

BlueBay Emerging Markets Corporate Bond Fund (US\$)



Commentary as at June 30, 2024

Emerging-market corporate bonds recorded gains during the period, and the Fund performed well on a relative basis. Brazil contributed to relative returns given the Fund's investment in Samarco, a metals and mining company with strong operations. Another holding that aided returns was Braskem, a petrochemicals company that considered buying back the stake of a large shareholder. Positions in Argentine and Ukrainian sovereign debt also performed well due to optimism following the election of a pro-growth president in Argentina and the release of frozen Russian assets for use in a Ukrainian debt restructuring. Another significant contributor to relative returns was an overweight position in AES Panama, a power generator that posted strong financial results.

Positions that reduced relative performance came mainly from underweight allocations in Asia, as the Fund was unable to take advantage of outperformance in Singapore and the Philippines. The Fund's underweight in GLP, a Singaporean real estate logistics company, limited returns as the company delivered on its fundraising promises, reassuring investors of repayment. Another underweight position that hurt performance was First Quantum, which was able to raise capital after losing control of a key mine in Panama.

The macroeconomic backdrop remains uncertain as investors attempt to get a firmer reading on when concerns about inflation will ease sufficiently for the U.S. Federal Reserve to begin lowering policy rates. Meanwhile, there is more clarity in other major economies, with the European Central Bank cutting interest rates in June and inflation trending down in many emerging markets.

The portfolio manager believes that bonds denominated in local currency and non-government securities will deliver solid total returns over the coming months.

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