BlueBay Emerging Market Local Currency Bond Fund

April 2015

Performance (USD) Gross of Fees

	1M	3M	YTD	1YR	3YR▼	5YR▼	SI▼
BlueBay Emerging Market Local Currency Bond Fund	2.00%	-2.32%	-2.37%	-7.58%	-2.48%	0.73%	6.06%
JPM GBI-EM Broad Diversified, USD unhedged[**]	2.34%	-1.45%	-0.72%	-5.76%	-1.47%	1.72%	5.92%
Alpha	-0.34%	-0.87%	-1.65%	-1.82%	-1.01%	-0.99%	0.14%

Calendar Year Performance (USD) Gross of Fees

	2011	2012	2013	2014	2015[YTD]
BlueBay Emerging Market Local Currency Bond Fund	-2.36%	17.03%	-9.69%	-3.13%	-2.37%
JPM GBI-EM Broad Diversified, USD unhedged[**]	-1.70%	14.75%	-7.26%	-2.28%	-0.72%
Alpha	-0.65%	2.28%	-2.43%	-0.85%	-1.65%

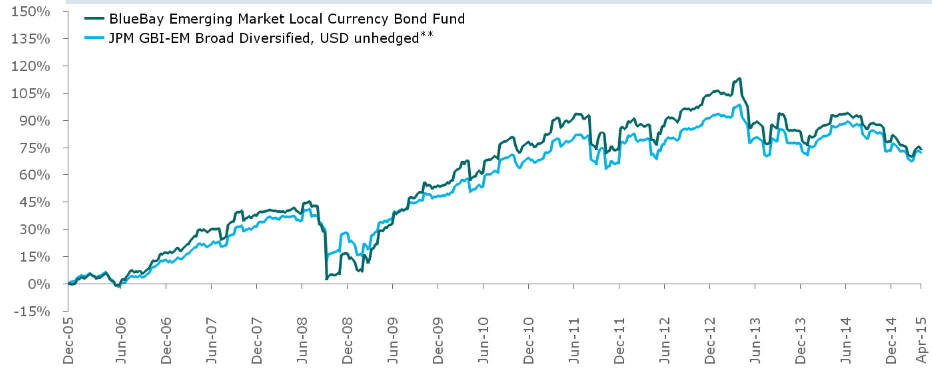
Risk Statistics[1]

Standard Deviation	11.73%
Tracking Error	3.30%
Information Ratio	0.04

Top Rates by Interest Rate Duration[2]

Overweights		Underweights	
India	0.37	**China**	-0.27
Brazil	0.34	**Hungary**	-0.18
Turkey	0.16	**Russia**	-0.13
South Africa	0.15	**Romania**	-0.06
Poland	0.12	**Peru**	-0.03

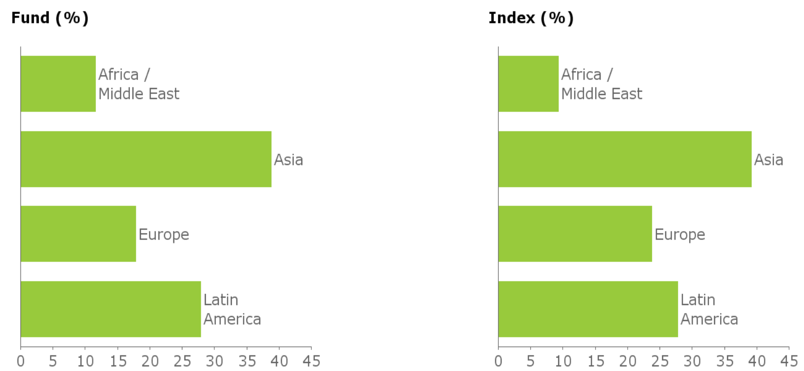
Cumulative Relative Performance*



Top FX[2]

Overweights		Underweights	
Mexico	4.00%	**Singapore**	-6.23%
Japan	3.35%	**South Korea**	-4.40%
Turkey	3.00%	**Czech Republic**	-2.34%
Colombia	2.28%	**Russia**	-2.15%
Europe	2.22%	**Thailand**	-1.01%

Regional Breakdown (% NAV)[3]

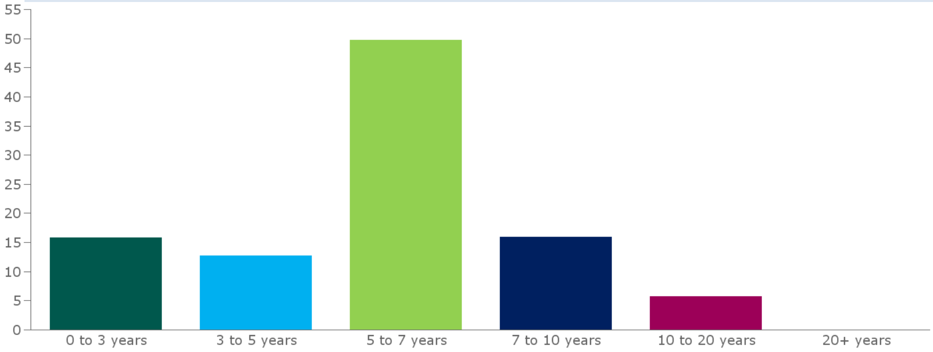


Investment Objective

To achieve a total rate of return in excess of the JP Morgan Government Bond Index – Emerging Markets Broad Diversified (GBI-EM Broad Diversified), USD unhedged from a portfolio of fixed income government securities of issuers based in Emerging Market Countries and mainly denominated in Local Currencies.

RBC Global Asset Management

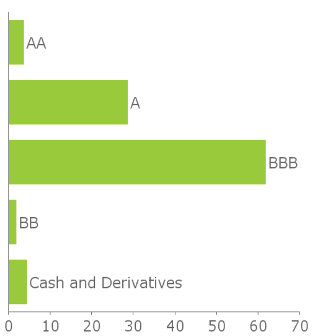
Interest Rate Duration Distribution (% NAV)



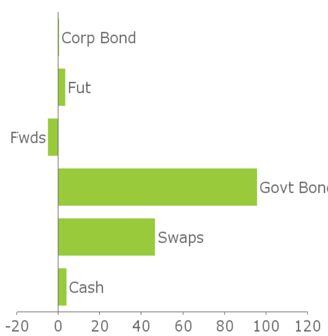
Fund Characteristics

	Fund	Index
Weighted Interest Rate Duration (yrs)	5.48	5.05
Total No. of Issues	69	264
Total No. of Issuers	18	19
Weighted Rating	BBB+	BBB+
Weighted Yield to Worst	11.96	6.36
Weighted Coupon	7.06	6.32
Average Position (%)	1.39	0.38

Credit Quality Breakdown (% NAV)



Sector Breakdown (% NAV)



Top 5 Holdings (%)

Indian Govt. Bond 8.15% 06/11/22	12.13%
Brazil NTNF 10% 01/01/17	5.74%
South African Govt. Bond $10^{1/2}$% 12/21/26	5.71%
Indian Govt. Bond 8.13% 09/21/22	5.47%
Poland Govt. Bond $3^{1/4}$% 07/25/25	3.68%

Investment Strategy

- The Fund can invest in all emerging market sovereign issuers denominated in the domestic currencies and may also take selective exposure to corporate issuers denominated in local currencies
- The Fund seeks to generate excess returns through an in-depth country and security selection process focusing on the value of the local currencies and local interest rates
- Particular emphasis is given to avoiding big one off currency devaluations

Fund Facts

Total Fund Size[4]	USD 1,355m
Inception Date	06 December 2005
Currency	USD
Benchmark	JPM GBI-EM Broad Diversified, USD unhedged**
Fund Legal Name	BlueBay Funds - BlueBay Emerging Market Local Currency 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
Portfolio	Emerging Market Local Currency Bond Fund

Team Info

Fund Managers	**David Dowsett**	**Nick Shearn**	**Steven Murphy**
Joined BlueBay	April 2002	June 2011	June 2006
Investment Industry Experience	20 years	29 years	20 Years

Size of team	34 investment professionals
Average Investment Industry Experience	14 years

Contact Information

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A Fitch Fund Quality Rating provides an assessment of a fund's key attributes and consistency of longer-term returns relative to its peer group and/or benchmarks. Ratings are as follows from highest to lowest: Excellent, Strong, Good, Weak and Inadequate. Further information on this rating is available from Fitch Ratings.

BlueBay Emerging Market Local Currency Bond Fund

April 2015

Commentary

Market Review

Emerging markets (EM), particularly on the local side, performed well in April, as the market expectation of the first Federal Reserve (Fed) rate hike was pushed back towards the end of this year, boosting sentiment towards EM. In addition, sentiment was boosted by Chinese stimulus measures, as the required reserve ratio (RRR) in the country was cut by 100bps to 18.5% injecting additional liquidity into the economy. Oil exporters broadly performed well, as Brent crude rose over 20% over the month to reach US$66 a barrel. In line with this market environment, the local currency index (JPM GBI-EM Broad Diversified, USD unhedged) returned +2.34% over the month, with almost all of this month’s rebound due to the resurgence in EMFX (+2.08%), despite local rates still making a positive contribution (+0.26%). Almost all countries in the index generated positive performance over the month, however Russia (+19.67%) was again the top performer as the technical rally continued, helping the rouble to appreciate c.13% versus the US dollar. Towards the end of the month the central bank cut its main policy rate by 150bps to 12.5%. The statement was more dovish than anticipated, as the central bank cited a faster disinflation dynamic, shifting the one-year inflation outlook to 8%, from 9% in March. Colombia (+10.03%) also had a strong month, largely due to the recovery in oil prices, as the commodity makes up over half of the country’s export bundle. In line with this theme, Malaysia (+4.51%) also had a strong month, however the resurgent oil price weighed somewhat on India (-1.36%), which imports around 80% of its oil, with the impact mainly felt in the rupee, which depreciated c.1.5% against the US dollar. This price weakness in Indian assets was due to resurgent concerns over inflation and the central bank’s ability to further cut interest rates. Elsewhere, Brazil (+7.96%) posted positive returns, recovering after months of underperformance. This index return was partly due to the resurgence in the real, which appreciated over 6% during the month to levels around 3 real per US dollar. Brazilian assets more broadly traded well following the release of Petrobras’ financials, which was taken positively by the market and boosted sentiment towards assets in the country as a whole. Both Romania (+4.34%) and Poland (+4.06%) performed well, as the European Central Bank (ECB) trade continued to boost asset prices in the region, despite showing some signs of fatigue more recently. The Romanian leu and Polish zloty both rose c.5% over the month, which was in line with euro/US dollar moves. Turkey (-6.06%) was by some distance the worst performer in the index, as sentiment towards the country was hit by lower growth, higher inflation, worsening underlying trade performance and continued political uncertainty in the run up to the general election on 7 June.

Performance

The Fund returned +2.00% over the month, underperforming the benchmark by 34bps. The underperformance was broadly driven by our FX positioning which offset the positive contribution from our rates positioning. The key detractor from relative performance was our underweight positioning in Russian rates and FX, with the bulk of the underperformance resulting from our underweight to the Russian rouble, which was among the best-performing EM currencies in April; appreciating over 12% versus the US dollar. Our off-benchmark short positions in the Singapore dollar and Korean won also detracted from relative performance after contributing in prior months, this was as most EMFX had a strong month largely due to the pullback in the US dollar. Further detractors included our positioning in the Indonesian rupiah and our underweight to the South African rand. At the other end of the spectrum, the top contributor to relative returns was our exposure to Chinese rates markets via interest rate swaps. These instruments outperformed the benchmark government bonds when policy stimulus was announced by the Chinese. As EMFX rallied in April, some key areas in which we generated positive relative performance was through our overweight EMFX positions, notable examples include the Colombian peso, which also rallied on the recovery in oil prices, and the Polish zloty.

Market Outlook

We believe risk assets have a window within which they can perform strongly, as market expectation of the timing of the first Fed rate hike was pushed back towards the end of the year. In addition, EM should be supported by continued ECB Quantitative Easing (QE) measures, and the prospect of additional easing out of China, recently evidenced by an additional 25bps cut to the benchmark lending rate. Despite the somewhat premature rumours of Chinese QE circulating in the press, we do believe that we will see additional easing in China, but in the short term this is likely to be in the more traditional channels, with additional interest rate and RRR cuts. In order to capitalise on the recent turnaround in the EM local space, we have tactically moved overweight both EMFX and local rates. This has been a sizeable shift, both in terms of our market exposure to local currencies, and years of duration, from our more cautious stance at the end of March. Our EMFX positioning is diverse in terms of regional exposure, with overweights across Latin America, Central and Eastern Europe and Asia. Our top overweight in this space is the Mexican peso, while we also have overweights to the Turkish lira, Colombian peso, Polish zloty, Malaysian ringgit and Brazilian real. Previously, at the prior month end, our aggregate underweight to EMFX was c.30%; with the only notable overweight being the Polish zloty. Within local rates, our key overweights remain in Brazil and India, although the magnitude of these overweights has been increased. This has been complemented with new overweight positions in Turkey, South Africa and Colombia. Over the month, we have reduced our off-benchmark Singaporean rates exposure, gone underweight Chinese and Indonesian rates and have maintained our cautious stance towards Russian and Hungarian rates markets. In summary, we do expect our current stance to be relatively transitory, as the macro factors which have driven the recent turnaround in performance may fade somewhat as the first Fed rate hike comes back onto the horizon. This divergence in monetary policy should create dispersion within the asset class which will provide alpha opportunities for active managers, as the divergence in transatlantic monetary policy becomes more pronounced.

* Since inception.

** The full name of the index is JP Morgan Government Bond Index - Emerging Markets Broad Diversified USD unhedged, the index was the JPM GBI-EM Broad Diversified up until 31/01/06.

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

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.
2. The reported exposures are solely emerging market positions. All index hedges including US Treasury and EUR have been excluded.
3. Excludes cash.
4. The Fund AUM is stated on a T+1 basis and includes non-fee earning assets.