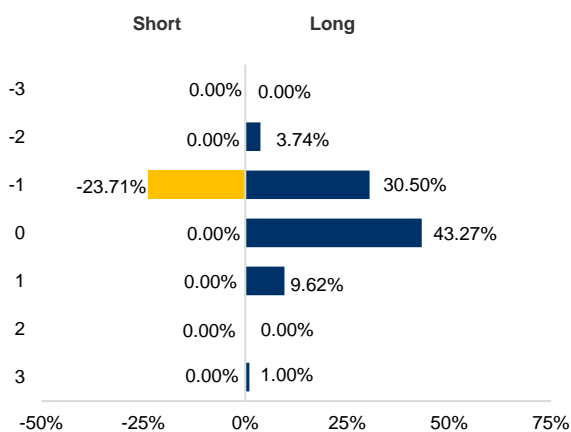
BlueBay: Issuer Fundamental ESG (risk) Ratings (% of NAV)



Sovereign Debt (External) (% of NAV)

Ukraine Government International Bond '41	5.58 %
Provincia de Buenos Aires Government Bond '37	4.07 %
Romanian Government International Bond '29	3.51 %
Tunisian Republic Bond '25	3.05 %
Dominican Republic International Bond '25	2.90 %

BlueBay: Security Investment ESG Scores (% of NAV)



Corporate / Quasi-Sovereign (External) (% of NAV)

Petroleos de Venezuela SA '20	2.68 %
Ecopetrol SA '29	2.50 %
Ecopetrol SA '36	1.88 %
Gaci First Investment Co '53	1.76 %
YPF SA '31	1.50 %

Top 3 Long Holdings (% of NAV)

Holding	Weight (absolute)	Weight (relative)	BlueBay ESG Fundamental (Risk) Rating ⁹	BlueBay Investment ESG Score ¹⁰
UKRAIN Float 08/41 REGS	5.58%	5.58%	High ESG Risk	1
BUENOS 6 3/8 09/37 REGS	4.07%	4.07%	Medium ESG Risk	-1
INDOGB 7 1/8 06/15/38 #FR98	3.84%	3.84%	Medium ESG Risk	0

Local Markets (% of NAV)

Indonesia Treasury Bond '38	3.84 %
Colombian TES '32	3.14 %
Romanian Government Bond '36	2.57 %
Peruvian Government International Bond '33	2.52 %
America Movil SAB de CV '31	2.19 %

Top and Bottom 3 FX Positions (% of NAV)

Long	
Brazilian real	6.72 %
Indonesian rupiah	4.00 %
Peruvian sol	3.59 %
Shorts	
Japanese yen	-0.24 %
South African rand	-0.16 %
Hungarian forint	-0.03 %

Portfolio Managers Comments

Review

On the whole, February was a mixed month for emerging-market (EM) risk. On one hand, owing to outperforming idiosyncratic stories, the credit indices including the EMBI Global Diversified Index posted positive total return. Despite the US Treasury yields ending the month higher than expected as anticipated US Federal Reserve (Fed) rate cuts were delayed until June, returns across EM credit were positive, with the sovereign index rising 0.98% with spreads tightening by 33 basis points (bps), and the corporate index rising by 0.67% with spreads tightening by 28bps. In particular, high yield credit posted strong gains. In the local markets, the index was down -0.57%, with foreign exchange accounting for the majority of losses (-0.73%), whilst EM rates return was positive (0.16%). US equity markets performed strongly however, largely thanks to AI-powered stocks like NVIDIA. Driven by some of the stimulus measures provided by the policymakers in China, the EM equity index also posted strong returns, although the economic performance of the Chinese economy remained in question.

There were many notable idiosyncratic political developments in the markets during the month, led by a reshuffle at the top level in the Turkish central bank. The beginning of the month saw Turkey's central bank governor Hafize Gaye Erkan resign and subsequently replaced by Deputy Governor Faith Karahan. On the back of overall weakness, China ousted the head of its securities watchdog as policymakers struggled to stabilise the country's stock markets. Indonesian elections took place with Prabowo Subianto claiming victory in the presidential race, while in Pakistan the Tehreek-e-Insaf (PTI) party still emerged as the single largest party despite claims of election rigging and its leader, Imran Khan, remaining in jail on more than 150 charges. In perhaps one of the largest positive surprises, Egypt secured USD35 billion of funding from the United Arab Emirates, which largely reduced concerns around its debt sustainability and allowed bonds to rally strongly as a result. The investment is central to unlocking a long-stalled agreement with the International Monetary Fund (IMF) for a loan package expected to top USD10 billion and should pave the way for further exchange rate liberalisation. Oil-rich states are considered crucial in its attempts to ease the currency crisis and meet commitments pledged to the IMF to sell off state assets.

In another key move, Moody's downgraded Mexican state-owned petroleum company Pemex further into junk territory, stating that the company would be near default without support from the Mexican government. The credit ratings agency justified this cut due to worsening credit quality and added that that whilst government support is currently high, this could be threatened if fiscal conditions deteriorate this year. They have also assigned a 'negative outlook' that indicates a higher probability of another change to the rating over the medium term. Following this downgrade, the Mexican government announced a new 'fiscal stimulus' consisting of a tax credit equivalent to 100% of the company's profit-sharing rate.

In a number of EM economies, central banks remained biased to cut policy rates. This was most notable in the Czech Republic where the central bank surprised markets with a 50bps cut - its largest in nearly four years - taking its main rate to 6.25%. Hungary's central bank cut rates by 100bps, which also came as a surprise to markets. While we acknowledge that the European growth picture remains challenging, the pace of rate cuts could make Eastern European currencies more vulnerable to any negative sentiments shift.

Performance [Fund performance is gross of fees. Past performance is not indicative of future results]

The fund returned 1.67% in February. In the credit space, the weakness in core rates meant that the longer duration sovereign index suffered disproportionately in total return terms with the investment grade sub index losing 0.6% despite spreads tightening 12bps. Conversely, the high yield subcomponent showed positive returns of 2.6% as various events played out favourably. For the fund, a basis trade in Egypt was the top contributor, while longs in Pakistan and Tunisia also contributed positively. A long in Venezuela detracted from performance, while short positioning in US rates benefitted performance.

In the local markets, higher US yield resulted in pockets of US dollar strength and led to underperformance in some of the weaker stories such as South Africa and Hungary. However, the high level of carry in the asset class helped to cushion returns. For the fund, the local book was relatively unchanged as weakness in rates was offset by high carry, resulting in net flat performance.

Outlook

The emerging-market fixed income asset class has had a relatively volatile beginning to the year, with duration headwind weighing on sentiments. Despite a relatively positive February, the year-to-date (YTD) returns for the EM hard-currency sovereign index remains in minor negative territory, while the EM local-currency sovereign has posted a -2% negative return. Only the EM corporate asset class has reversed this trend with a +1.25% return YTD, owing to slightly shorter duration and idiosyncratic spread compressions. These returns are in stark contrast to the equity markets where both developed-market and emerging-market equities have rallied in the past few weeks. It is also worth noting that the asset class has, overall, suffered from further outflows this year.

The key question in investors' minds is whether the rates volatility will continue to be a headwind for the asset class. On that front, we remain somewhat cautious as we believe, given the health of the US economy as evidenced by both jobs and inflation numbers, the rate cuts could be delayed and may be smaller in magnitude this year, thereby reinforcing the theme of "higher for even longer" than many market participants had hoped. That said, although there is a case for reorientation of expectations, EM fixed income is well positioned to post positive returns aided by higher carry, improving fundamentals, and improving supply technical.

Perhaps the most important of these factors is fundamentals, where on the sovereign side as well as the corporate side, we see defaults normalising to long-term average and coming down from elevated levels. In many stressed countries there have been material improvements in terms of funding, such as in Egypt or Tunisia, which removes any risks of short-term restructuring. While politics remain volatile in many countries like South Africa and Pakistan, our base case is not to restructure in most of these countries. Fiscal improvements are also slowly taking place in many economies, albeit with significant differentiation. On the corporate side, we note a material improvement in leverage and balance sheet liquidity compared to US counterparts, also making them well positioned to benefit from higher carry environment. Lastly, we have seen significant supply from the beginning of the year, which has arguably put more pressure on spreads of higher quality papers, but going forward the overall net primary market issuance should be negative for EM corporates. This should also provide support to spreads.

Based on the above rationale, we remain constructive on the asset class, especially in credit. While it is an asset class that carries a certain amount of risk, we believe an active, bottom-up approach is key to success. With a strong research process we are confident that the weakest credits can be avoided and that strong alpha can be generated from the rest of the asset class.

On local currency, we remain more cautious as the US dollar could strengthen with Donald Trump getting closer to an election as well as many central banks starting to cut rates at a faster pace than the fall in inflation would necessarily justify. The combination of these factors could introduce more volatility in the EM local-currency asset class although, in our view, the dispersion in performance is likely to be large and thus increase the alpha generation opportunities in this sector.

Team Info

Anthony Kettle, Senior Portfolio Manager
Joined BlueBay in March 2006 and has 23 years of investment experience

Polina Kurdyavko, Head of Emerging Markets
Joined BlueBay in July 2005 and has 23 years of investment experience

Brent David, Senior Portfolio Manager
Joined BlueBay in March 2014 and has 21 years of investment experience

Contact Information

Marketing and Client Relations Department
100 Bishopsgate
London EC2N 4AA

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

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.
- 7 Fundamental ESG (Risk) Rating is assigned at an issuer level by 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.
- 8 Investment ESG Score is assigned at an issuer level by 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).

Source: All data unless otherwise specified is sourced from RBC Global Asset Management, as at 29th February 2024.

This document is a marketing communication and it may be produced and issued by the following entities: in the European Economic Area (EEA), by BlueBay Funds Management Company S.A. (BBFM S.A.), which is regulated by the Commission de Surveillance du Secteur Financier (CSSF). In Germany, Italy, Spain and Netherlands the BBFM S.A is operating under a branch passport pursuant to the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC) and the Alternative Investment Fund Managers Directive (2011/61/EU). In the United Kingdom (UK) by RBC Global Asset Management (UK) Limited (RBC GAM UK), which is authorised and regulated by the UK Financial Conduct Authority (FCA), registered with the US Securities and Exchange Commission (SEC) and a member of the National Futures Association (NFA) as authorised by the US Commodity Futures Trading Commission (CFTC). In Switzerland, by BlueBay Asset Management AG where the Representative and Paying Agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The place of performance is at the registered office of the Representative. The courts at the registered office of the Swiss representative or at the registered office or place of residence of the investor shall have jurisdiction pertaining to claims in connection with the offering and/or advertising of shares in Switzerland. The Prospectus, the Key Investor Information Documents (KIIDs), the Packaged Retail and Insurance-based Investment Products - Key Information Documents (PRIIPs KID), where applicable, the Articles of Incorporation and any other document required, such as the Annual and Semi-Annual Reports, may be obtained free of charge from the Representative in Switzerland. In Japan, by BlueBay Asset Management International Limited which is registered with the Kanto Local Finance Bureau of Ministry of Finance, Japan. In Asia, by RBC Global Asset Management (Asia) Limited, which is registered with the Securities and Futures Commission (SFC) in Hong Kong. In Australia, RBC GAM UK is exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of financial services as it is regulated by the FCA under the laws of the UK which differ from Australian laws. In Canada, by RBC Global Asset Management Inc. (including PH&N Institutional) which is regulated by each provincial and territorial securities commission with which it is registered. In the United States, by RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US"), an SEC registered investment adviser. The entities noted above are collectively referred to as "RBC BlueBay" within this document. The registrations and memberships noted should not be interpreted as an endorsement or approval of RBC BlueBay by the respective licensing or registering authorities. Not all products, services or investments described herein are available in all jurisdictions and some are available on a limited basis only, due to local regulatory and legal requirements.

Please refer to the Prospectus of the fund, the Key Investor Information Documents (KIID) and the Packaged Retail and Insurance-based Investment Products - Key Information Documents (PRIIPs KID), if available, or any other relevant fund documentation on our websites (www.rbcgam.com and www.bluebay.com) before making any final investment decisions. In EEA where applicable, the Prospectus and the PRIIPs KID is available in English and the KIIDs in several local languages which can be accessed and obtained on our websites (www.rbcgam.com and www.bluebay.com). No RBC BlueBay fund will be offered, except pursuant and subject to the offering memorandum and subscription materials for such fund (the "Offering Materials"). If there is an inconsistency between this document and the Offering Materials for the RBC GAM UK fund, the provisions in the Offering Materials shall prevail.

Any investor who proposes to subscribe for an investment in any of the RBC BlueBay products must be able to bear the risks involved and must meet the respective products suitability requirements. This document is intended only for "professional clients" and "eligible counterparties" (as defined by the Markets in Financial Instruments Directive ("MiFID")) or in the US by "accredited investors" (as defined in the Securities Act of 1933) or "qualified purchasers" (as defined in the Investment Company Act of 1940) as applicable and should not be relied upon by any other category of customer.

The investments discussed may fluctuate in value and you may not get back the amount invested. The return may increase or decrease as a result of currency fluctuations. Investment in derivatives may involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement in the price of the instrument, as a result of which prices are more volatile. There are restrictions on transferring interests in the funds. The instruments in which the products invest may involve complex tax structures and there may be delays in distributing important tax information. The funds are not required to provide periodic pricing or valuation information to investors with respect to its individual investments.

Unless otherwise stated, performance data is unaudited and net of management, performance and other fees. Past performance is not indicative of future results.

Any indices shown are presented only to allow for comparison of the RBC BlueBay fund's performance to that of certain widely recognised indices. The volatility of the indices may be materially different from the individual performance attained by a specific fund or investor. In addition, the RBC BlueBay fund holdings may differ significantly from the securities that comprise the indices shown. Indexes are unmanaged and investors cannot invest directly in an index.

This document has been prepared solely for informational purposes and does not constitute an offer or recommendation to buy or sell any security or investment product or adopt any specific investment strategy in any jurisdiction. This document should not be construed as tax or legal advice.

This document may contain the current opinions of RBC BlueBay and is not intended to be, and should not be interpreted as, a recommendation of any particular security, strategy or investment product. Unless otherwise indicated, all information and opinions herein are as of the date of this document. All information and opinions herein are subject to change without notice.

The information contained in this document has been compiled by RBC BlueBay, and/or its affiliates, from sources believed to be reliable but no representation or warranty, express or implied is made to its accuracy, completeness or correctness.

A summary of investor rights can be obtained in English on www.bluebay.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.

This document may not be reproduced in whole or part, and may not be delivered to any person without the consent of RBC BlueBay. Copyright 2024 © RBC BlueBay. RBC Global Asset Management (RBC GAM) is the asset management division of Royal Bank of Canada (RBC) which includes RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited and RBC Global Asset Management (Asia) Limited, which are separate, but affiliated corporate entities. ® / Registered trademark(s) of Royal Bank of Canada and BlueBay Asset Management (Services) Ltd. Used under licence. BlueBay Funds Management Company S.A., registered office 4, Boulevard Royal L-2449 Luxembourg, company registered in Luxembourg number B88445. RBC Global Asset Management (UK) Limited, registered office 100 Bishopsgate, London EC2N 4AA, registered in England and Wales number 03647343. All rights reserved.