

BlueBay \$U.S. Global Investment Grade Corporate Bond Fund



Commentary as at December 31, 2023

Fixed-income markets recovered in 2023 from their declines in 2022, helped in large part by a year-end rally in bond prices as yields fell. Bond yields fell back in the fourth quarter amid increased confidence that interest-rate increases were in store given slowing inflation and weakening economic growth outside the U.S.

The Fund's returns benefited from the portfolio manager's efforts to add exposure to corporate bonds, which outperformed government securities, and in areas with less exposure to changes in the pace of economic growth. Sectors that aided returns included Information Technology, Communication Services, and Utilities, and performance benefited from individual holdings including: Electricite de France, Meta Platforms (formerly Facebook), Kyndryl, Intel, Warnermedia, and Broadcom. Performance was limited somewhat by banks after the failure of several mid-sized U.S. financial institutions led to short-lived concern about the stability of the U.S. banking system.

Financial markets are pricing in a series of interest-rate cuts in 2024, in the belief that inflation is coming down and will allow central banks to ease policy. This leaves some room for disappointment at some point should inflation prove to be "stickier" than expected. The path of growth will likely also have a meaningful impact on bond prices as we move through 2024 and ultimately determine the prospects for riskier assets such as corporate bonds in the year ahead. Even with these uncertainties, the portfolio manager believes that corporate bonds offer the potential for decent returns over the medium term given that their yields are close to the highest levels since 2009.

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