BlueBay Destra International Event-Driven Credit Fund

Quarterly Manager Commentary | September 30, 2024

Destra

Market Environment

Global high-yield markets delivered their strongest performance of the year so far during the third quarter driven by carry income and price appreciation. Notably, CCC and below rated high-yield bonds outperformed significantly during the quarter, delivering more than 10% returns. However, those strong headline numbers mask the volatility at the start of August which saw corporate spreads spike and the VIX index hit the highest intraday level since March 2020. This episode was precipitated by a weaker-than-expected US jobs report and an unwinding of positioning in the yen carry trade as well as sensitive technology stocks. But the turmoil proved remarkably brief, and a dovish pivot from central banks (including a 50bp rate cut from the Fed), along with stronger US data and fresh China stimulus led to a significant recovery. In fact, at the end of the third quarter, the S&P 500 posted its strongest year-to-date performance of the 21st-century so far.

The ICE BofA Global High Yield Constrained Index (hedged to US dollars) returned +4.96%. Spreads over the quarter tightened 16 basis points from 338ps to end the quarter at 322bps. From a ratings perspective, higher rated credit marginally outperformed; BB, B and CCC & below rated credit returned +1.24%, +1.30% and +10.21% respectively. In terms of sector performance, all sectors delivered positive performance, with media and telecommunications the top performers. The automotive and energy sectors posted the lowest positive returns during the quarter.

In terms of technicals, during the third quarter, capital-market activity for high yield bonds saw 110 bonds price for USD74.3 billion of issuance. This compares with 124 bonds and USD77.9 billion in the second quarter of 2024. Year-to-date, new-issue volume has totalled USD237.7 billion (of which USD52.5 billion was non-refinancing) compared with USD133.8 billion (USD50.0 billion non-refinancing) of issuance YTD23. Refinancing remains the primary driver of issuance, while non-refinancing volume remains subdued. High yield funds recorded net inflows of USD9.2 billion, following inflows of USD0.9 billion in the second quarter of 2024. Year-to-date inflows for high yield funds total USD14.9 billion (for reference, 2023's outflows for high yield totalled -USD7.0 billion). Year-to-date, loan issuance totals USD908 billion driven primarily by refinancing volumes.

Top 10 Issuers

Issuer	Weighting
LEONI Bordnetz-Systeme GmbH	5.76%
The Gym Group PLC	4.75%
KCA Deutag UK Finance PLC	4.28%
Voyage Care BondCo PLC	4.18%
Ventura Offshore Midco Ltd	3.98%
Floatel International Ltd	3.98%
DOF Group ASA	3.71%
Cruise Yacht Upper HoldCo Ltd	3.54%
Compact Bidco B.V.	3.31%
Commonwealth of the Bahamas	3.21%

Data is as of 9/30/2024 and is subject to change on a daily basis.

In terms of default volume, year-to-date in 2024, 27 companies have defaulted totalling USD18.4 billion in bonds, while 32 companies have completed a distressed exchange totalling a record-high USD37.7 billion. In terms of fixed-rate bonds, the 12-month trailing par-weighted default rate (excluding distressed exchanges) for US high yield was 0.94%, a decrease of 204bps since year-end 2023. For context, the 22-year average default rate stands at 2.58%. By comparison, loan defaults remain elevated. At present, in terms of the par-weighted default rate (including distressed exchanges), the gap between leveraged loan (3.70%) and high yield (1.64%) rates is at a high since 2014.

Performance Discussion

The **BlueBay Destra International Event-Driven Credit Fund (the "Fund"), I Share**s returned +1.79% over the quarter.

The **Fund continues to be the Top Performing Interval Fund*** across the 3-Year (+15.18%), 4-Year (+18.08%), 5-Year (+14.33%), and Since Fund Inception (+12.30%)** annualized time periods as of September 30, 2024.

Performance Commentary

The largest contributor was the **Gym Group,** +139bps, as the company reported strong results with solid growth in members and yield, driving higher revenues and EBITDA. In September the company guided to full year results at the top range of market expectations which saw the equity price rally further to finish the quarter at 154p, up from 110p.

The performance data quote represents past performance which is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. You can obtain performance data current to the most recent month-end by calling 877.855.3434 or visiting destracapital.com. See page two for important fee and expense information.

*Source: Morningstar, Total Returns as of 9/30/2024. The Fund's Gross/Net Expense ratios for CEDIX I Share are 2.84%/2.27%.

**CEDIX Fund Inception Date : May 9, 2018

Takko, a distressed position, contributed +76bps after the company announced that they will be looking to refinance their debt instruments in late September or early October. As a result we have marked up the equity received from the HoldCo PIK loan which was previously marked at zero.

Leoni, Voyage Care and **SBB** contributed +64bps, +36bps and +34bps respectively.

Consolis detracted -65bps as the position was impacted by the remaining stubs of 'non-consented' bonds being quoted in the teens. The restructuring is due to be finalized in the next few weeks, though there is no definitive date as of yet.

Additionally, **DOF Group** was impacted by the market reaction to the sliding oil price, which suffered from the combined drivers of weakening global macro expectations dampening demand and potential OPEC actions to increase supply. The position detracted -32bps.

Detractors **Praesidiad**, **Ventura** and **Hurtigruten** lost (23)bps, (21)bps, and (20)bps respectively.

Outlook

There is a Goldilocks feel to broader risk markets right now. In the US, the Fed has begun cutting rates into what still appears to be a resilient US economy, while, in China, the government has finally revealed a more substantial easing package in an attempt to halt the decline of the property market and stave off a deflationary cycle. In Europe, growth expectations continue to remain weak, with recent manufacturing PMIs painting a bleak picture for the German economy.

There remain many conceivable risk events that could lead to a spike in volatility in the final quarter. A widening of the Middle East conflict could contribute to supply chain disruptions. Likewise, the US elections are looming ever closer, and the result of that election between Trump and Harris remains too close to call. In Europe, the slowdown in automotives is in the spotlight with both manufacturers and automotive parts suppliers issuing profit warnings on investors. Volumes amongst these European manufacturers have fallen, and margins have been compressed as consumers buy fewer electric vehicles than expected at the same time as Chinese competitors take market share.

Our microeconomic-level approach continues to generate many potential investment opportunities across various sectors and jurisdictions as leveraged companies continue to struggle with suppressed margins and costs of funding. Our fundamental view remains unchanged, and we believe that we will continue to see elevated levels of stress and distress in the months and quarters ahead.

CREDIT EVENTS

Why RBC BlueBay for International Credit?

- Specialist fixed income manager with a record of innovation and performance
- Investment philosophy that emphasizes capital preservation
- Long-only and alternative strategies
- Best of both worlds: BlueBay is a wholly-owned subsidiary of Royal Bank of Canada with full investment autonomy and substantial operational independence

RBC BlueBay Asset Management

Why the BlueBay Destra International Event-Driven Credit Fund?

- **Total Return:** Opportunity for both current income and capital appreciation
- **Diversification:** Exposure to alternative credit that offers low levels of correlation to traditional credit and equity strategies
- **Structure:** Access to an institutional strategy in an interval fund structure matching the correct liquidity profile with exposure to mispriced international credits and idiosyncratic event-driven trades
- **Expertise:** The Fund's Sub-Advisor, BlueBay, is a premier global credit manager with a record of innovation and performance

Performance information is reported net of the Fund's fees and expenses. The Fund's Gross/Net Expense ratios, without the Fund's use of leverage, are as follows: I Shares 2.84%/2.27%, A Shares 3.09%/2.52%, L Shares 3.34%/2.77%, and T Shares 3.59%/3.02%. Performance information is reported net of the Fund's fees and expenses.

Destra and the Fund have entered into the Expense Limitation Agreement under which Destra has agreed to reimburse and/or pay or absorb, on a quarterly basis, the "ordinary operating expenses" of the Fund to the extent that such expenses exceed 0.50% per annum of the Fund's average daily net assets (the "Expense Limitation"). The Expense Limitation may be adjusted for different classes of Shares to account for class-specific expenses. In consideration of Destra's agreement to limit the Fund's expenses, the Fund has agreed to repay Destra pro rata in the amount of any Fund expense paid or waived by it, subject to the limitations that: (1) the reimbursement for expenses will be made only if payable not more than three years following the time such payment or waiver was made; and (2) the reimbursement may not be made if it would cause the Fund's expense ratio (after reimbursement) to exceed the lesser of (i) the expense limit in effect at the time of the waiver and (ii) the expense limit in effect at the time of the reimbursement. Unless earlier terminated by the Board, the Expense Limitation Agreement will remain in effect until January 31, 2034, and will automatically continue in effect for successive twelve-month periods thereafter. Destra may not terminate the Expense Limitation Agreement during the initial term. After the initial term, either the Board or Destra may terminate the Expense Limitation Agreement upon 30 days' written notice.

There is no assurance that any securities discussed herein will remain in the Fund's Portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent the Fund's Portfolio and in the aggregate may represent only a small percentage of the Fund's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

There are risks involved with any investment. Because of the risks associated with investing in high-yield securities, an investment in the Fund should be considered speculative. An investment in interval funds involves a high degree of risk. In particular: The fund's shares will not be listed on an exchange in the foreseeable future, if at all. It is not anticipated that a secondary market for shares will develop and an investment in an interval fund is not suitable for investors who may need the money they invest within a specified time frame. Interval Funds are suitable only for investors who can bear the risks associated with the fund's limited liquidity and should be viewed as a long-term investment. The amount of distributions that the fund may pay, if any, is uncertain. The fund may pay distributions in significant part from sources that may not be available in the future and that are unrelated to the fund's performance, such as a return of capital, borrowings or expense reimbursements and waivers. Interval funds may use leverage which may cause a portfolio to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause a portfolio to be more volatile than if the portfolio had not been leveraged.

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Investors should consider the investment objective and policies, risk considerations, charges and ongoing expenses of an investment carefully before investing. The prospectus and summary prospectus contains this and other information relevant to an investment in the fund. Please read the prospectus or summary prospectus carefully before you invest or send money. To obtain a prospectus, please contact your investment representative or Destra Capital Investments LLC at 877.855.3434 or access our website at destracapital.com.

Destra

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