BlueBay's Multi-Asset Decision Group

Views as at 1 July 2024

Background: BlueBay's Multi-Asset Decision Group (MADG) determines the allocation between the underlying asset classes as well as capital preservation hedging for the multi-asset credit funds. MADG is headed by Raphael Robelin, Head of Multi-Asset Credit, and takes input from a wide variety of sources to determine market direction and drivers.

Active asset allocation views versus the Neutral Asset Allocation

All of BlueBay's multi-asset funds have a 'Neutral Asset Allocation', which represents a long-term mix of asset class weights that we believe will meet performance and risk targets over a credit cycle. BlueBay calibrates asset class views on a -3 to +3 scale and we would expect to be overweight, versus the Neutral Asset Allocation, asset classes with positive scores, and vice versa.

	Less positive			Neutral			More positive
High yield			-1				
Loans			-1				
Structured credit						+2	
Cocos					+1	‹	
Convertibles				0			
EMD Hard Currency				›	+1		
EMD Local Currency					+1		
Investment Grade				0			
Cash				0			

Views as at 1 July 2024

› Shift since last meeting

(See Note 1 for full Index names)	Yield (%)	Spread (bps)	Duration (Years)	YTD 2024
High yield (Global)	7.9	337	3.2	3.4%
Bank loans (Global)	9.1	479	-	4.6%
Cocos	7.4	327	3.1	5.6%
Convertible bonds (Global)	1.6	-	1.6	0.6%
EMD hard currency	8.4	391	6.5	2.3%
EMD local currency	6.6	-	5.0	-3.7%
EMD hard corporates	7.0	260	4.3	3.7%

Source: Bloomberg, as at 30 June 2024

Meeting summary

The first half of the year has proven to be a relatively benign environment from a macro perspective. In terms of geopolitics, we have seen no further escalation in conflicts, albeit little progress in resolution either. In the US, despite softer anecdotal data, most economic indicators remain upbeat and paint a picture of a robust economy (for now). The 'higher for longer' narrative is entrenched with rate cut expectations pushed back well into the second half 2024 and beyond, though in contrast Europe has announced a 25bps cut late last month. MADG anticipates a steepening of the US yield curve over time.

With a small hiatus over the Northern hemisphere summer before the US election starts to have greater influence on markets, we continue to look for high quality carry (yield over risk free). MADG has increased its rating of Emerging Markets Hard Currency (see table above) to a +1 as the market exhibits attractive carry with very low default expectations. We particularly like 'front end' shorter dated bonds. Other favored asset classes for carry remain financials and securitized credit, albeit we have reduced cocos to a +1 and have tactically reduced risk (in the short term) within our allocation given French election turbulence.

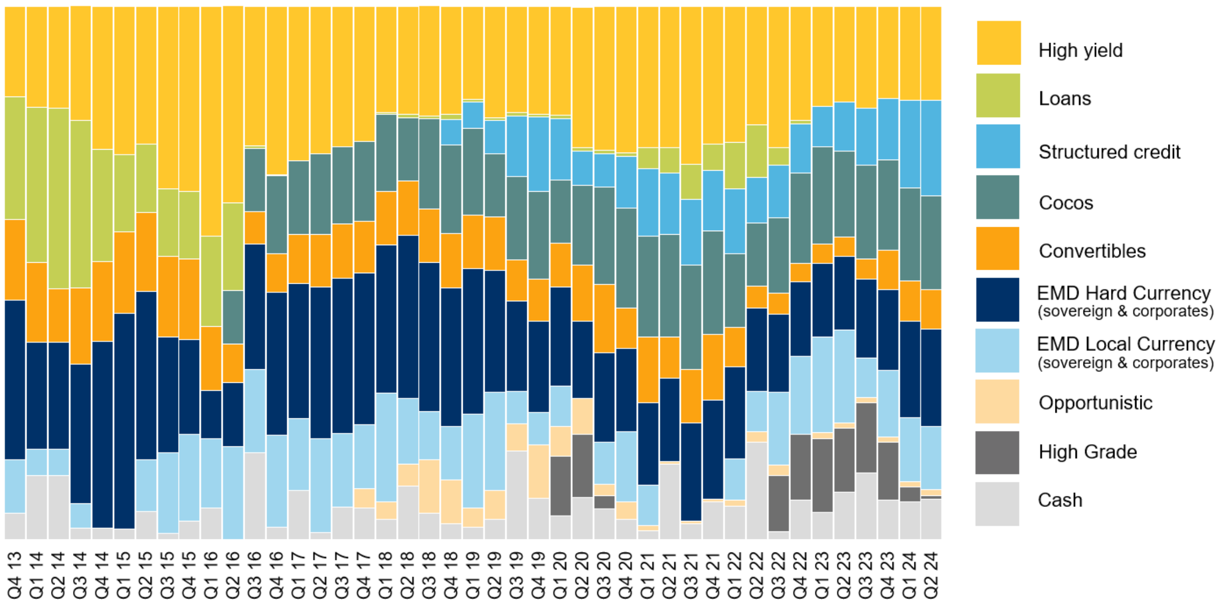
In terms of risk, currently the Strategy's beta (versus the 'Neutral Asset Allocation' which is our expected average asset allocation exposure based on a 5 year view) remains around 1.1 -1.2. With no obvious catalyst to derail risk appetite in the shorter term, we expect to continue with this level of risk for the next few months, although remain flexible to world events.

In 2023 the second half of the year was much more dramatic than the first half, and this appears likely again this year. For MADG, investment results ultimately depend on the bonds you buy, and we have been careful to select bonds that, in our view, are robust in a world where volatility is likely to increase

High Yield	▪	MADG has maintained an underweight position in high yield. ▪ The US consumer has remained strong and within the sleeve we have added to risk this year by relaxing an 'up in credit quality' bias and seeking exposure to higher yielding issues; nonetheless, the sleeve overall remains relatively high quality relative to index measures. Our preferred sectors are currently energy, telecoms and basic industry (41% of the sleeve).
Bank Loans	▪	MADG hold no exposure to direct bank loans (the Strategy does have exposure to loans via CLOs in the Securitized Credit sleeve). ▪ Currently we prefer high yield and securitized credit over bank loans. However, there are some interesting pockets in the market and whilst we have not added to exposure as yet, a small allocation to select opportunities is something MADG is considering given supply has been healthier of late.
Securitized Credit	▪	Securitized credit is MADG's favoured asset class at present. ▪ The asset class plays a key role in harvesting yield, indeed, higher base rates (for longer) and credit spreads have led to attractive carry opportunities. There has been strong supply over Q2 as issuers take advantage of tighter spreads. We remain focused on BBB CLO tranches (where spreads are in the mid 300's). ▪ The investment team has gradually rotated away from AAA exposure since the beginning of year and increased exposure lower in the capital stack without taking sub-investment grade risk. This has been largely achieved via new issuance.
Convertible Bonds	▪	MADG have maintained a neutral asset allocation to global convertible bonds. ▪ The divergence between mega-cap stocks versus small and mid-cap continues with 'AI mania' abating somewhat, though still fueling any stock directly or adjacently exposed. On the positive side for non-tech names, earnings expectations have been slowly on the rise. ▪ Volatility has remained at historically low levels, but MADG believe this an unsustainable equilibrium and expect this trend to reverse as the year progresses - a positive for convertibles and active stock pickers.
Financial Capital Bonds/Cocos	▪	MADG remain overweight cocos, though have reduced risk within the sleeve recently. ▪ Despite some volatility around France, MADG are positive on the future performance for cocos. We have high conviction on the direction for earning for 2024/5 and this is predicated on projected net interest income. Banks have largely hedged net interest income and we expect an average ROE (return on equity) for European banks of around 13% for 2024. ▪ At the start of this year we had 160bps of rate cuts priced in for Europe – today it is around 45bps which is a positive for bank earnings. We continue to pursue a preference for 'national champion' banks and strong bond structures.
Emerging Market Debt (EMD)	▪	**EMD Hard Currency:** With high quality carry on offer, MADG has moved the rating to a +1. We would note that whilst spreads have widened slightly of late, default rates remain very low (spreads started the year at around 380 basis points, dropped to 320 basis points in April before rising back to where they started the year). Our preference is the 'front end' of markets where we are less exposed to longer term changes (noting EMD hard currency is a relatively long duration asset class). Some of our favoured exposures currently are Egypt, Romania and Serbia. ▪ **EMD Local Currency:** MADG continue to hold a slight overweight in EM local assets. There are two elements here, rates and FX. Our view has been emerging market central banks would cut rates and FX would not impinge on those gains. The strength of the US dollar this year, particularly versus countries like Mexico and Brazil, has undermined this thesis thus far. However, we believe over the northern summer there is a strong possibility of near-term dollar weakness. US data will be key, though MADG believe there is an asymmetry towards dollar weakness. The US elections remain a potential

		stronger dollar catalyst, though historically this tends to be a driver for FX only 2-3 months prior to the election leaving a potential window of USD weakness in the coming month or so. Some of our favoured exposures are Nigeria, South Africa and Dominican Republic.
High Grade	▪	MADG have completed the process of taking profits on the sleeve. With a higher risk appetite, MADG do not foresee allocating to this part of the credit market in the shorter term.
Hedges	▪	MADG see active hedging as an important component of effective portfolio management. We continue to hold a short position in Japanese government bonds and year-to-date this has been profitable as yields have risen following the BoJ's transition away from yield curve control. We also hold a curve trade in the US via futures, a position that should benefit if we see a steepening in the US Treasury curve. Given recent concerns around the French elections, we have hedged some EUR duration via French government bond futures.

BlueBay Total Return Credit Strategy – evolution of asset allocation



Source: RBC Global Asset Management, as at. For illustrative purposes only. There is no assurance that any of the trends depicted or described herein will continue.

Note 1: All returns in USD and hedged unless otherwise stated. Yield shown is yield to maturity for high yield, bank loans and emerging markets. Convertible bonds shows a running yield. Cocos is yield to worst. Indices: Global High Yield: ICE BAML Global High Yield Investment Grade Country Index GBP Hedged (Bloomberg Code: HWIC); Loans: JP Morgan Leveraged Loan Index (JPM Code JPLLILLI); cocos: The ICE BofA Merrill Lynch Contingent Convertible Index GBP hedged (Bloomberg code: COCO); Global Convertible Bonds: UBS Global Convertible Focus Index GBP Hedged (Bloomberg code UCBIFX50); EMD Hard: JP Morgan EMBI Global Diversified - GBP (Bloomberg code: JPGCHGCP); EMD Local: JP Morgan GBI-EM Global Diversified Index - GBP Unhedged (Bloomberg code: JGENVUBG); EMD Corporates: JP Morgan CEMBI Diversified Index GBP (Bloomberg code: JCDYHGBP)

Fund risks At times, the market for emerging market bonds, high yield bonds or convertible bonds may dry up, which could make it difficult to sell these bonds, or the fund may only be able to sell them at a discount

- There may be cases where an organisation with which we trade assets or derivatives (usually a financial institution such as a bank) may be unable to fulfil its obligations, which could cause losses to the fund
- Investing in high yield bonds offer you the chance to gain higher returns through growing your capital and generating income. Nevertheless, there is a greater risk that the organisation which issued the bond will fail, which would result in a loss of income to the fund along with its initial investment
- BlueBay could suffer from a failure of its processes, systems and controls – or from such a failure at an organisation on which we rely in order to deliver our services – which could lead to losses for the fund

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Each Fund’s Offering Documents contain important information concerning risk factors, including a more comprehensive description of the risks and other material aspects of the investment (including a Fund’s investment program and applicable fees and expenses), and should be read carefully before any decision to invest is made by you. You should carefully note the following:• An Alternative Investment represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication, experience and willingness to bear the risks of an investment in an Alternative Investment. An investor could lose all or a substantial portion of his/her/its investment.• An investment in an Alternative Investment should be discretionary capital set aside strictly for speculative purposes.• An investment in an Alternative Investment is not suitable for all investors. Only qualified eligible investors may invest in an Alternative Investment.• An Alternative Investment’s offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally or state registered.• An investment in and Alternative Investment may be illiquid and there are significant restrictions on transferring or redeeming interests in an Alternative Investment. There is no secondary market for an investor’s investment in an alternative investment and none is expected to develop. Substantial redemptions by shareholders within a limited period of time could compel an Alternative Investment to liquidate its positions more rapidly than otherwise would be desirable, which could adversely affect the value of the distribution proceeds and the value of the remaining interests in an Alternative Investment.• The net asset value of an Alternative Investment may be determined by its administrator in consultation with its manager or advisor in certain cases. Certain portfolio assets may be illiquid and without a readily ascertainable market value. Since the value assigned to portfolio investments affects a manager’s or advisor’s compensation, the manager’s or advisor’s involvement in the valuation process creates a potential conflict of interest. The value assigned to such portfolio investments may differ from the value an Alternative Investment is able to realize.• An Alternative Investment’s manager or advisor has total trading authority over the Alternative Investment. The death or disability of the manager or advisor, or their departure, may have a material adverse effect on an Alternative Investment. The use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequentially, higher risk.• An Alternative Investment may use a complex tax structure, which should be reviewed, and may involve structures or strategies that may cause delays in important tax information being sent to investors.• The Alternative Investment’s fees and expenses which may be substantial regardless of any positive return will offset such Alternative Investment’s trading profits. If an Alternative Investment’s investments are not successful, these payments are expenses may, over a period of time, deplete the net asset value of an Alternative Investment.• An Alternative Investment and its managers/advisors may be subject to various conflicts of interest.• The fund may be leveraged.• The fund's performance can be volatile.• A substantial portion of the trades executed for the fund takes place on foreign exchanges The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Private Fund and is subject to the more complete disclosures in such Fund’s offering documents, which must be reviewed carefully prior to making an investment. For a copy of the fund’s offering documents, please contact please contactrbcgamusinfo@rbc.com. RBC Global Asset Management (U.S.) Inc.,50 South Sixth Street, Suite 2350,Minneapolis, MN55402. An affiliate of RBC Capital Markets, LLC.