

BlueBay EM Debt proposition

Covering the full spectrum of the asset class



December 2024

BlueBay

Our BlueBay fixed income investment platform, with over USD128 billion in AUM and 125 investment professionals, is part of RBC Global Asset Management. The team is structured to deliver outcomes tailored to meet clients' needs, offering a compelling blend of traditional and alternative investment strategies.

Our EM Debt approach

We perform deep fundamental research to identify effective ideas across countries, sectors, and credits. The significant variance amongst EM countries, in terms of economic cycles, political regimes and social make-up, means that bottom up research is key to fully understanding potential investment opportunities.

Source: RBC GAM, as at 31 October 2024.

Our EM Debt capabilities:

- Our team of 26 investment professionals has been investing in the asset class since 2002, with USD11.9 billion in dedicated AUM, as at 31 October 2024.
- We invest across EM hard and local currency sovereign and corporate debt, as well as emerging market loans, in relative, total and absolute return funds.
- As one of the larger dedicated investors in the space, we are well positioned to respond to market developments, as well as the technical backdrop, to generate returns. In this piece, we summarise our themes and thinking for the year ahead.
- The macro backdrop remains uncertain, however a strong bottom-up approach to asset selection and skilled active management enables us to harness value within the asset class and avoid potential pitfalls.

Dedicated EM strategies: assets under management¹

	USD million
EM Sovereign	5,858
EM Corporate	3,474
EM Aggregate	932
EM Alternatives	1,312
EM Buy and Maintain Strategy	119
EM Illiquid Credit Strategy ²	209
Total AUM	11,903

Source: RBC GAM, as at 31 October 2024. Notes: ¹ includes non-fee paying AUM; ² includes committed capital.

Polina Kurdyavko

Head of Emerging Market Debt



“Our belief is that well-informed investment decisions in EM require an astute understanding of the interplay between macroeconomic and corporate developments.”

At a glance: the benefits of investing in our EMD strategies

EM Sovereign or Corporate Debt (long only)



Investors control asset allocation decisions.

EM 'Blended' Debt (long only)



Investors don't have to worry about the asset allocation mix. Manager skill can be utilised to generate additional alpha from asset allocation.

EM Alternatives (no benchmark)



Strategies can offer lower volatility returns through diversified sources of alpha. Portfolios consist only of high conviction positions.

We see good reasons for long-term investment in the asset class:

- EM sovereign credits generally have lower debt and gross financing needs compared to developed markets countries, and credit rating trends are likely to remain positive in the coming year. EM corporate credits have also seen material deleveraging over recent years. With net leverage at historical lows and ongoing improvement in debt ratios, corporate default rates are also expected to be low.
- Despite stronger fundamental metrics, EM assets offer a yield and spread pick-up compared to their DM peers with equivalent credit ratings. EM central banks are well positioned to continue easing, providing attractive opportunities in local rates.
- The asset class remains underinvested, making it less vulnerable to volatility from outflows.

Key EM themes in 2025:

- **Geopolitical risks:** while US foreign policy could create volatility, possible resolution of current conflicts could stabilise global markets, improve sentiment, and benefit emerging economies in particular. Countries with friendlier relations with the Trump administration, such as Argentina, El Salvador and Russia, could be winners.
- **Trade shifts:** a shift in global supply chains could present opportunities for some countries in the form of FDI and trade rerouting and, likewise, a Chinese move away from US imports could benefit EM exporters. Countries with domestic growth and reform stories, such as India and South Africa, would be more resilient in the face of global trade repositioning.
- **Commodities:** higher production of US domestic oil and natural gas and possible easing of Russia sanctions could result in weaker oil prices. The stance on trade and infrastructure investment could drive demand for industrial metals.

Why BlueBay for EMD investing?

- Portfolio managers are supported by a team of EM analysts, with a range of expertise across both corporates and sovereigns.
- The team benefits from the expertise of the BlueBay high yield and investment grade groups.
- Longstanding and strong relationships with issuers and counterparties across the EM universe.
- A significant amount of time is spent on the ground, meeting with a range of sources, including politicians, policymakers, central bankers, civil servants and trade unionists, as well as company visits.

A team of specialists with average experience of over 19 years



Source: RBC GAM, as at 31 October 2024.





Portfolio Manager Perspectives

Our experts offer their perspectives on the latest developments in global credit and the state of the markets.

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