

BlueBay Investment Grade Bond Fund

March 2018

Fund performance (%) gross of fees ¹ (EUR)	1M	3M	YTD	1YR	3YR ²	5YR ²	10YR ²	SI ^{2,3}
BlueBay Investment Grade Bond Fund	-0.06	0.10	0.10	3.91	1.94	3.64	5.95	5.78
iBoxx Euro Corporates Index	-0.12	-0.40	-0.40	1.70	1.52	3.14	4.73	4.20
Alpha	0.06	0.50	0.50	2.21	0.42	0.50	1.22	1.58

Review & outlook

Contributors

- Underweight in ECB eligible (CSPP) names
- Overweight CVS
- Long Europe versus short US duration

Detractors

- Long top down corporate risk (beta)
- Overweight subordinated bank debt
- Overweight corporate hybrids

Outlook

- The strong growth and low inflation environment remain supportive of risk assets, but policy uncertainty means a more volatile outlook. Despite recent evidence suggesting growth is softening from elevated levels, underlying global economic growth remains robust
- Our expectation for three or four US rate hikes in 2018 is mostly priced in by markets, but we believe the Fed will hike more than the market expects in 2019 and 2020. The market will likely need a further catalyst to push yields meaningfully higher from here
- Although ECB QE might end this year, rate hikes in the eurozone are not likely until mid-2019. Inflation in the eurozone remains below target and a steep yield curve with negative cash rates is expected to keep Bund yields anchored going forward
- In corporate credit, the fundamental backdrop remains relatively supportive despite evidence of a more challenging technical backdrop, particularly in the US. We are more constructive on European corporates where ECB support remains strong, the economy is doing well and technicals are more favourable. We see the best value in subordinated financials and corporate hybrids
- Within corporates, we continue to see evidence of rising dispersion, and believe that rising M&A, shifting trade policy expectations and the upcoming withdrawal of QE will all lead to rising issuer dispersion and so greater bottom-up relative value opportunities as we move through the year
- Despite weakness in index returns in recent months, yields remain near all-time lows, meaning the outlook for market returns and therefore also passive fund management looks challenging. Strong total returns will continue to rely on the potential to generate alpha. The current environment is ideal for active managers to add value from a combination of long and short investment ideas, combined with a capital preservation mindset

Investment objective

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

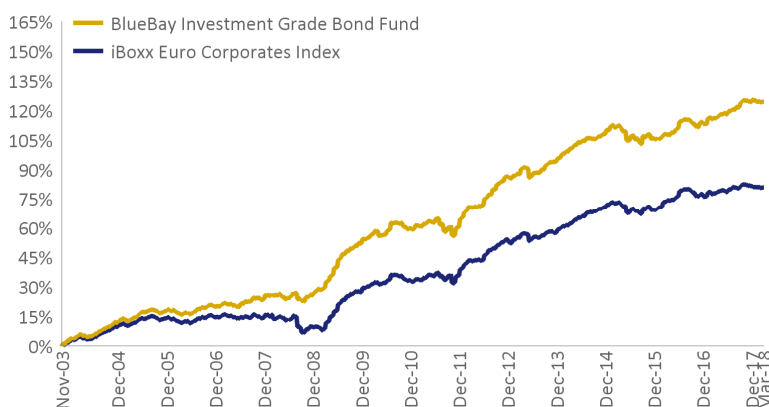
Investment strategy

- The Fund invests predominantly in fixed income securities issued by investment grade companies domiciled in the Eurozone
- Portfolio duration is controlled within a narrow band relative to the benchmark
- The Fund seeks to generate excess returns via superior sector and security selection; based upon high quality, proprietary research

Calendar year performance (%) gross of fees¹ (EUR)

	2017	2016	2015	2014
Fund	4.83	3.92	-1.02	7.13
Benchmark	2.37	4.72	-0.66	8.24
Alpha	2.46	-0.80	-0.35	-1.10

Cumulative relative performance³ gross of fees¹ (EUR)



Past performance is not indicative of future results.

Fund characteristics

	Fund	Index
Weighted interest rate duration (yrs)	5.27	5.14
Weighted spread duration (yrs)	5.50	5.14
Beta adjusted spread duration (yrs)	9.38	5.14
Weighted yield to worst (%)	1.87	0.89
Total no. of issues	150	2,185
Total no. of issuers	93	549
Weighted rating	BBB+	BBB+
Overall exposure to credit (%)	100.45	100.00

Note: Defaulted securities are excluded from Spread and Yield calculations.

Risk statistics⁴

Standard deviation	3.09%
Tracking error	1.24%
Information ratio	1.28

Please refer to the notes at the end of this document for important information regarding the gross and net performance shown above.

Fund facts	
Total fund size ⁵	EUR 2,871m
Inception date	11 November 2003
Base currency	EUR
Benchmark	iBoxx Euro Corporates Index
Fund legal name	BlueBay Funds - BlueBay Investment Grade 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	UCITS
Domicile	Luxembourg
Investment manager	BlueBay Asset Management LLP

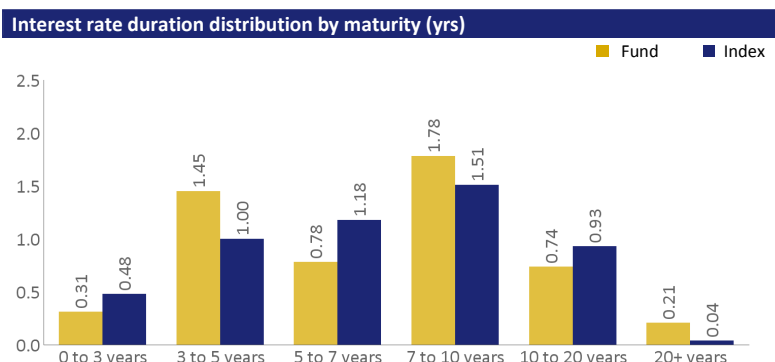
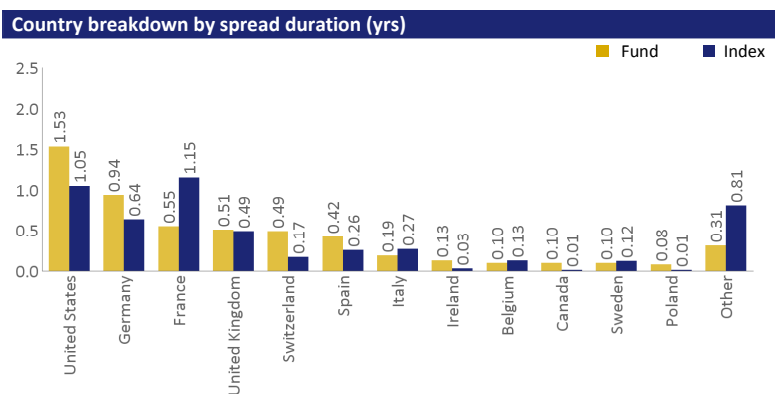
Top 5 issuers by spread duration contribution (yrs)	
General Electric Co	0.27
CVS Caremark Corp	0.25
Volkswagen International Finance NV	0.19
Deutsche Bank AG	0.16
AT&T Inc	0.15

Team		
	Joined BlueBay	Investment industry experience
Andrzej Skiba	February 2005	16 years
Marc Stacey	September 2004	16 years
Thomas Moulds	December 2005	12 years
Size of team	28 investment professionals	
Average investment industry experience	16 years	

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- 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.
- Performance shown for 1yr periods onwards are annualised figures.
- Since Inception.
- 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.
- The Fund AUM is stated on a T+1 basis and includes non-fee earning assets.
- CDS long exposure means sold protection and CDS short exposure means brought protection.

Source: All data unless otherwise specified is sourced from BlueBay Asset Management as at 29 March 2018



Credit quality breakdown (% NAV)

	Fund Exposure			Index	Net exposure
	Bonds	CDS long ⁶	CDS short ⁶		
AAA	10.76	-	-	0.56	10.19
AA	1.26	-	-	9.60	-8.34
A	17.55	10.34	-	39.30	-11.41
BBB	56.44	2.83	-3.64	50.28	5.35
BB	10.68	-	-	-	10.68
B	1.35	-	-	-	1.35
Cash	1.96	-	-	0.25	1.71
Total	100.00	13.17	-3.64	99.99	9.52

Top Sector spread duration contribution, relative to index (yrs)

Overweights	Underweights	
Banks	Utilities	-0.26
Retail	Food & Beverage	-0.24
Insurance	Oil & Gas	-0.09
Health Care	Construction & Materials	-0.08
Financial Services	Technology	-0.07

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