BlueBay High Yield Corporate Bond Fund

April 2015

Fund Performance (EUR) Gross of Fees

	1M	3M	YTD	1YR	3YR*	5YR*	SI*
BlueBay High Yield Corporate Bond Fund	0.67%	2.72%	3.46%	3.61%	8.87%	8.49%	9.91%
BAML European Currency High Yield Constrained Ex. Sub-Financials Index	0.61%	2.55%	3.65%	4.85%	9.92%	8.91%	10.17%
Alpha	0.06%	0.17%	-0.19%	-1.24%	-1.05%	-0.42%	-0.26%

Calendar Year Performance (EUR) Gross of Fees

	2011	2012	2013	2014	2015 YTD
BlueBay High Yield Corporate Bond Fund	1.89%	19.19%	8.09%	3.98%	3.46%
BAML European Currency High Yield Constrained Ex. Sub-Financials Index	-1.19%	24.55%	8.91%	4.62%	3.65%
Alpha	3.08%	-5.36%	-0.82%	-0.64%	-0.19%

Risk Statistics[1]

Standard Deviation	4.81%
Tracking Error	1.56%
Information Ratio	-0.17

Top 5 Issuers

Ziggo	4.21%
Virgin Media	4.04%
Priory Group	3.51%
Unity Media	3.49%
Wind Telecom	3.02%

Top Sector Overweights

Media	13.04%
Healthcare	4.83%
Financial Services	2.62%
Telecommunications	2.51%
Services	2.25%

Top Sector Underweights

Basic Industry	-9.24%
Automotive	-7.86%
Energy	-5.82%
Banking	-4.67%
Retail	-2.53%

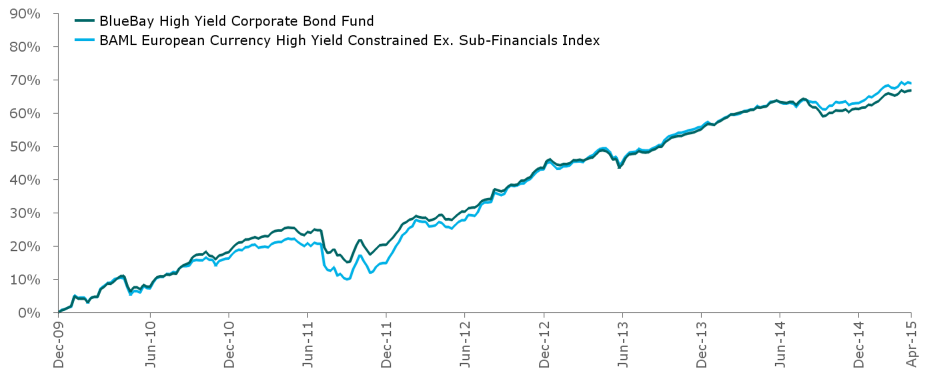
Investment Objective

To achieve a total return in excess of the BAML European Currencies High Yield Constrained Ex. Sub-Financials Index from a portfolio of fixed income securities

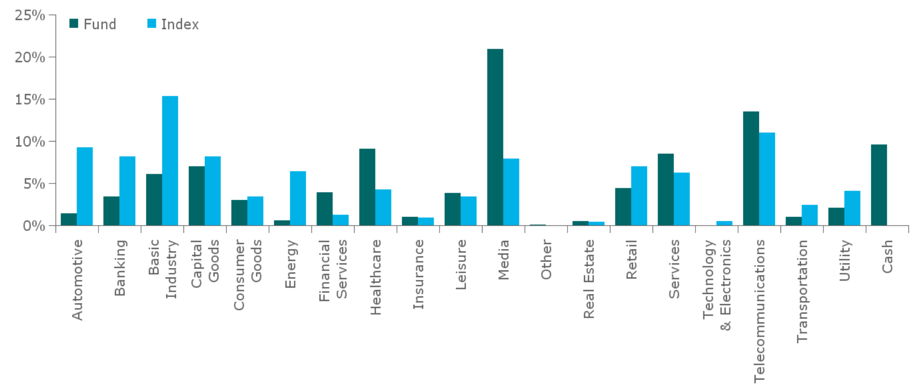
Investment Strategy

- The Fund invests predominantly in fixed income securities issued by sub-investment grade companies domiciled in the Europe
- The Fund seeks to generate excess returns primarily via security selection; based upon high quality, proprietary research

Cumulative Relative Performance*

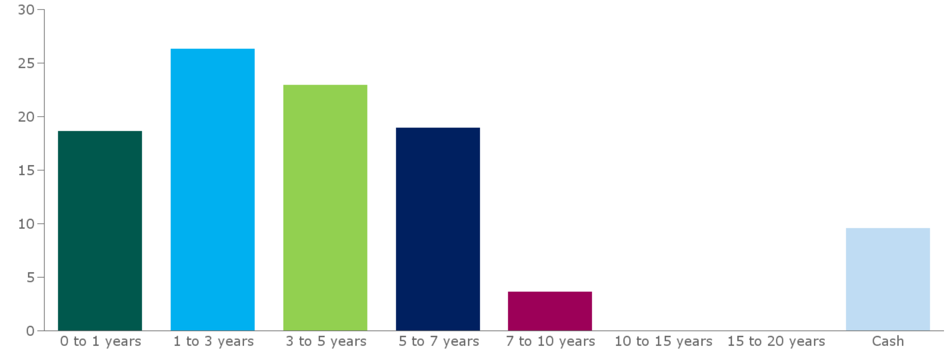


Sector Breakdown (% NAV)

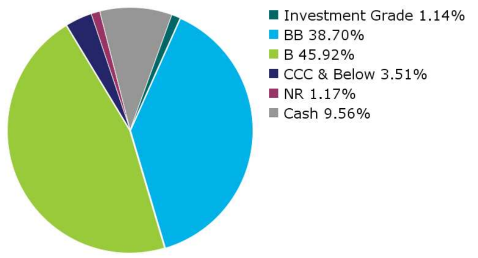


RBC Global Asset Management

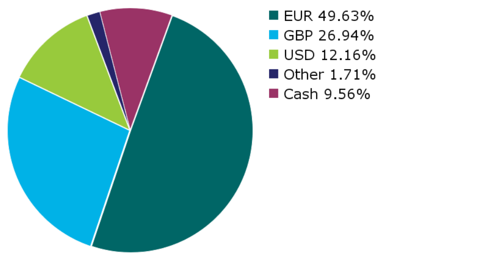
IR Duration Distribution (% NAV)



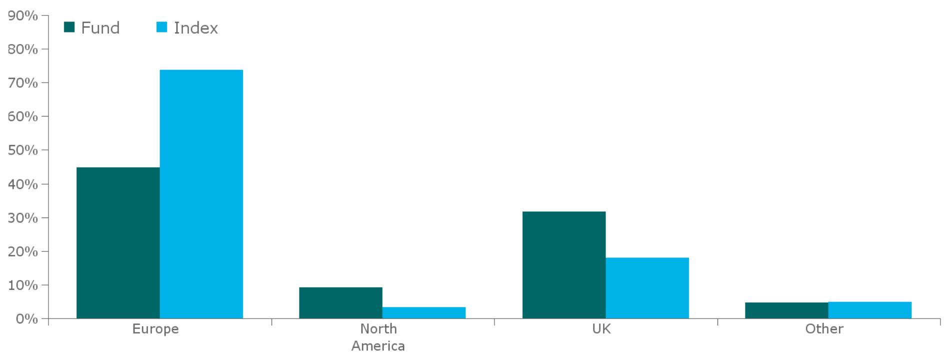
Credit Quality Breakdown (% NAV)



Currency Breakdown (% NAV)



Regional Breakdown by Domicile (% NAV)



Team

	Joined BlueBay	Investment Industry Experience
Anthony Robertson	August 2004	19 years
Peter Higgins	January 2008	19 years
Justin Jewell	April 2009	13 years

Size of team	38 investment professionals
Average Investment Industry Experience	13 years

Fund Characteristics ▪

	Fund	Index
Interest Rate Duration (yrs)	2.73	3.59
Weighted Yield to Worst	4.39	4.35
Weighted Yield to Worst Non-Cash Diluted	4.92	4.35
Weighted Spread	411	407
Total No. of Issuers	83	369
Weighted Coupon	5.49	5.69
Weighted Coupon Non-Cash Diluted	6.16	5.69
Weighted Rating	BB-	BB-
Average Position (%)	0.78	0.16
FRNS and Loans (%)	7.19	N/A

Fund Facts

Total Fund Size[2]	EUR 267m
Inception Date	01 December 2009
Currency	Euro
Benchmark	BAML European Currency High Yield Constrained Ex. Sub-Financials Index
Fund Legal Name	BlueBay Funds - BlueBay High Yield Corporate Bond 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	Part I SICAV (UCITS IV)
Domicile	Luxembourg
Investment Manager	BlueBay Asset Management LLP

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* Since inception.

▼ Performance shown for 1yr periods onwards are annualised figures.

■ All weighted calculations since April 2008 exclude non-interest rate bearing assets and non-debt related instruments.

1. Risk statistics are annualized and calculated using weekly data points since inception. Risk statistics will be produced once there are 3 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 annualised in accordance with current industry standard reporting practices.
2. The Fund AUM is stated on a T+1 basis and includes non-fee earning assets.

Commentary

Market Review

On a regional basis, one would expect North America to dominate returns in the Bank of America (BAML) US High Yield (HY) Index. Latin America generating 33% of April's returns in the BAML European HY Excluding Sub Financials Index and 28% in the BAML Global HY Index, while representing only 4.7% and 7.5% of index NAV respectively, is somewhat more surprising. The combination of (1) the newest entrants to global HY indices hailing from emerging markets and (2) being weighted towards the energy sector, helped to carry returns in Europe and propelled returns globally. Much of the monthly gains in risk assets occurred in the first half of the month as a result of (1) a temporary relief on Greece's IMF loan (2) weaker than anticipated US economic data which, most likely, pushed back Fed lift-off to the second half of 2015 and (3) a fairly consistent rise in the price of oil, culminating in a 25% monthly gain.

The delayed rate rise and, in particular, higher oil prices, caused EM corporates to rally, with the JP Morgan Emerging Markets HY Index returning 3.3%. Russian and Brazilian-domiciled corporates, which only accounted for 2.45% of NAV in February, accounted for 8.22% in April, returned 3.69% on an absolute basis and contributed 30bps, or 48% of monthly returns in the BAML European HY Excluding Sub Financials Index. Europe's top performer was Petrobras, a Brazilian integrated oil and gas company. Petrobras's 2.7% of NAV in the BAML European HY Excluding Sub Financials Index, accounted for 30% of the index's total returns. Similar trends caused the +0.57% gains in the BAML European Currency HY Constrained Index. With energy being the largest sector in global and US HY, its impact on absolute returns was greater, enabling both the BAML Global HY Index and BAML US HY Index to outperform Europe, returning 1.65% and 1.20%, respectively. The 45bps differential is attributed to the EM component of the global indices with PDVSA and PETBRA contributing 30bps to returns. The second half of April was all about rates, with 10-year German Bunds nearly quadrupling from the end of day trough on 20 April to finish +18bps wider on the month, while nearly being in lock-step with the +14bps move wider in 10-year US Treasuries (UST). This dampened the enthusiasm witnessed earlier in the month for HY.

The second half acceleration in rates took its toll on US HY fund flows, which reversed earlier inflows and resulted in ETFs experiencing over $1 billion of outflows in the latter half of April, while European flows also slowed. However, primary buyers still cared as $38 billion priced in US HY with another USD-equivalent $21 billion in Europe. Helping Europe to its largest monthly total for twelve months was a combined $5.9 billion five-tranche, dual-currency bond deal, the seventh largest transaction in the market's history. Despite loans' floating rate exposure being reliant on Libor, the retail community's correlation to rising 10-year UST rates resulted in the first month of mutual fund inflows (+$417 million), after twelve consecutive monthly outflows. This supportive demand technical, alongside collateralised loan obligation creation and combined with light net new issue supply, has produced steady gains for leveraged loans throughout 2015 with the JP Morgan US index producing 85bps of gains, slightly outpacing the Credit Suisse Western European Loan Index of +76bps.

Performance

The Fund performed well rising +0.67% and generating +6bps of alpha in a month when index returns came from unorthodox sources. The majority of the benchmark's +0.61% gain was derived from two geographies which have become increasingly significant in recent months; Brazil contributed +20bps due to one issuer in particular (Petrobas +19bps) and Russia added a further +10bps from a handful of companies within the energy sector.

The Fund had a 0.60% exposure to Petrobas versus 2.6% in the benchmark and this lower relative positioning detracted -15bps of alpha. Consistent with the views highlighted last month the Fund has no exposure to Russian issuers due to the heightened political risk from sanctions. Aside from the energy sector where Petrobas and Russia were the main beneficiaries, the Fund generated alpha from the usual themes. The overweight in the defensive sectors added +13bps while the off benchmark positioning in US dollar denominated securities contributed +10bps.

The Fund invested cautiously in the primary market during April, including the record transaction for ZF, the auto parts manufacturer. Cash balances ended the period at 9.6% higher by +1.5% as we decreased exposure to the financial sector into month end on concerns of contagion from continued Greek fallout and volatility from any rising rate risk.

Market Outlook

Numerous explanations have been proffered for the recent market turbulence, but no consensus view has formed as to the abrupt move higher and spike in volatility. Despite the causes being opaque, typically when uncertainty exists volatility rises, which we witnessed at month end. Despite this, the spread moves in credit were surprisingly benign in light of the spike in volatility across other risk assets.

After April's spread compression, we're left with a HY market that is fairly valued on an absolute basis, but will continue to appear cheap relative to other fixed income alternatives. If rate volatility continues, US valuations are such that April's negative correlation to rates will give way to a move wider. With oil gapping, sector valuations there have also gotten ahead of themselves, assuming a lower for longer or "W" type of price recovery, as current prices remain below cash flow break-evens for many high HY issuers.

Valuations don't offer a lot of buffer for risk in US credit, so many of our global HY funds will remain short duration and cash rich until the volatility subsides and rate directionality becomes clearer. In European credit, we do not think QE will end prematurely, but neither will the Greek drama. Again, valuations don't offer a lot of buffer for Greek risk in European credit. It is our view that markets are underestimating the increasing likelihood and market impact of any combination of a default, capital controls and contagion. Until further clarity around Greece emerges, many of our European HY funds will remain defensive and cash rich. We sold just before May, but we won't go away from HY credit, as short-term volatility will create another attractive entry point and with our current positioning, we will be ready to exploit market movements. Loans are benefitting from the rate volatility, but with more prices surging past par, re-pricing risk grows as was witnessed for the first time this year in April. Reliable carry can be made, but trading turnover should be higher to avoid mark-to-market losses from any re-pricings.