

## BlueBay Global Convertible Bond Fund (Canada)



### Commentary as at June 30, 2025

Convertible bonds delivered strong returns in the first half of 2025, exceeding those of traditional fixed income while keeping pace with global equities. The bonds, which are exchangeable for equity according to preset terms, benefited from the strength of large-cap technology stocks in the U.S., as well as the attractive returns offered by equity markets elsewhere.

Technology holdings such as Alibaba and Tencent generated significant returns for the Fund as the emergence of an artificial-intelligence ("AI") model developed by China's DeepSeek showed the country is moving forward quickly in the area of AI. Xiaomi rallied after it reported strong sales of its debut electric vehicles, and shares of Spotify, a music-streaming company, rose to an all-time high as the company continued to add premium users to its platform. The U.S. software companies Snowflake, Zscaler and Nutanix all aided the Fund's performance given investors' view that the sector is relatively immune to the impact of U.S. tariffs. Coinbase, a cryptocurrency exchange, gained after it was added to the S&P 500 Index.

Holding back performance was a holding in Global Payments as investors questioned the US\$24 billion that the company offered to pay for rival Worldpay. Sarepta Therapeutics, a developer of gene therapies, fell after the Food and Drug Administration ("FDA") named a new head of vaccines who had criticized the company's key treatment. Parsons Corp., a defense contractor, declined on concern about government spending cuts under the new U.S. administration, and American Airlines securities declined after the carrier forecast first-quarter financial guidance that was weaker than its U.S. rivals.

The policies of the new U.S. administration have been front and centre in the minds of investors this year. The imposition and subsequent rollback of U.S. tariffs have resulted in significant equity declines followed by strong rallies, a backdrop that can benefit convertible bonds because rising stock prices have a large positive impact on the value of the bonds. Geopolitical risks have emerged as a major concern, particularly in the Middle East, and any related uncertainty in financial markets could lead to strong risk-adjusted returns. Sales of convertible bonds are likely to remain strong, in the view of the sub-advisor, which would add to the potential for returns in convertible bonds.

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