

# BlueBay Investment Grade Absolute Return 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 Absolute Return Bond Fund	0.96	1.51	-0.03	-0.03	0.23	4.20	3.72
The BofA Merrill Lynch Euro Currency 3-Month Deposit Offered Rate Constant Maturity Index	-0.03	-0.07	-0.22	-0.22	0.03	0.23	0.37
Alpha	0.99	1.58	0.19	0.19	0.20	3.97	3.35

## Review & outlook

### Contributors

- Short US front end (Eurodollar futures)
- Short Chinese renminbi
- Long Swedish krona
- Long subordinated banks
- Long Deutsche Bank
- Long energy issuers

### Detractors

- Short long end sterling swaps
- Long CEE and Iceland sovereigns

### Outlook

- Expect recent market trends to continue as we enter 2017
- Path of policy to be key market focus. Expect US economy to continue to accelerate, which we believe could mean at least four US rate hikes in 2017, the next one as soon as March
- In Europe, we would expect to see a rise in US Treasury yields put pressure on Bunds but continuing QE and low front end yields should limit how far yields rise
- We see little value in European non-financials but expect support from QE. Banks look more attractive and should benefit from improving fundamentals. Politics likely to drive volatility in European corporates this year
- Constructive on US market where corporates will benefit from the improving economy and earnings outlook, and also from the hunt for yield
- Expect issuer dispersion to pick up as divergence in growth, as well as monetary and fiscal policy, means more 'winners and losers'. We believe it could be very important to determine how Trump's policies affect different sectors and issuers
- EM is also likely to see volatility, with likely drivers including Trump and his trade policy, as well as the impact of a strong dollar and potentially rising US rates
- The cycle is back and with it volatility, divergence and dispersion, perfect for active managers to add value while a capital preservation mindset remains as important as ever

## Investment objective

To achieve a total return in excess of The BofA Merrill Lynch Euro Currency 3-Month Deposit Offered Rate Constant Maturity Index from a portfolio of investment grade-rated fixed income securities.

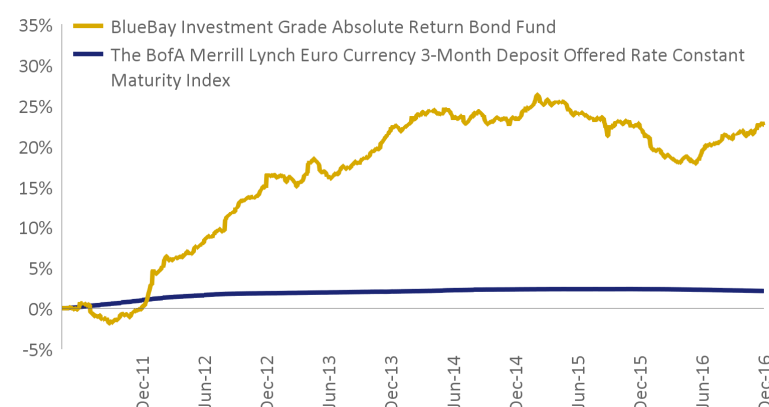
## Investment strategy

- The Fund seeks to exploit a range of alpha sources in order to generate an annual return in excess of its benchmark
- Invests across global interest rates, sovereign and nonsovereign credit and across currencies, utilising the full range of available cash and derivatives securities
- Active long and short risk positions will be taken within permitted exposure limits. The Fund may employ leverage through the use of derivative instruments within limits set by the UCITS framework

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

	2015	2014	2013	2012
Fund	-0.53	1.27	5.99	15.12
Benchmark	0.03	0.26	0.20	0.88
Alpha	-0.56	1.00	5.79	14.24

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



## Fund characteristics

	Fund	Index
Weighted interest rate duration (yrs)	-1.95	0.25
Weighted spread duration (yrs)	0.65	N/A
Weighted yield to worst (%)	3.12	-0.32
Total no. of issues	126	N/A
Total no. of issuers	79	N/A
Weighted rating	BBB+	AAA
Weighted coupon (%)	3.71	-0.32
Average position (%)	1.06	N/A
Weighted running yield (%)	3.61	N/A

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

Standard deviation	2.45%
Tracking error	2.45%
Information ratio	1.37

Fund facts	
Total fund size <sup>4</sup>	EUR 2,722m
Inception date	24 May 2011
Base currency	EUR
Benchmark	The BofA Merrill Lynch Euro Currency 3-Month Deposit Offered Rate Constant Maturity Index
Fund legal name	BlueBay Funds - BlueBay Investment Grade Absolute Return 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)	
Lithuania Government International Bond	0.35
Cyprus Government International Bond	0.33
Bulgaria Government International Bond	0.29
Slovenia Government International Bond	0.29
Mexico Government International Bond	0.25

Team		
	Joined BlueBay	Investment industry experience
Mark Dowding	August 2010	23 years
Andrzej Skiba	February 2005	15 years
Vinit Patel	June 2011	11 years
Size of team	27 investment professionals	
Average investment industry experience	15 years	

Contact information
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- Performance shown for 1yr periods onwards are annualised figures.
- Since inception.
- Risk statistics are annualised 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.

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