



RBC BlueBay  
Asset Management

# Global Bonds... Why Global? Why Active? Why Now?

Napoli, 9 – 10 maggio 2024

Managed by RBC Global Asset Management (UK) Limited

Marketing Communications

Kaspar Hense – Managing Director, Senior Portfolio Manager, RBC BlueBay Asset Management

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Asset Management

# Global Bonds... *Why BlueBay?*

# RBC Global Asset Management works with clients across many regions and offers RBC BlueBay clients access to multiple investment capabilities



**Global investment teams with localised expertise**

- US\$432 billion AuM globally <sup>1</sup>
- 48% institutional assets
- Over 1,600 employees worldwide
- Over 380 investment professionals
- 18 specialist investment teams

Notes: As at 31 December 2023. <sup>1</sup> AuM includes advisory and unidentified managed account models. Figures updated quarterly. <sup>2</sup> Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc. Not all strategies are available in the U.S.

# The BlueBay fixed income investment platform supports a global client base, delivering tailored investment solutions

The BlueBay fixed income investment platform is part of RBC Global Asset Management (represented by RBC BlueBay Asset Management outside North America) and supports a global client base.

The team is structured to deliver outcomes tailored to meet clients' needs, offering a unique blend of traditional and alternative investment strategies.

**BlueBay Fixed Income AuM (US\$m) 121,294 <sup>1</sup>**

**By strategy**

43,924	Investment Grade	7,900	Multi-Asset Credit
11,941	Leveraged Finance	4,077	Securitized Credit
10,884	Emerging Market	41,745	US Fixed Income
485	Convertibles	338	Special Situations

- A global perspective with local presence in our key markets
-  UK
  -  Australia
  -  Canada
  -  China
  -  Germany
  -  Italy
  -  Japan
  -  Luxembourg
  -  Netherlands
  -  Spain
  -  Sweden
  -  Switzerland
  -  USA



**133<sup>2</sup>**  
Investment professionals



**49**  
Specialist strategies

Over  
**US\$121bn**  
in AuM

Source: RBC Global Asset Management, as at 31 March 2024

Notes: <sup>1</sup> AuM shown incorporates funds managed by BlueBay Asset Management and RBC GAM US which are managed within the BlueBay investment platform. A small proportion of the AuM are provisional figures and may have a non-material difference with the finalised AuM; <sup>2</sup> The number of investment professionals includes BlueBay and RBC GAM US FI investment professionals. Leveraged Finance consists of High Yield, Leveraged Loans and Distressed Credit; Multi-asset Credit AuM includes US\$2.09 billion of Leveraged Finance assets and US\$936 million of Securitized Credit assets. Securitized Credit AuM reflects fee earning BlueBay managed CLOs including those in warehouse stage in the US



# Why BlueBay?



Why not?

Source: RBC Global Asset Management.

# BlueBay Fixed Income Investment Grade Strategies

	Benchmark Relative					
	Euro Government	Euro Aggregate	Euro Corporate	Global Government	Global Aggregate	Global Corporate
Liquidity <sup>1</sup>	Daily	Daily	Daily	Daily	Daily	Daily
Investment target return Gross <sup>2</sup>	Benchmark +1.5%	Benchmark +1.5%	Benchmark +1.5%	Benchmark +1.5%	Benchmark +1.5%	Benchmark +1.5%
Available in UCITS	✓	✓	✓	✓	✓	✓
Strategy inception	Dec-10	Nov-10	Nov-03	July-22	Feb-15	Oct-12
AuM Fund USD	\$4,073m	\$2,568m	\$2,521m	\$276m	\$1,115m	\$1,993m
AuM Strategy USD	\$5,601m	\$5,358m	\$9,679m	\$3,087m	\$2,820m	\$9,392m
Annualised alpha since inception	2.28%	2.81%	1.48%	2.04%	1.81%	1.53%
Annualised tracking error since inception	1.71%	2.07%	1.35%	2.15%	2.46%	1.57%
Fund Base Currency	EUR	EUR	EUR	USD	USD	USD
Portfolio Managers	Mark Dowding Kaspar Hense	Mark Dowding Kaspar Hense Neil Mehta	Tom Moulds Marc Stacey Andrzej Skiba	Kaspar Hense Malin Rosengren Mark Dowding	Kaspar Hense Mark Dowding	Andrzej Skiba Tom Moulds Marc Stacey
Fund objective	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Euro Aggregate Treasury Index.	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Euro Aggregate Index.	The Sub-Fund is actively managed and targets better returns than its benchmark, the iBoxx Euro Corporates Index, by investing in a portfolio of investment grade-rated fixed income securities.	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Global Treasury Total Return Index, USD hedged.	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Global Aggregate Bond Index USD unhedged.	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Global Aggregate Corporates Bond Index USD Hedged.

**Past performance is not indicative of future performance, derivatives trading involves a substantial risk of loss**

Source: RBC Global Asset Management, as at 31 March 2024. Notes: <sup>1</sup> Notice period for redemptions of 30 calendar days prior to month end; <sup>2</sup> Gross return targets annualised over the cycle for all strategies, except for Global Sovereign and IG Credit Alpha where target return is net of fees. Performance targets should not be relied upon as an indication of actual or projected performance. No representation is made any targets or objectives will be achieved, in whole or in part. There are significant risks associated with investment in the products and services provided by BlueBay Fixed Income. Fluctuations in exchange rates may have a positive or an adverse effect on the value of foreign-currency denominated financial instruments; <sup>3</sup> Annualised volatility. **Please refer to the Disclaimer located at the end of this document for important information**



# Strategy overview

## BlueBay Investment Grade Global Aggregate Bond Fund

Benchmark	Bloomberg Global Aggregate Bond Index USD unhedged (Bloomberg ticker LEGATRUU)
Investment target return <sup>1</sup>	Benchmark +1.5%
Fund objective	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Barclays Global Aggregate Bond Index USD unhedged, by investing in a portfolio of investment grade-rated fixed income securities while taking into account ESG considerations. There are no restrictions on the extent to which the Sub-Fund's portfolio and performance may deviate from the ones of the benchmark. As part of the investment process, the Investment Manager has full discretion over the composition of the Sub-Fund's portfolio and may take exposure to companies, countries or sectors not included in the benchmark.
Expected tracking error	0–3%
Core investment universe	Global Investment Grade
Credit rating restriction	Up to 15% below investment grade (minimum rating B- taking the lowest credit rating)
Currency restriction	+/- 20% active currency risk
ESG approach	<b>Exclusions:</b> CORPORATES – product based: controversial weapons, tobacco / SOVEREIGNS – controversial jurisdictions status (Financial Action Task Force, UN Security Council Sanctions), UN conventions and treaties status (corruption convention, torture and punishment convention); <b>Integration</b> (resulting in exclusions of the worst ESG rated issuers), <b>Stewardship</b> including engagement and proxy voting (where applicable)
Regional/national ESG classification	EU SFDR – Article 8 / French ESG (AMF Doctrine) – 3: Approach not meeting central or limited communication standards
Derivative usage	Typically: bond futures, interest rate swaps, CDS, currency forwards
Leverage restriction	No borrowing/no financial leverage
Liquidity	Daily

Source: RBC Global Asset Management, as at 31 March 2024. Note: <sup>1</sup> Investment target return is a fund manager aim, is not guaranteed and does not relate to the fund's objective.

# BlueBay Investment Grade Global Aggregate Bond Fund: Product Design

## Alpha sources

Alpha source	Alpha target (bps)	Alpha range
Term structure	40	10–50%
Credit beta	30	0–50%
Credit alpha	50	20–70%
Currency	30	0–20%
<b>Total</b>	<b>150</b>	
Tracking error	0–3% (relative)	

## Risk measures

Alpha source	Risk measure	Typical exposure (relative exposure)
Term structure	Interest rate duration	+/- 2.0 years
	Yield curve	
	Swap spreads	
	Inflation-linked	
Credit beta	Corporate spread duration	+/- 2.0 years
	Sovereign spread duration	+/- 4.0 years
Credit alpha	Country	60–250 issuers
	Sector	
	Issuers	
	Instrument	
Currency		+/- 20% active currency risk

Product designed to deliver alpha in any environment

Source: RBC Global Asset Management

# Portfolio's Relative Asset Weight & Interest Rate Duration Exposure

## BlueBay Investment Grade Global Aggregate Bond Fund

Currency	Relative Exposure	Relative Interest Rate Duration Yrs
USD	5.20 %	0.40
EUR	-4.80 %	
JPY	2.00 %	-1.30
CNY	-1.10 %	-0.10
GBP	-1.00 %	-0.50
CAD		-0.15
AUD		
BRL	1.40 %	0.10
KRW		
ISK	1.00 %	0.10
NOK	0.90 %	0.10
IDR		
Other	-1.30 %	-0.10
SEK	-0.10 %	-0.10
MYR	-0.10 %	
PLN	-0.10 %	
NZD		0.15
CZK		0.10
HUF		
CLP		
HKD		
MXN	-1.00 %	0.30
ZAR	-1.00 %	0.20
<b>Total</b>	<b>0.00 %</b>	<b>-0.80</b>

Capturing main opportunities in the global space

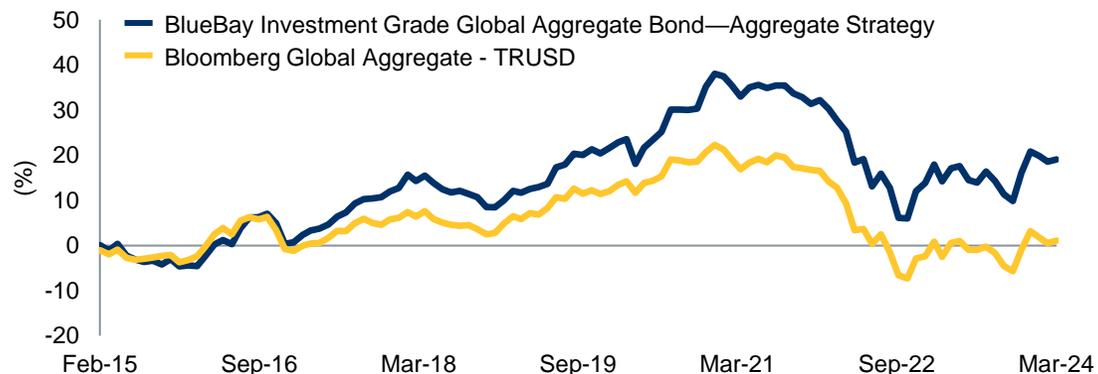
Source: RBC Global Asset Management as at 19 April 2024



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# Performance of the BlueBay Investment Grade Global Aggregate Bond Fund

## Cumulative gross relative performance (USD)



## Risk/return characteristics

	1yr	3yr	5yr	Since inception
Standard deviation	7.22%	7.20%	7.59%	6.52%
Tracking error	1.82%	2.28%	2.68%	2.46%
Information ratio	0.70	0.43	0.82	0.71

## Performance (USD gross of fees)

	BlueBay Investment Grade Global Aggregate Bond—Aggregate Strategy	Bloomberg Global Aggregate - TRUSD	Alpha
Q1	-1.44%	-2.08%	0.64%
1YR <sup>1</sup>	1.69%	0.49%	1.20%
3YR <sup>1</sup>	-3.62%	-4.73%	1.11%
5YR <sup>1</sup>	1.13%	-1.17%	2.30%
Ann. SI	1.92%	0.11%	1.81%
2023	6.12%	5.72%	0.40%
2022	-13.93%	-16.25%	2.32%
2021	-4.19%	-4.71%	0.51%
2020	13.52%	9.20%	4.32%
2019	10.52%	6.84%	3.68%
2018	-2.39%	-1.20%	-1.19%
2017	11.92%	7.39%	4.52%
2016	5.36%	2.09%	3.27%

Past performance is not indicative of future results. The return on your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation. Fees and other expenses will have a negative effect on investment returns. 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). Source: RBC Global Asset Management, as at 31 March 2024. Fund type: UCITS. Note: 1 Annualised return. Fund inception date: 2 February 2015





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# Global Bonds... Why Global?

# Why Global?



- On a hedged basis yields have a similar starting point but...
- ...Global offers a vast investment opportunity set
- Greater diversification & risk adjusted returns

Opportunity and timing never better

Source: RBC Global Asset Management.



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# Global Bonds... *Why Active?*

# Why Active?



BlueBay IG Global Aggregate Bond Fund net performance (red line)

vs.

Benchmark performance (yellow)

&

ETF performance (orange & white)

Small fees to pay over passive for much added alpha

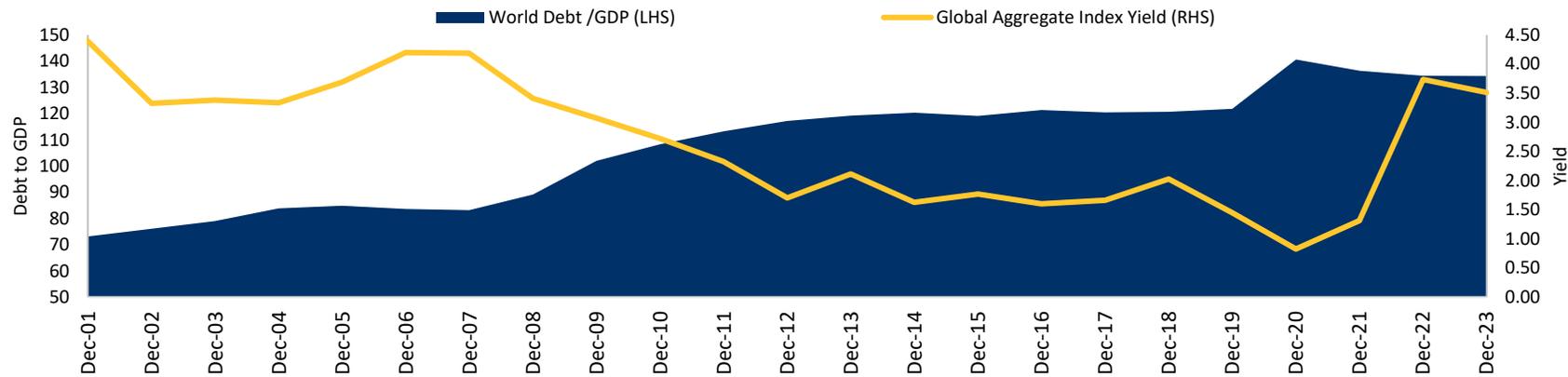
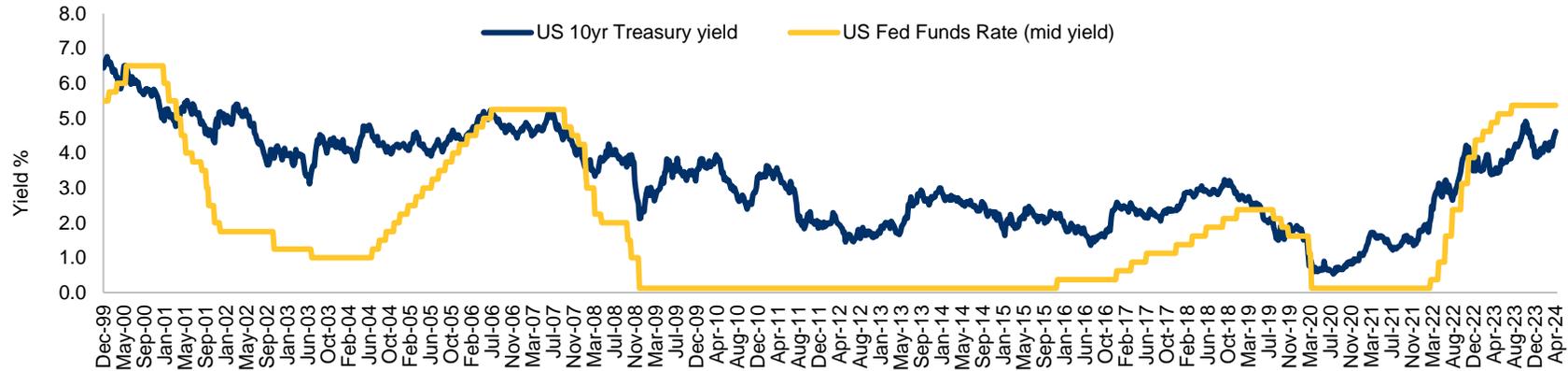
Source: Bloomberg BlueBay Investment Grade Global Aggregate Bond Fund (Red line) to 24 April 2024



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# Global Bonds... *Why Now?*

# Why Now?



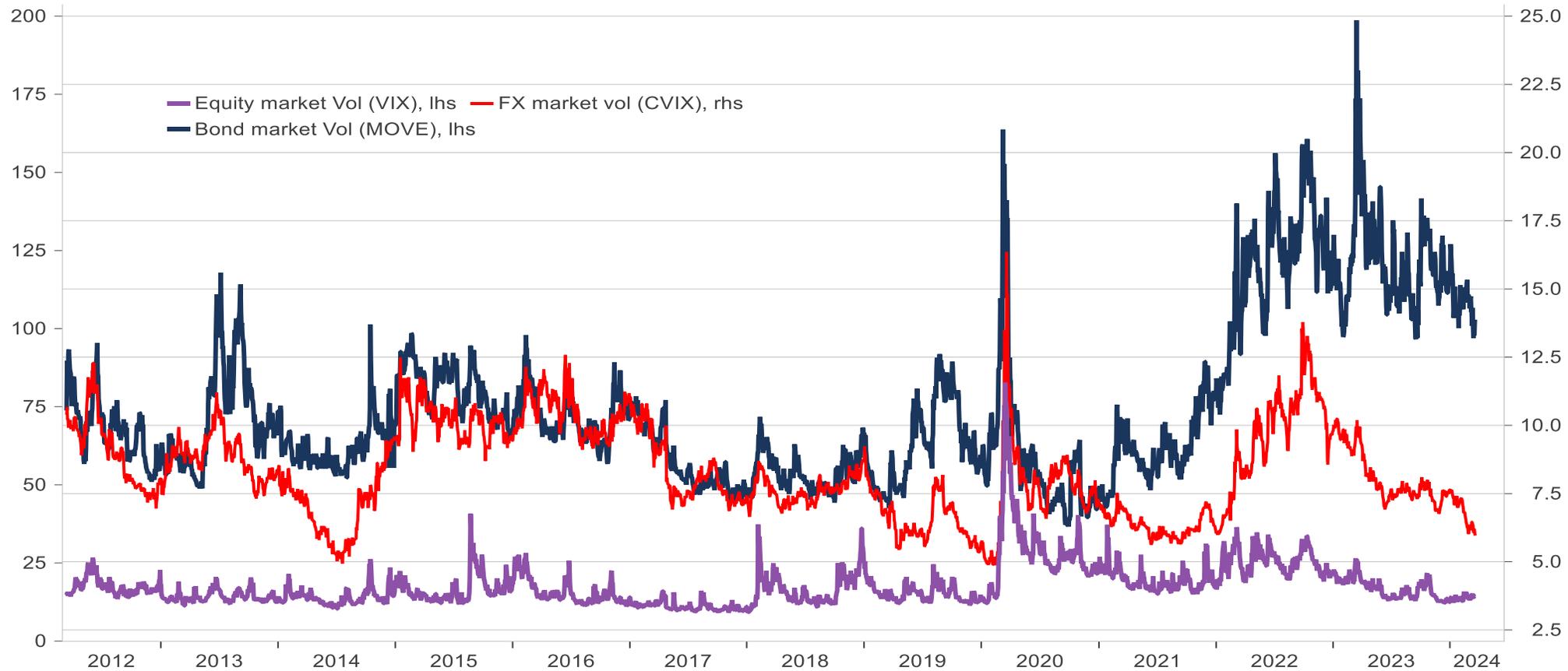
- 10-Year yield declines after peak in Fed Fund's rate
- Debt interest cost now a large drag on government finances
- Still large investment needs for the green transition, geopolitical risks

No better environment to be long global bonds

Source: Bloomberg as at 19 April 2024

# Market volatility

## Bond, Equity and FX market volatility



Source: Bloomberg, as at 2 May, 2024

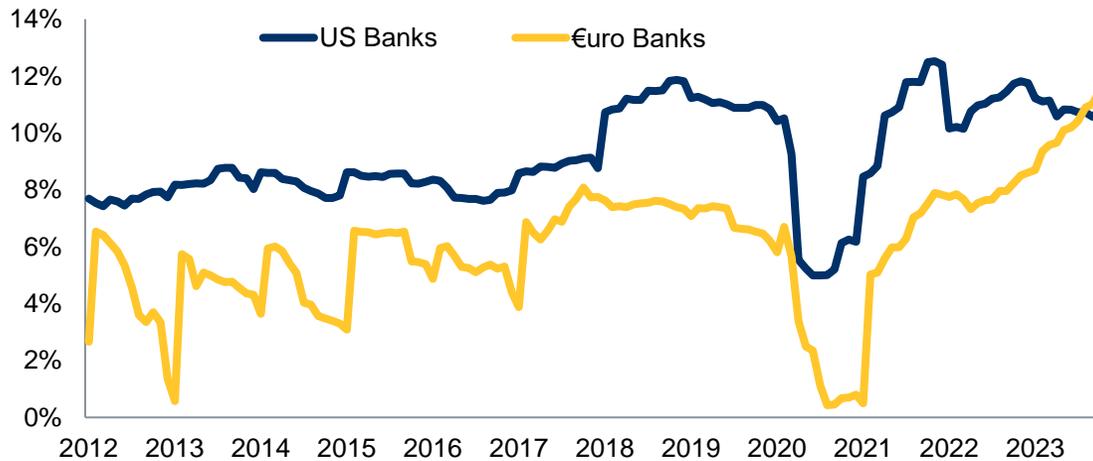
# Fundamentals: Strong Starting Point

**This should permit Banks to perform in a weak growth environment**

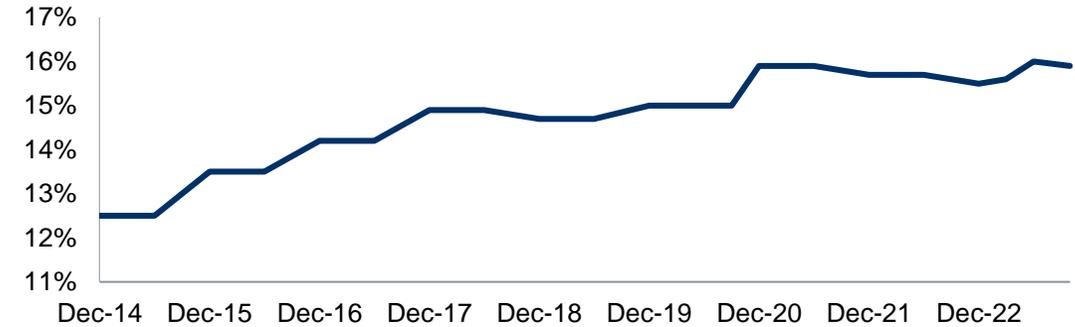
**We do not expect a banking crisis!**

- Significant bad credit risk moved to government balance sheet with Covid loan schemes, especially Corporates: 20% in Italy, 15% in Spain, 10% in the UK etc
- Revenue pick-up from higher rates, RoE to keep going up

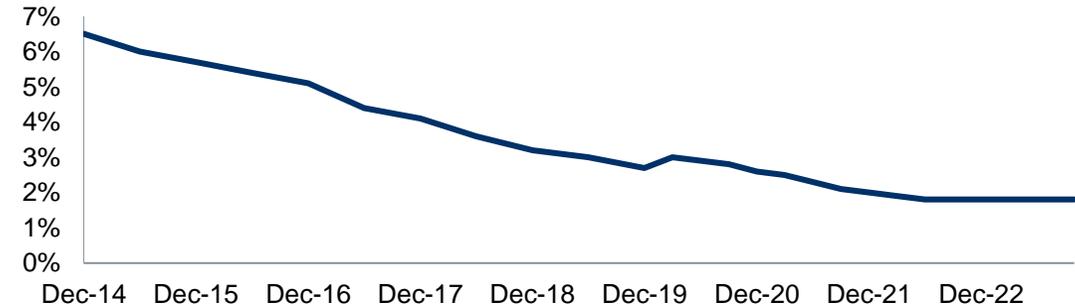
## RoE (%) <sup>1</sup>



## CET1 (%) of EU Banks <sup>2</sup>



## NPL (%) of EU Banks <sup>2</sup>



Source: <sup>1</sup> BNP Paribas, Bloomberg as at 10 January 2024, <sup>2</sup> EBA, as at September 2023

# Why Now? – Big Opportunities



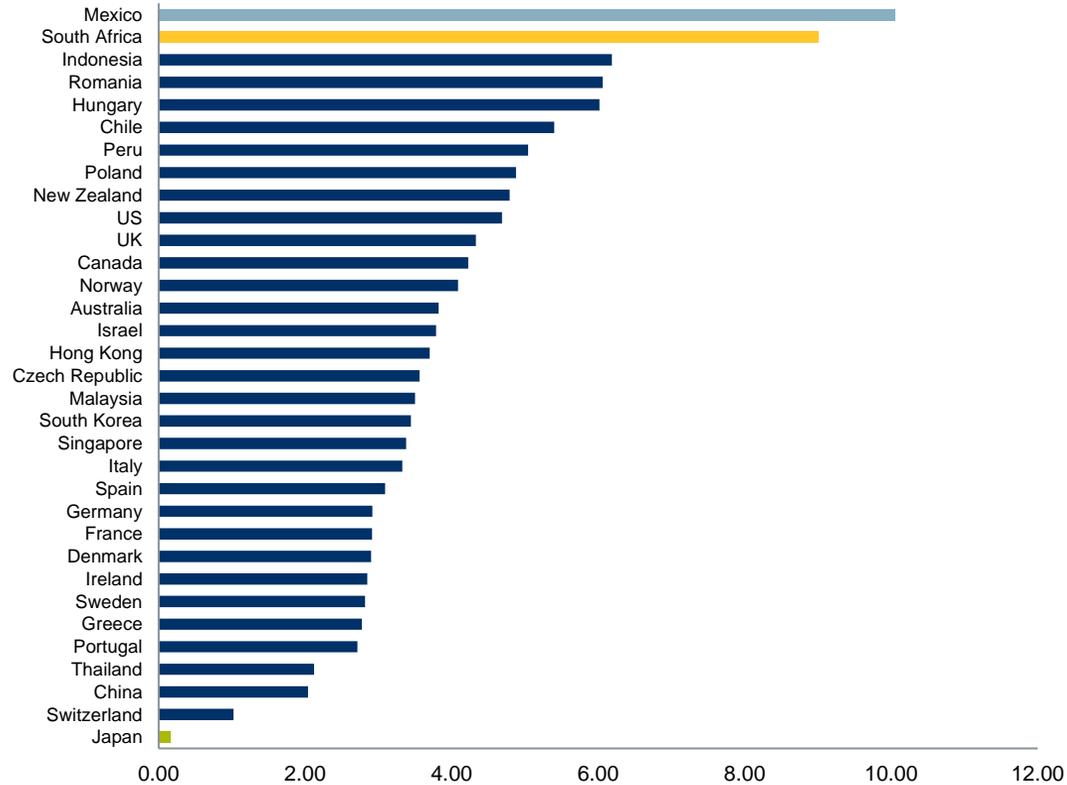
- 2024 will hold the greatest number of elections in history
  - 4bn people –half the world’s population will vote
- The vast majority of central banks are finished tightening monetary policy
  - Benefit from falling rates and yields
- Opportunities exist across markets and curves
- Volatility will remain high providing plenty of scope to deliver alpha
  - Quantitative tightening, bond issuance, fiscal discipline

Policy and Politics driving opportunities

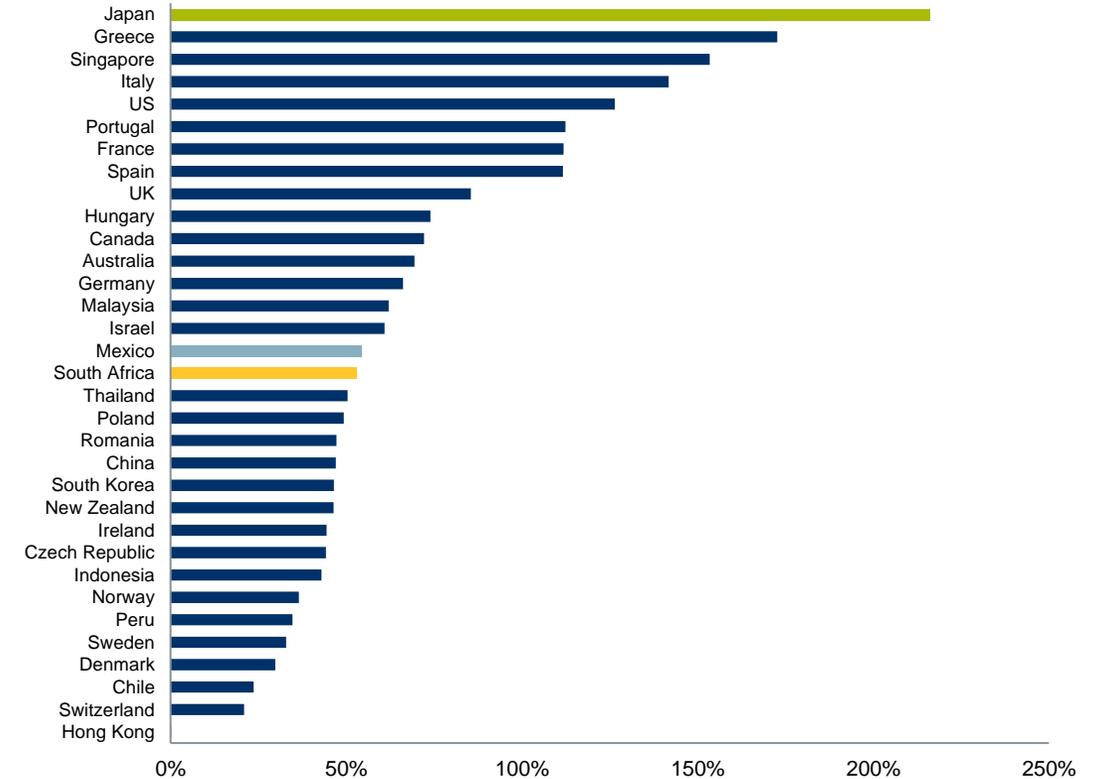
Source: RBC Global Asset Management.

# Global Markets 2-Year Government Bond Yield and Debt to GDP%

## 2yr Government Bond Yield



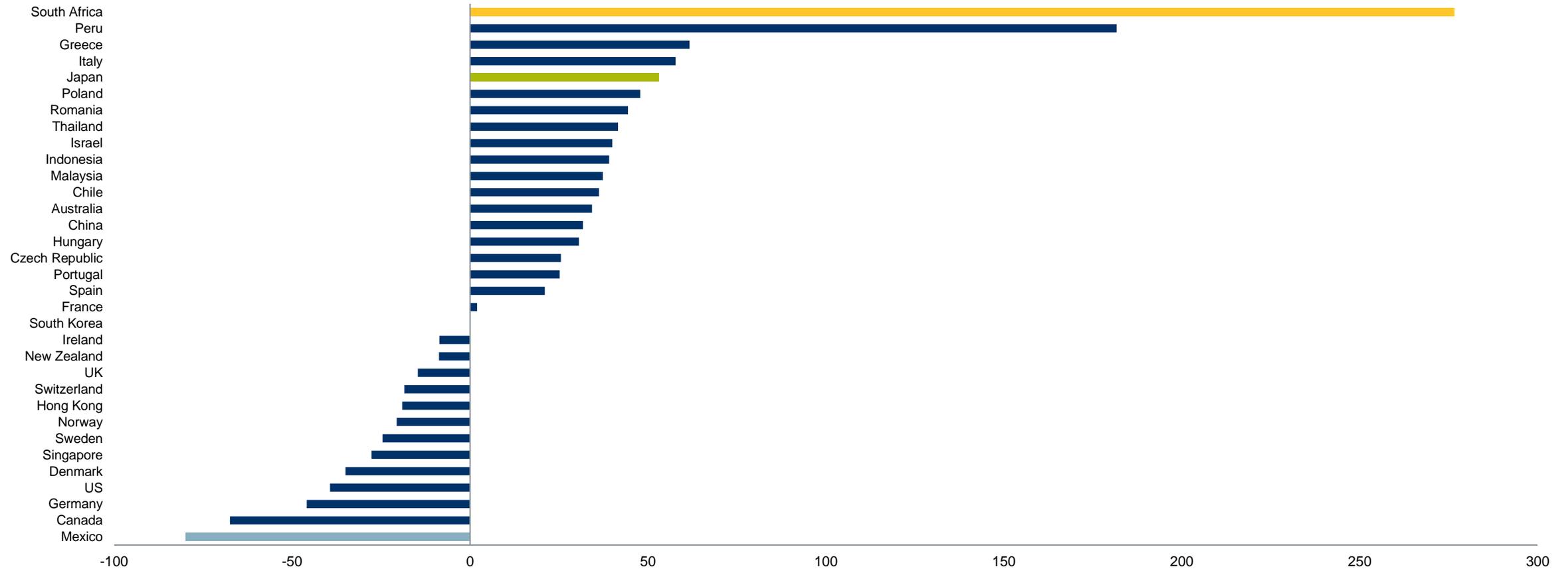
## Debt To GDP %



High yields do not always mean high risk...

Source: Bloomberg 23 February 2024

# Global Markets local rate differentials 10yr less 2yr



But taking risk where it is paid

Source: Bloomberg 23 February 2024



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# BlueBay Investment Grade Global Government Bond Fund



# Strategy overview

## BlueBay Investment Grade Global Government Bond Strategy

Expected Target return	Benchmark: Bloomberg Global Treasury index USD hedged (Bloomberg code: BTSYTRUH) <b>+1.5% (gross)</b>
Expected tracking error	0–3%
Fund objective	The Sub-Fund is actively managed and targets better returns than its benchmark, the Bloomberg Global Treasury Total Return Index, USD hedged.
Core investment universe	Global Investment Grade sovereigns
ESG approach	<b>Exclusions:</b> CORPORATES – product based: controversial weapons, tobacco / SOVEREIGNS – controversial jurisdictions status (Financial Action Task Force, UN Security Council Sanctions), UN conventions and treaties status (corruption convention, torture and punishment convention); <b>Integration</b> (resulting in exclusions of the worst ESG rated issuers), <b>Stewardship</b> including engagement and proxy voting (where applicable)
Regional/national ESG classifications	EU SFDR – Article 8 / French ESG (AMF Doctrine) – 3: non-significantly engaging methodology approach / German ESG (BVI) – Basic
Credit rating restriction	Up to 15% below investment grade (taking the lowest credit rating)
Currency restriction	Maximum 30% active currency risk, otherwise off benchmark exposure fully hedged
Derivate usage	Typically: bond futures, interest rate swaps, CDS, currency forwards and options
Leverage restriction	No borrowing/no financial leverage
Liquidity	Daily

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. Fluctuations in exchange rates may have a positive or an adverse effect on the value of foreign-currency denominated financial instruments.

Source: RBC Global Asset Management, as at 31 March 2024. All terms are for the proposal only and will be discussed with clients. The return objective range is offered for the limited purpose to give the reader context in which to assess the portfolio manager's investment objectives for the strategy. The cited percentages are in no way a guarantee of performance as actual performance percentages could be lower. derivatives trading involve a substantial risk of loss. This Strategy does not exist. The information presented above should not be relied upon because it is incomplete. Proposed terms are subject to change without notice. Target return should not be relied upon as an indication of actual or projected performance. Actual volatility and returns depend upon a variety of factors. No representation is made that any targets or objectives will be achieved, in whole or in part.

# BlueBay Investment Grade Global Government Bond strategy: Product Design

## Alpha sources

Alpha source	Alpha target (bps)	Alpha range
Term structure	60	30–70%
Credit beta	30	10–40%
Credit alpha	40	20–50%
Currency	20	10–30%
<b>Total</b>	<b>150</b>	
Tracking error	0–3% (relative)	

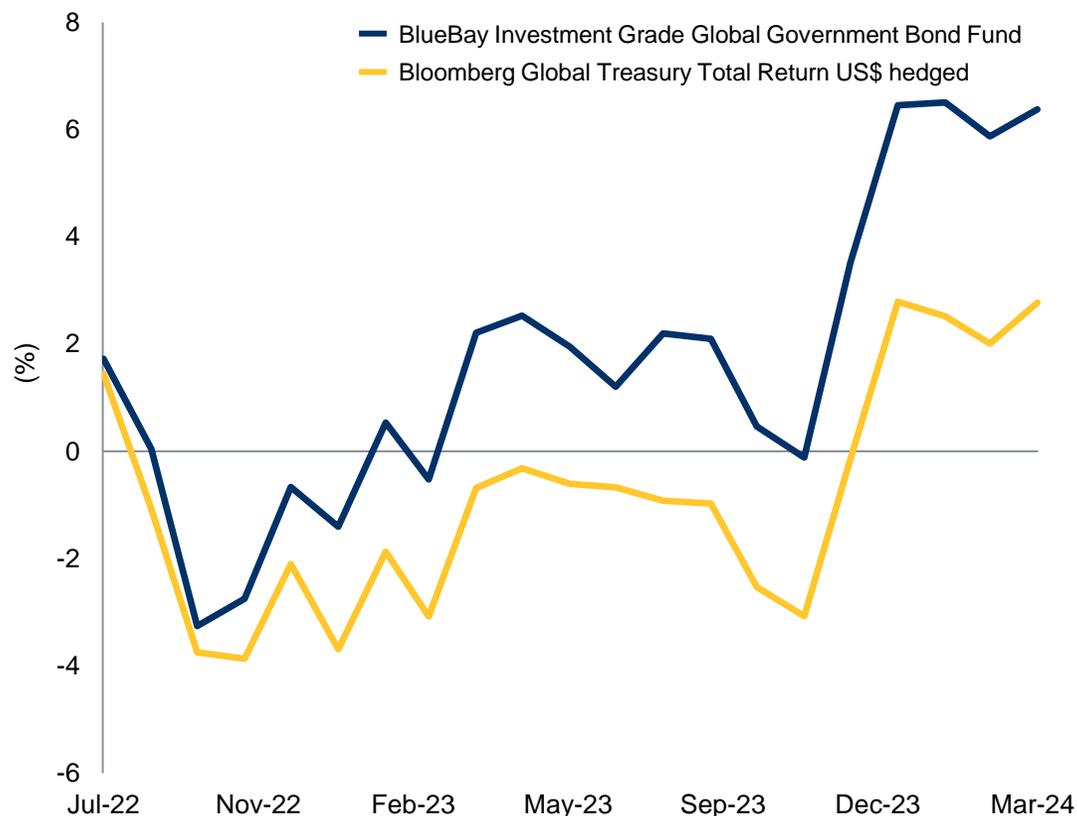
## Risk measures

Alpha source	Risk measure	Typical exposure (relative exposure)
Term structure	Interest rate duration	-2.5 to +2.5 years
	Yield curve	
	Swap spreads	
	Inflation-linked	
Credit beta	Corporate spread duration	n/a
	Sovereign spread duration	-4.0 to +4.0 years
Credit alpha	Country	0–80 issuers
	Sector	
	Issuers	
	Instrument	
Currency		30% active currency risk
Emerging Market FX		10% Max absolute net exposure to Emerging Market FX

Source: RBC Global Asset Management  
The above information is for illustrative purposes only. No representations is made in relation to the above

# Performance of the BlueBay Investment Grade Global Government Bond Fund

## Cumulative gross relative performance (USD)



## Performance (USD gross of fees)

	BlueBay Investment Grade Global Government Bond Fund	Bloomberg Global Treasury Total Return US\$ hedged	Alpha
Q1	-0.07%	-0.01%	-0.06%
<sup>1</sup> 1YR	4.08%	3.48%	0.60%
Ann. SI	3.63%	1.59%	2.04%
2023	7.97%	6.72%	1.25%
2022 (inception 5/7/22)	-1.40%	-3.69%	2.29%

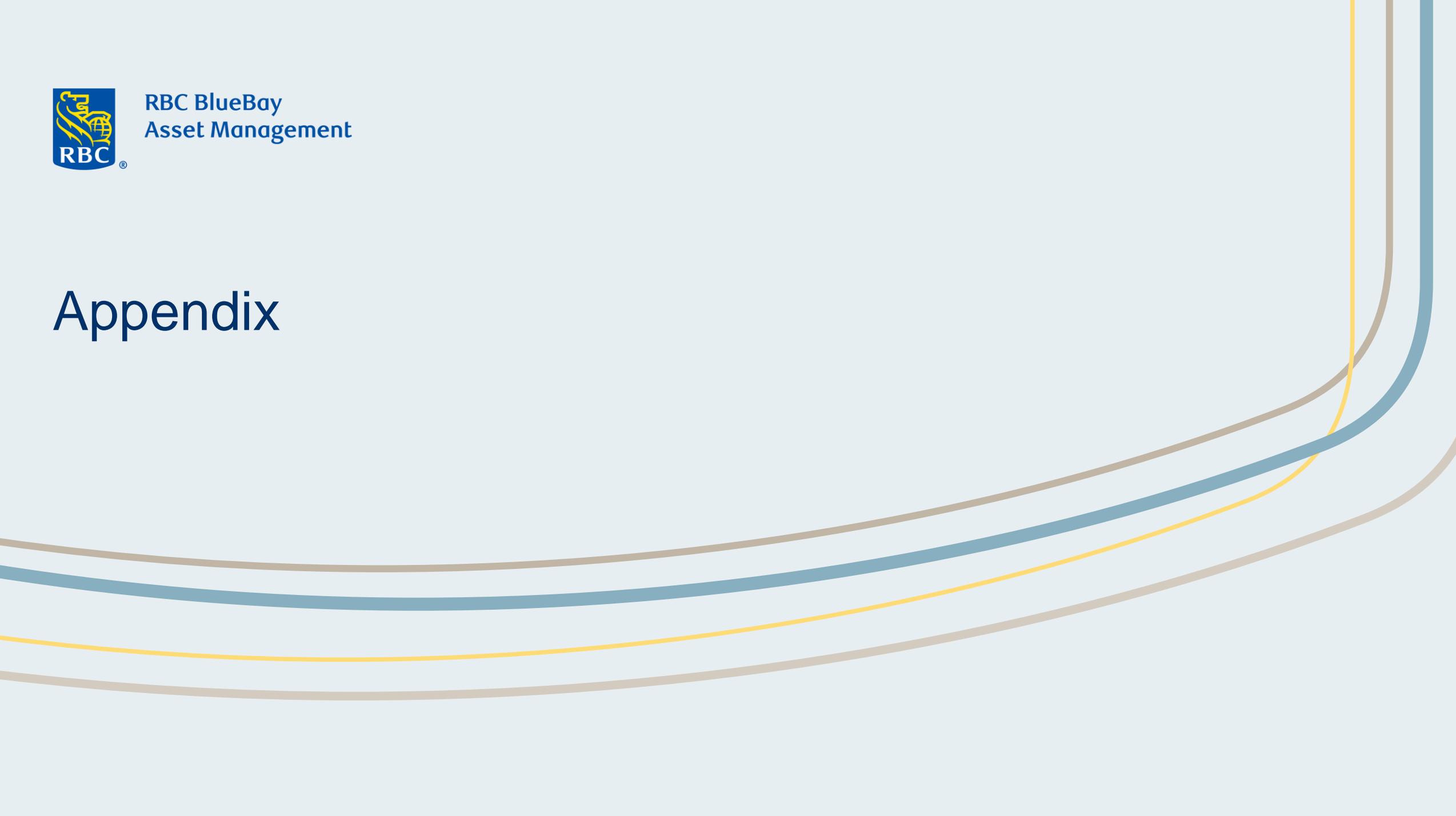
**Past performance is not indicative of future results.** The return on your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation. Fees and other expenses will have a negative effect on investment returns. 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). Source: RBC Global Asset Management, as at 31 March 2024. Fund type: UCITS. Note: <sup>1</sup> Annualised return. Fund inception date: 5 July 2022. The return may increase or decrease as a result of currency fluctuations.



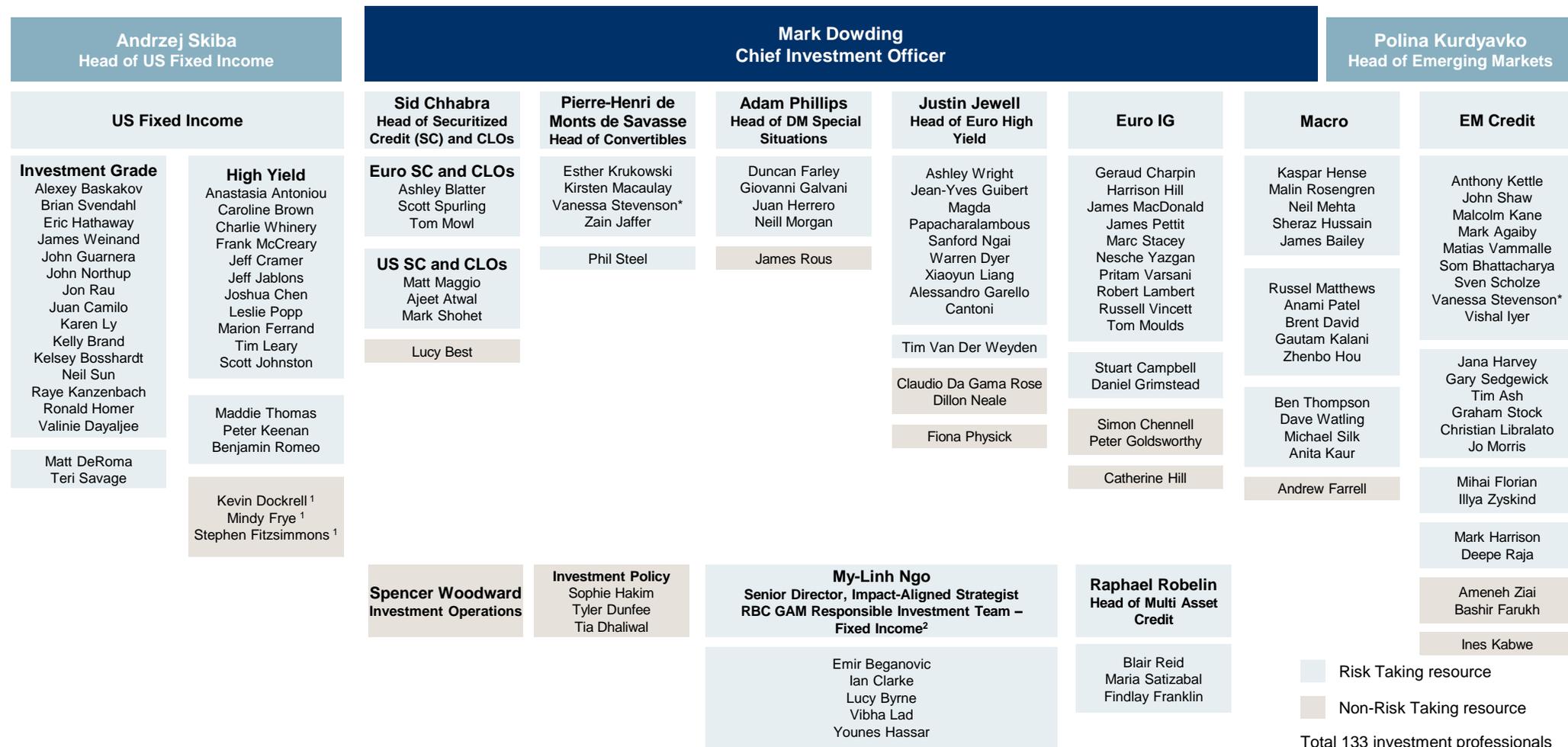


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# Appendix



# BlueBay Fixed Income skilled individuals centred around one investment process



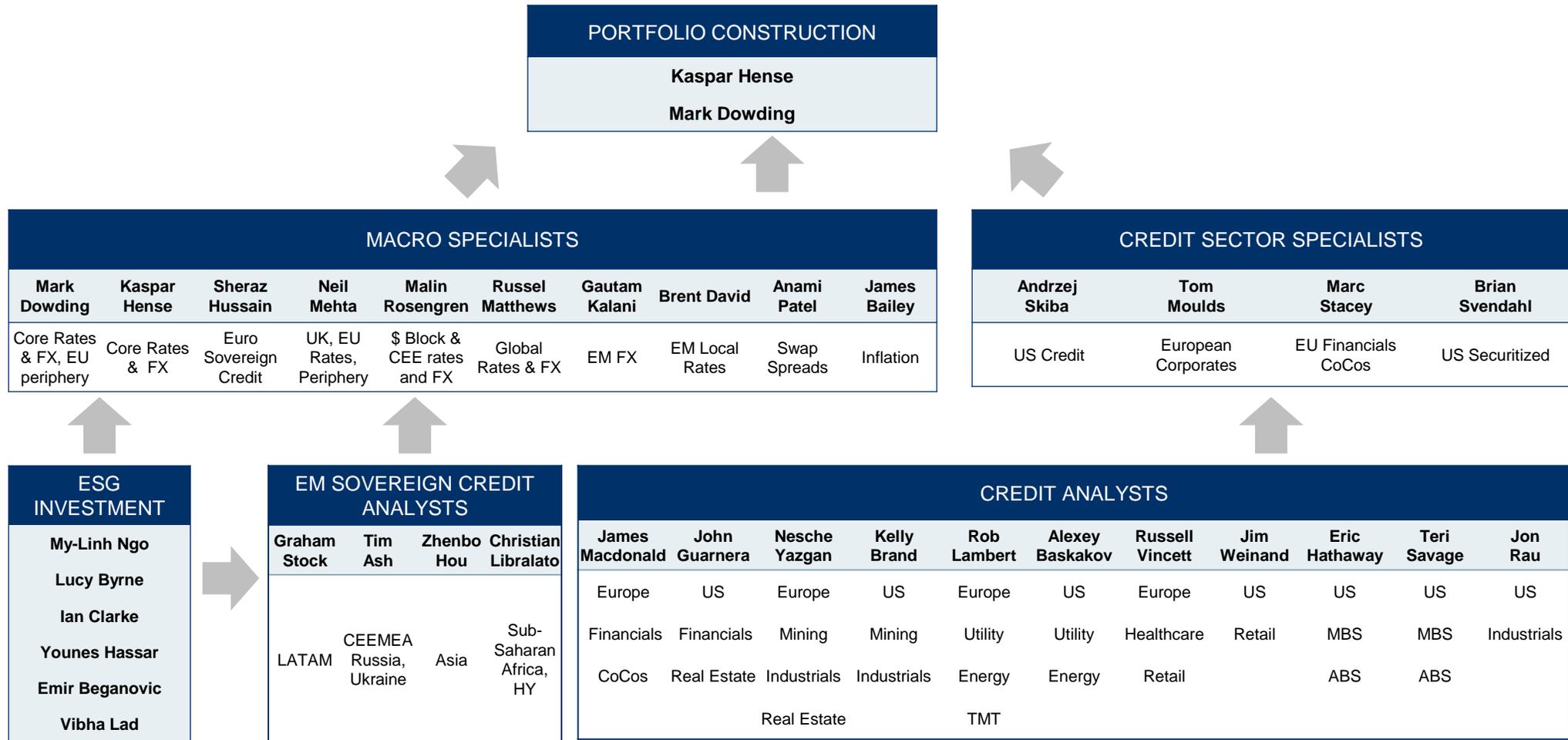
Source: RBC Global Asset Management, 31 March 2024

Note: Team overview schematic does not represent reporting lines. Asterisks denote shared investment resource. <sup>1</sup> Reporting to Donald Sanya. <sup>2</sup> The individuals listed lead on RI in fixed income but are part of the larger RBC GAM RI team, reporting to MD, Head of RI (Melanie Adams) at RBC GAM. Other RI team members not listed also support BlueBay's RI investment efforts.



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# BlueBay Investment Grade Global Aggregate Bond Strategy: Portfolio responsibilities



Source: RBC Global Asset Management, As at 31 March 2024

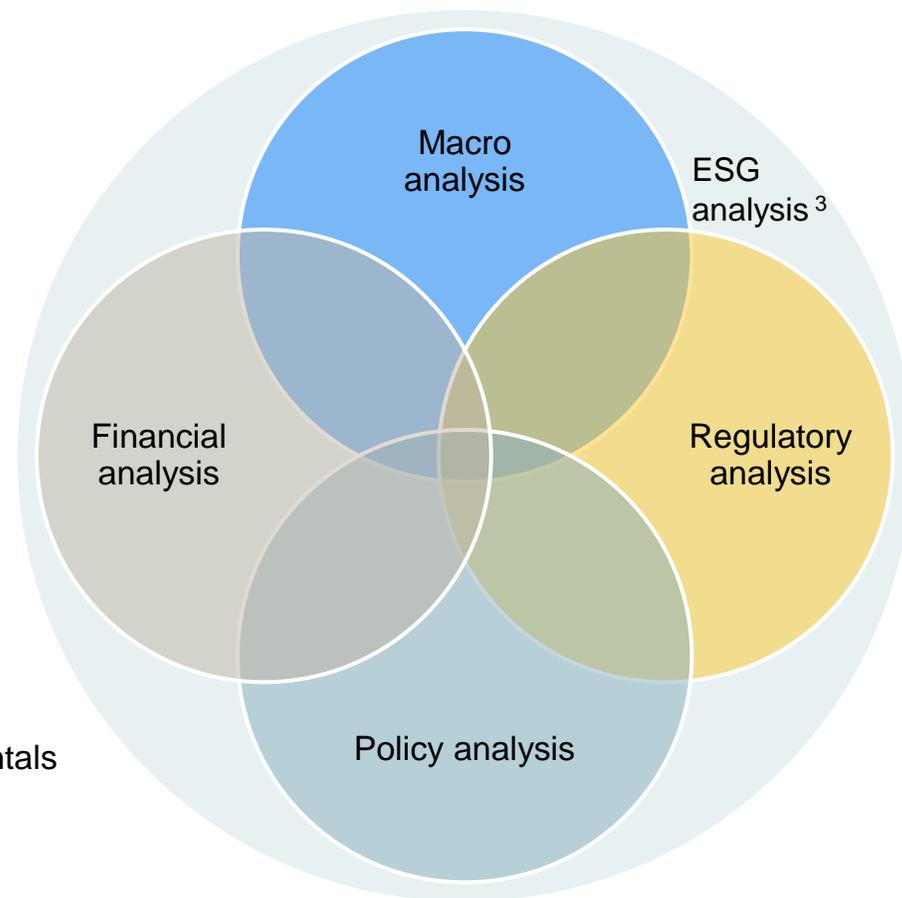
# Integrating traditional balance sheet financial analysis with Macro, Regulatory and Policy analysis – a competitive advantage

## Macro analysis

- Political risk
- EM/China
- Oil
- Rates

## Financial analysis

- Company fundamentals
- Structural features
- Technicals



## Regulatory analysis

- Capital requirements
- Leverage
- Liquidity requirements
- MDA<sup>1</sup>
- RWA's<sup>2</sup>

## Policy analysis

- Monetary policy
- TLTRO/FLS
- Bond purchase programs/QE

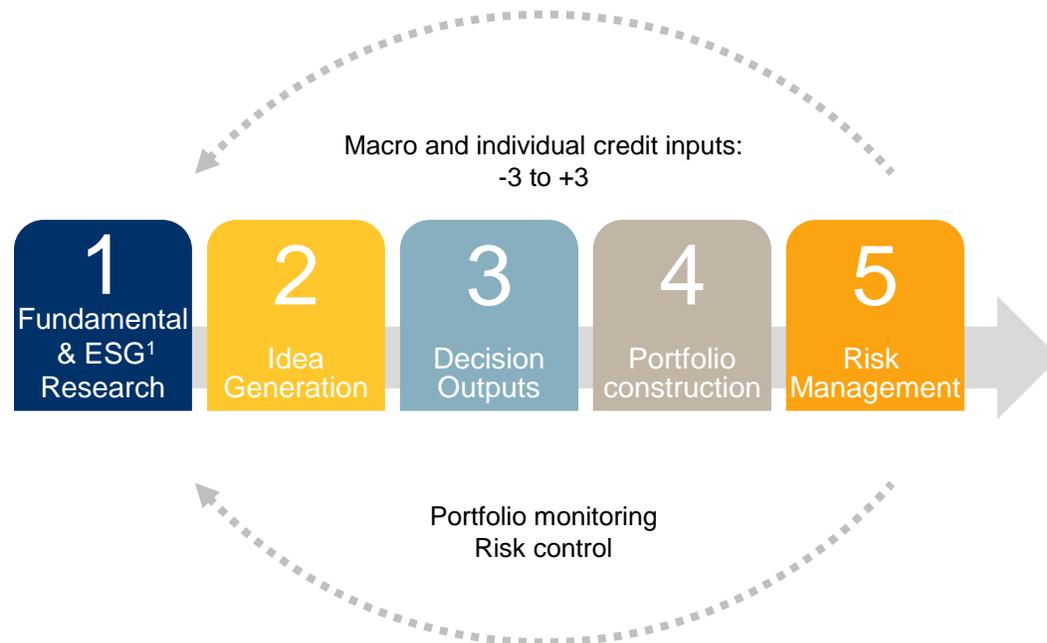
Notes: <sup>1</sup> Maximum Distributable Amount; <sup>2</sup> Risk Weighted Assets; <sup>3</sup> Certain investment strategies, asset classes, exposure and security types do not integrate ESG factors, including but not limited to money market, buy-and maintain, passive, and certain third-party sub-advised strategies or certain currency or derivative instruments. Different strategies that integrate ESG factors will be at varying stages of implementation. As at 31 March 2024



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# Alpha Sources within the Investment process

## Portfolio incorporates diverse opportunities for alpha in a controlled manner



Macro trends within overall investment environment discussed and debated  
Fundamental country level research to identify and quantify value across each market component, Sovereign and corporate credit, Local Bonds, FX  
Corporate sector level trends

Analysis considers fundamentals, valuation, technicals and ESG factors for each alpha source

Alpha source outputs ranked numerically -3 to +3 in order to identify target opportunities

Portfolio construction draws on product design combined with conviction scores to determine appropriate position sizing

Ongoing monitoring and management of portfolio risk relative to guidelines

This is a simplified presentation of a complex process. In actual trading, steps may be modified, substituted or omitted

Note: <sup>1</sup> Certain investment strategies, asset classes, exposure and security types do not integrate ESG factors, including but not limited to money market, buy-and maintain, passive, and certain third-party sub-advised strategies or certain currency or derivative instruments. Different strategies that integrate ESG factors will be at varying stages of implementation.

# Example of alpha source decision: Summary outputs US 10yr Treasury

US 10yr 78 ☆ α

Details Audit Report Issue !

Created: 4 Dec 2015 - Last Updated: 8 Dec 2022

Decision Name \* US 10yr Start Date 2015-11-01 📅

Decision Family \* Rates Official / Unofficial \* Official ▼

Decision Type \* Outright Monitoring Only ?

Owners Kaspar Hense ✕ Russel Matthews ✕ Mark Dowding ✕ Enable Intraday Pricing ?

Target / Review 4 Entry ? 3.44 08/12/2022 Loss / Review 3.2

Inv. Horizon  1M  6M

Conviction ? -1 ▼

Conviction Drivers

Fundamentals ? -1 ▼ Valuation -1 ▼ Technicals 0 ▼

ESG ? 0 ▼

- Capture every decision
- Communicate to investment team
- Monitor against target and loss review levels
- Measure success of decisions
- Analyse for ongoing improvement of process
- Transparency for clients

## Summary Rationale \*

01/12/2022  
Russel Matthews

The market has continued to rally on expectation for slow-down in the pace of Fed hikes. The data is moderating in the US, but there is a question over how much and growing conviction our minds that the market is overdoing expectations for a Fed Pivot. With US 10s now closing in on 3.50%, the asymmetry has returned to being short and we move to a -1 conviction.

Note: The information provided is to illustrate the investment process of the BlueBay Investment Grade team and should not be deemed a recommendation to buy or sell any security or financial instrument

# Example of alpha source decision: Summary outputs (2)

## Comments

08/12/2022  
Russel Matthews

Risk off tone in equities has driven yields through the downside review, we are inclined to add to the position here, but given year end, and the potential for a 2018 style risk puke coming out of the Fed next week, we are happy to hold to current positioning and potentially use bunds as the preferred market to add short risk as we think there is more downside protection there

27/10/2022  
Mark Dowding

Cutting long rates to neutral ahead of central bank meetings in the coming week. Those looking for an early Fed pivot may be disappointed with data failing to support this view just for the time being. Seems appropriate to close long rates position and potentially re-open at higher levels.

13/10/2022  
Mark Dowding

Reducing conviction to +1 in wake of CPI data. Core at 6.6% is a source of concern. However weakness in risk assets and a flight to quality bid may help to support yields and hence remaining at +1 conviction

11/10/2022  
Mark Dowding

Having reduced US rates long at 3.60% booking profits, now adding back to a +2 on a rise in yields close to 4% on 10s. Move up in yield is partly influenced by UK liquidations from LDI. Upcoming CPI data will be important, but a more benign outcome could start to pave the way for a less aggressive Fed. Particularly, if risk assets come under any further pressure, then we could see support for longer dated bonds on a flight to quality.

03/10/2022  
Russel Matthews

Taking partial profits on US duration position, given valuation has changed materially and asymmetry is not what it was.



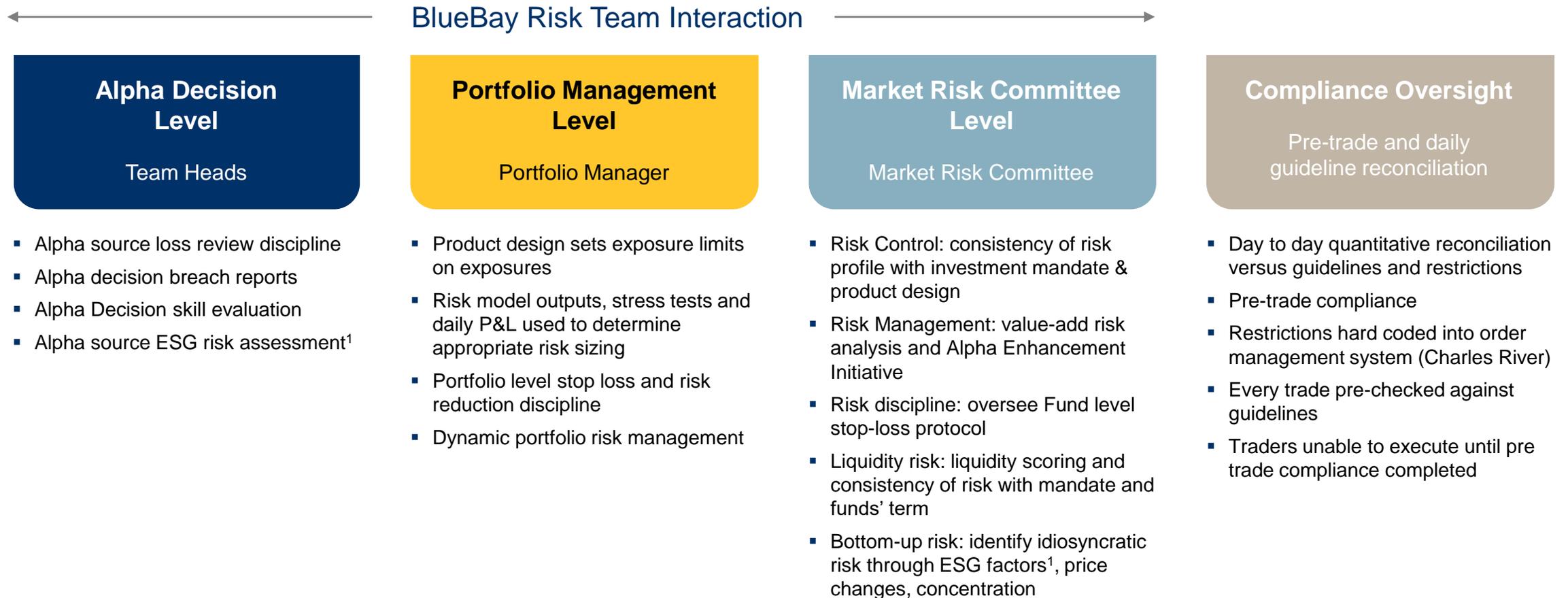
Note: The information provided is to illustrate the investment process of the BlueBay Investment Grade team and should not be deemed a recommendation to buy or sell any security or financial instrument

Source: RBC Global Asset Management



RBC BlueBay  
Asset Management

# Risk management at every stage of the process



Note: <sup>1</sup> Certain investment strategies, asset classes, exposure and security types do not integrate ESG factors, including but not limited to money market, buy-and maintain, passive, and certain third-party sub-advised strategies or certain currency or derivative instruments. Different strategies that integrate ESG factors will be at varying stages of implementation.

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