

BlueBay Emerging Market Bond Fund

May 2015

Performance (USD) Gross of Fees

	1M	3M	YTD	1YR	3YR*	5YR*	10YR*	SI*
BlueBay Emerging Market Bond Fund	-0.81%	0.12%	2.43%	0.88%	5.63%	7.95%	7.80%	10.54%
JP Morgan EMBI Global Diversified**	-0.39%	1.46%	3.28%	2.46%	6.07%	7.50%	7.82%	9.65%
Alpha	-0.42%	-1.34%	-0.85%	-1.58%	-0.44%	0.45%	-0.02%	0.89%

Calendar Year Performance (USD) Gross of Fees

	2011	2012	2013	2014	2015 ^{YTD}
BlueBay Emerging Market Bond Fund	7.45%	18.79%	-4.88%	7.08%	2.43%
JP Morgan EMBI Global Diversified**	7.35%	17.44%	-5.25%	7.43%	3.28%
Alpha	0.10%	1.35%	0.38%	-0.35%	-0.85%

Risk Statistics¹

Standard Deviation	8.01%
Tracking Error	2.41%
Information Ratio	0.37

Top Country Overweights²

Mexico	3.92%
Croatia	3.77%
Slovenia	3.06%
Azerbaijan	2.30%
Brazil	1.92%

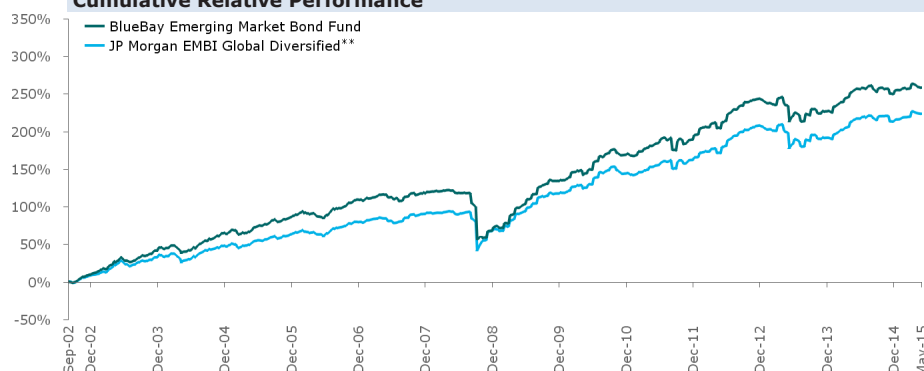
Top Country Underweights²

Philippines	-4.68%
Lebanon	-3.26%
Poland	-2.98%
Colombia	-2.74%
Peru	-2.50%

Investment Objective

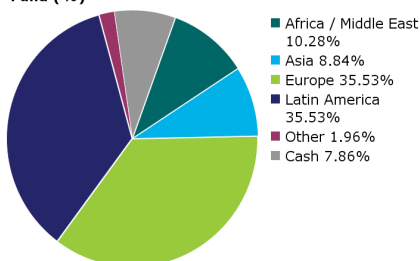
To achieve a total rate of return in excess of the JP Morgan Emerging Market Bond Index Global Diversified from a portfolio of fixed income securities of issuers based in Emerging Market Countries.

Cumulative Relative Performance*

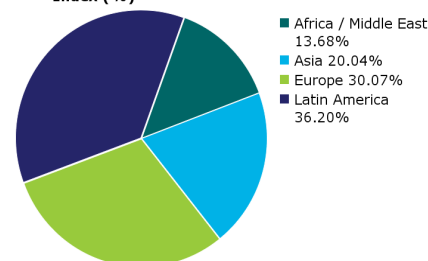


Regional Breakdown (% NAV)

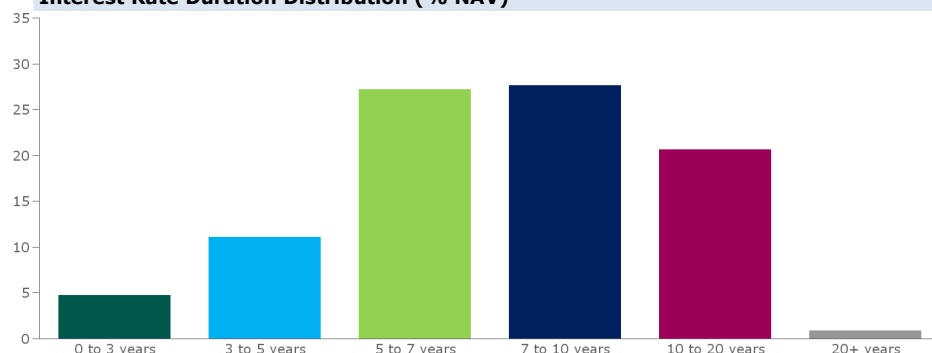
Fund (%)



Index (%)



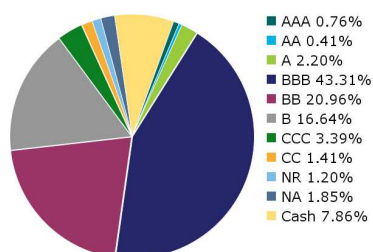
Interest Rate Duration Distribution (% NAV)



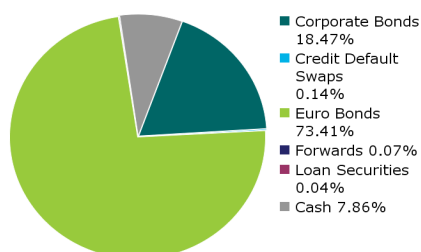
Fund Characteristics

	Fund	Index
Weighted Interest Rate Duration (yrs)	7.55	7.01
Weighted Spread Duration (yrs)	7.20	6.76
Weighted Spread Over Treasuries	378	344
Weighted Yield to Worst	5.95	5.29
Weighted Coupon	5.09	6.10
Total No. of Issues	110	486
Total No. of Issuers	54	128
Weighted Rating	BBB-	BBB-
Average Position (%)	0.84	0.21

Credit Quality Breakdown (% NAV)



Sector Breakdown (% NAV)



Top 5 Holdings (%)^a

Republic of Panama 3 ³ / ₄ % 03/16/25	2.17%
Republic of Hungary 5 ³ / ₄ % 11/22/23	2.16%
Brazil 2 ⁵ / ₈ % 01/05/23	2.11%
Petroleos Mexicanos 5 ⁵ / ₈ % 01/46	2.05%
Republic of Azerbaijan 4 ³ / ₄ % 03/24	1.94%

Fund Facts

Total Fund Size ²	USD 1,153m
Inception Date	03 September 2002
Currency	USD
Benchmark	JP Morgan EMBI Global Diversified**
Fund Legal Name	BlueBay Funds - BlueBay Emerging Market 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

Investment Strategy

- The Fund invests predominantly in fixed income securities issued by emerging market countries or issuers based in such countries
- The Fund seeks to generate excess returns via superior country and issue selection; based upon high quality, proprietary research
- Portfolio duration is controlled within a narrow band relative to the benchmark

Team Info

Fund Managers	David Dowsett	Rodrigo Da Fonseca
Joined BlueBay	April 2002	September 2005
Investment Industry Experience	20 years	15 years

Size of team	33 investment professionals
Average Investment Industry Experience	13 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.

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Commentary

Market Review

May proved to be a somewhat challenging month for emerging markets (EM), as higher US Treasury yields, a lower oil price and various idiosyncratic stories weighed on the asset class. Brent crude fell c.2% during May, after rallying substantially during April; this consolidation of prices weighed somewhat on the performance of key oil exporting countries. Against this backdrop the hard currency index fell -0.39%, with spreads widening 4bps to 344. The worst performer in the index was Venezuela (-7.36%), having been the top performer in the prior month. The oil price rose substantially in April, which had provided a boost to Venezuelan assets, but the price consolidation that occurred in May led to renewed concerns over the country's finances. The country has enough money to pay its upcoming debts, however the country continues to burn through reserves and without a significant recovery in oil prices, may run into difficulties next year. Oil price weakness weighed on other key oil exporters over the month, including Iraq (-3.34%), Kazakhstan (-2.39%), Ecuador (-2.17%), Gabon (-1.85%) and Colombia (-1.06%). Despite Colombia not being the most vulnerable of the oil exporters in the index, sentiment towards the country was also hit by the central bank again cutting its 2015 growth forecast to 3.1%, compared to a rate of 4.6% in 2014. Central and Eastern European (CEE) names also had a somewhat challenging month, with Poland (-0.71%), Hungary (-0.42%) and Romania (-0.14%) all down during May, as concerns around Greek default and a sharp sell-off in the Bund market weighed on investor sentiment. Brazil (-0.07%) was broadly flat at an index level, as the economic contraction, accompanied by high inflation and a widening current account deficit, weighed more on the local currency side. Additionally, sentiment was hit by rumours that Joaquim Levy could leave his role as Finance Minister, while it was also announced that Brazil's current account deficit was wider than forecast in April; increasing to US\$6.9bn from US\$5.74bn in the prior month, even as the real had fallen in value. Ukraine (+7.14%) was the top index performer over the month, as talks continued with regards to the ongoing restructuring talks. Bonds rallied partly on the back of speculation that restructuring might not involve a principal haircut and partly on a technical shortage of bonds in the market after trading volumes dropped. Mongolia (+1.86%) also had a strong month as news emerged that the country had come to an agreement with Rio Tinto Group over the expansion of the Oyu Tolgoi copper and gold mine. This settlement creates the potential for a substantial amount of new investment into the country, and was cited by Fitch as a factor which would help the country's sovereign credit profile.

Fund Performance

The Fund returned -0.81%, underperforming the benchmark by 42bps. The main detractor from relative returns was our modest overweight and security selection in Brazilian sovereign credit. Elsewhere, exposure to the Central and Eastern European region also detracted, with off-benchmark long positions in Bulgaria and Slovenia dampening returns; paring gains after performing well in prior months, unsettled by higher core rates. Our underweight stance to Ukraine also hurt performance, as did our overweight positioning in Kazakhstan. Conversely the top contributor to performance was our security selection in Argentina, while our US Treasury hedges also contributed positively. Additional contributors comprised our underweight positions, with prominent examples including our underweight to sovereign credit in Malaysia, while our underweights in certain oil exporters also helped; notably Colombia and Iraq.

Market Outlook

We are currently in a period before the first Federal Reserve (Fed) rate hike where volatility in global markets has been more pronounced. EM has not been the asset class in the eye of the storm in this respect, as the volatility in core rates markets has taken the headlines. Despite EM assets having been relatively resilient in the face of this, the asset class has still been adversely impacted. We are therefore attempting to pick overweight positions in countries we deem to have priced in enough premium to weather this volatility, while increasing underweights where we feel premiums are still too low. Some of the higher-yielding assets have priced in a substantial buffer to the headwinds facing the asset class. We therefore have more concern over some of the lower-yielding CEE and Asian countries which have seen substantial inflows on the back of European Central Bank, Bank of Japan and Chinese stimulus measures. Following the recent volatility witnessed in core rates, some of these names have been brought back into focus, with market participants beginning to question whether they are getting paid to hold these assets. We also saw the release of US non-farm payrolls in the first week of June, which despite being a strong number does not change a huge amount in terms of the prospects for Fed action during the rest of the year. It was already well-telegraphed that the Fed will be hiking rates in the latter part of the year, and this number does not fundamentally change the direction of monetary policy. Another recent event was the Turkish elections, which we went into with an underweight stance. The period of uncertainty we have now entered, as political parties engage in coalition-building, may lead to short term volatility in Turkish assets. However, we believe that on a more medium term view, Erdogan's diminished power is a positive development. A key concern we have had with Turkey is that of the questionable autonomy of the central bank, largely due to interference by Erdogan, and therefore the hit that the AKP have taken in the recent election should be a positive development in that respect. In terms of positioning, since month end, we have reduced the Fund's interest rate duration exposure by approximately 0.5 years by trimming long-end positions in Mexico and other assets which are most sensitive to movements in the US Treasury market. On a country level, the Fund's key overweights are in Croatia, Slovenia, Azerbaijan and Kazakhstan and main underweights are in the Philippines, Peru, Lebanon and Poland.

* Since inception.

** The full name of the index is JP Morgan Emerging Market Bond Index Global Diversified.

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

▼ The reported exposures are solely emerging market positions. All index hedges including US Treasury and EUR have been excluded.

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.

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