

# BlueBay Investment Grade Euro Government Bond Fund

December 2016

Fund performance (%) gross of fees (EUR)							
	1M	3M	YTD	1YR	3YR <sup>1</sup>	5YR <sup>1</sup>	SI <sup>1,2</sup>
BlueBay Investment Grade Euro Government Bond Fund	1.25	-2.02	7.34	7.34	7.83	9.65	8.85
Barclays Euro Aggregate Treasury Index	0.66	-3.00	3.23	3.23	5.88	6.13	5.63
Alpha	0.59	0.98	4.11	4.11	1.95	3.52	3.22

## Review & outlook

### Contributors

- Short Eurodollar futures – Fed raise rates and expectations increase for more in 2017
- Long Bunds
- Italy basis trade
- Long Icelandic local bonds, Bulgaria and underweight France
- Long Swedish krona

### Detractors

- Wider sovereign spreads led by CEE/EM issuers: Mexico, Slovakia, Slovenia
- Short position in UK 50-year swaps

### Outlook

- We expect the US economy to continue to accelerate and US hiring could even accelerate from here. We believe this would mean at least four US rate hikes in 2017, with the next hike coming in March
- In Europe, extending QE to December 2017 will require the ECB to buy €780 billion of bonds and should limit how far bund yields rise in the face of higher US rates
- In Sovereign credit we would expect volatility and dispersion to continue from political uncertainties driven by the rise in populism in what is a huge year for European elections (Germany, Netherlands and France)
- In summary, policy and politics are set to continue to drive markets in 2017 with plenty of divergence and dispersion, the perfect environment for active managers to add value

## Investment objective

To achieve a total return in excess of the Barclays Euro Aggregate Treasury Index from a portfolio of investment grade-rated fixed income securities

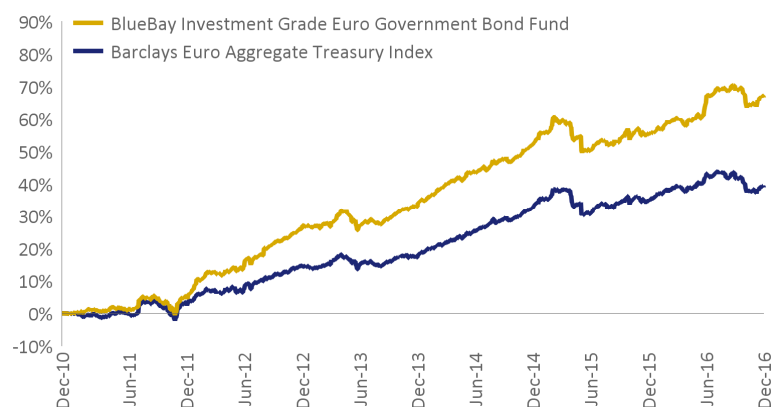
## Investment strategy

- The Fund seeks to exploit different sources of alpha in order to generate an annual return in excess of its benchmark
- Active overweights and underweights are taken relative to the index within permitted exposure limits, in order to produce a well diversified portfolio of fixed income securities
- Taking advantage of a broad investment universe the Fund is permitted to take positions off-index, consistent with target exposure limits versus the benchmark

## Calendar year performance (%) gross of fees (EUR)

	2015	2014	2013	2012
Fund	2.13	14.38	5.53	19.84
Benchmark	1.65	13.13	2.24	11.00
Alpha	0.49	1.25	3.29	8.84

## Cumulative relative performance<sup>2</sup>



## Fund characteristics

	Fund	Index
Weighted interest rate duration (yrs)	5.75	7.36
Weighted spread duration (yrs)	6.01	6.02
Weighted yield to worst (%)	1.29	0.43
Total no. of issues	67	337
Total no. of issuers	24	21
Weighted rating	A+	A
Average position (%)	1.53	0.30

## Risk statistics<sup>3</sup>

Standard deviation	4.60%
Tracking error	1.79%
Information ratio	1.80

Fund facts	
Total fund size <sup>4</sup>	EUR 1,393m
Inception date	22 December 2010
Base currency	EUR
Benchmark	Barclays Euro Aggregate Treasury Index
Fund legal name	BlueBay Funds - BlueBay Investment Grade Euro Government 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

Top 5 issuers by spread duration contribution (yrs)	
France Government Bond OAT	1.25
Italy Buoni Poliennali Del Tesoro	0.84
Spain Government Bond	0.79
Belgium Government Bond	0.55
Lithuania Government International Bond	0.37

Team		
	Joined BlueBay	Investment industry experience
Mark Dowding	August 2010	23 years
Mark Bathgate	August 2016	21 years
Russel Matthews	September 2010	17 years
Size of team	27 investment professionals	
Average investment industry experience	15 years	

Contact information	
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1. Performance shown for 1yr periods onwards are annualised figures.
2. Since inception.
3. 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.
4. The Fund AUM is stated on a T+1 basis and includes non-fee earning assets.

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Top country spread duration contribution, relative to index (yrs)			
Overweights		Underweights	
Lithuania	0.36	France	-0.78
Mexico	0.29	Netherlands	-0.45
Cyprus	0.23	Austria	-0.31
Bulgaria	0.22	South Korea	-0.14
Macedonia	0.11	Finland	-0.10

