BlueBay Global Alternative Bond Fund (Canada)

Commentary as at June 30, 2024

The portfolio generated strong risk-adjusted returns over the first half of 2024. Returns were aided in part by the income generated by the portfolio's bond holdings and boosted further by investments seeking to take advantage of the volatility that we continue to see in government and corporate bonds, as well as in currencies. The biggest contribution in the first six months of the year came from positions aimed at taking advantage of rising yields in UK government bonds and Japanese government bonds. Offsetting some of these positives were losses from positions that reflected expectations of lower yields in some emerging-market countries led by Mexico and Brazil.

The Fund benefited from allocations to Romania and Mexican sovereign bonds, while holdings betting on relative weakness in French government bonds also added to performance after the announcement of shock elections in France led to political uncertainty. A preference for corporate bonds was a positive for returns, with much of this performance came from a bias toward banks. Banks continue to benefit from higher interest rates and trade at attractive valuations compared with corporate debt not issued by banks, after financial-industry volatility in early 2023. The Fund has also had a preference for issuers with stable earnings across the economic cycle, including those in the Communications, Health Care and Utilities sectors.

Currency positions had a small negative impact on performance over the period, with the main negatives being bets that the Japanese yen and Brazilian real would strengthen.

The sub-advisor believes that investment-grade bond yields remain attractive, especially since central banks have indicated that interest rates are unlikely to go any higher, while also indicating that cuts are coming. In some cases, such reductions have already started. This scenario makes bonds attractive from a medium-term perspective for the income they offer.

Furthermore, uncertainty around the speed and magnitude of interest-rate cuts, as well as the impact of politics, likely mean further volatility ahead. The good news is that volatility is what creates opportunities for active investors, and the sub-advisor believes there will be many attractive opportunities in 2024's second half to add to what has been a strong start to the year.

This has been provided by RBC Global Asset Management Inc. (RBC GAM) and is for informational purposes, as of the date noted only. Discussion of any securities in this report is not a recommendation to buy or sell any specific security, and is subject to change. It is not intended to provide legal, accounting, tax, investment, financial or other advice and such information should not be relied upon for providing such advice. RBC GAM takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when provided. Past performance is no guarantee of future results. Interest rates, market conditions, tax rulings and other investment factors are subject to rapid change which may materially impact analysis that is included in this document. You should consult with your advisor before taking any action based upon the information contained in this document. All opinions constitute our judgment as of the dates indicated, are subject to change without notice and are provided in good faith without legal responsibility. Information obtained from third parties is believed to be reliable but RBC GAM and its affiliates assume no responsibility for any errors or omissions or for any loss or damage suffered. RBC GAM reserves the right at any time and without notice to change, amend or cease publication of the information.

Please consult your advisor and read the prospectus or Fund Facts document before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. Mutual fund unit values change frequently. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated. RBC Funds, RBC Private Pools, RBC Alternative Funds and PH&N Funds are offered by RBC Global Asset Management Inc. (RBC GAM) and distributed through authorized dealers in Canada.

This document may contain forward-looking statements about a fund or general economic factors which are not guarantees of future performance. Forward-looking statements involve inherent risk and uncertainties, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement. All opinions in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.