BLUEBAY FUNDS
Société d'investissement à capital variable
Registered Office:
80, route d'Esch
L-1470 Luxembourg
R.C.S. Luxembourg B 88.020
(the "Fund")

Notice to the Shareholders of BlueBay Funds

Dear Shareholder,

The board of directors of the Fund (the "**Board**") is writing to advise you of certain changes which have been made to the Fund prospectus dated December 2019 accompanied by the addendum dated April 2020 (the "**Prospectus**").

The Prospectus has been updated in order to reflect the following amendments:

1. Addition of new Sub-Fund – BlueBay High Grade Structured Credit Short Duration Fund

2. Change of investment policy for BlueBay Global High Yield Bond Fund & BlueBay Global High Yield ESG Bond Fund

- Increase of LatAm and Asia Exposure from 10% to 20%

3. Change of investment restrictions for BlueBay Investment Grade Absolute Return Bond Fund & BlueBay Investment Grade Global Aggregate Bond Fund

- Increase of net assets in securities traded on the CIBM from 10% to 20%

4. Change to the Management Fee for BlueBay Total Return Credit Fund

- Reduction of the Management Fee for the Classes B, I, M and R from respectively 120, 120, 120 and 150 basis points to respectively 70, 70, 70 and 120 basis points

5. **Addition of "UK" in the investment policy of Sub-Funds where previously "UK" was regarded as part of "European Union".**

Indeed, the relevant Sub-Funds invested in eligible securities issued by UK issuers as the UK, as part of the EU, fell within the geographical scope of eligible jurisdictions. The addition of "UK" in the investment policy of the relevant Sub-Funds is necessary to specifically mention the UK as an eligible jurisdiction in order to be able to continue investing in UK issuers after the expiration of the transition period on 31 December 2020.

6. Additional amendments to the wording on swing pricing

Considering the exceptional market conditions resulting from the spread of the COVID-19 pandemic and the guidelines provided by the Luxembourg supervisory authority, *the Commission de Surveillance du Secteur Financier*, the Board has decided to increase the Swing Factor beyond the maximum level disclosed in the Prospectus, on a temporary basis as from 20 March 2020 for as long as the conditions so require. You have been informed of this temporary increase by a notice dated 6th April 2020.

As indicated in the addendum dated April 2020, the section "Swing Pricing Mechanism" under 4.6. "Determination of the Net Asset Value of Shares" has been deleted in its entirety and replaced. In addition to the changes foreseen in the addendum dated April 2020, this section has been amended for clarification purposes and shall be read as follows:

"*A Sub-Fund may suffer a reduction in value, known as "dilution" when trading the underlying investments as a result of net inflows or net outflows of the respective Sub-Fund. This can be due* *to a number factors, including but not limited to bid/offer spreads and transaction costs of underlying securities, taxation, fiscal and other applicable trading charges, subscription and redemptions fees of underlying funds (if applicable), the prevailing liquidity and the size of the transaction in the markets in which the Sub-Funds invest in. In order to counter this effect and to protect Shareholders' interests the Management Company may adopt a swing pricing mechanism as part of its valuation policy. This means that in certain circumstances the Management Company may make adjustments to the net asset value per Share to counter the impact of dealing and other costs on occasions when these are deemed to be significant.*

If on any Valuation Day, the aggregate net investor(s) transactions in a Sub-Fund exceed a pre-determined threshold, the net asset value per Share may be adjusted upwards or downwards to reflect the costs attributable to the net inflows and net outflows respectively. Typically, such adjustments will increase the net asset value per Share when there are net subscriptions into the Sub-Fund and decrease the net asset value per Share when there are net redemptions out of the Sub-Fund. The Management Company is responsible for setting the threshold, which will be a percentage of the net assets of the respective Sub-Fund. The threshold is based on objective criteria such as the size of a Sub-Fund and the dealing costs for a Sub-Fund, and may be revised from time to time.

The swing pricing mechanism may be applied across all Sub-Funds of the Fund. The percentage by which the net asset value is adjusted (the "Swing Factor") will be set by the Board of Directors and subsequently reviewed on a periodic basis to reflect an approximation of current dealing and other costs. The Swing Factor may vary from Sub-Fund to Sub-Fund due to different transaction costs in certain jurisdictions on the sell and the buy side, but will not under normal circumstances exceed 2% of the original net asset value per Share. In exceptional circumstances the Board of Directors reserve the right to increase the Swing Factor to a maximum of 5% of the original net asset value per Share. Whenever the Board of Directors exercises such right to increase the Swing Factor, the relevant notice shall be made available online at www.bluebay.com.

The net asset value per Share of each Share Class in a Sub-Fund will be calculated separately but any adjustment will be made on Sub-Fund level and in percentage terms, equally affecting the net asset value per Share of each Share Class. If swing pricing is applied to a Sub-Fund on a particular Valuation Day, the net asset value adjustment will be applicable to all transactions placed on that day.

For the avoidance of doubt, any applicable performance fee will be charged on the basis of an unswung net asset value per Share.

Investors are advised that the volatility of the Sub-Fund's net asset value might not reflect the true portfolio performance as a consequence of the application of swing pricing."

7. Removal of disclosures regarding investment in loans

In accordance with the regulatory guidance issued by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") relating to funds authorised as undertakings for collective investment in transferable securities in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("**UCITS Directive**"), all loans positions within the Fund qualifying as money market instruments have been sold. Accordingly, the prospectus has been updated to remove all the reference made to the investment in loans.

The Investment Restrictions of the Sub-Funds have been amended accordingly.

8. Creation of two new share classes (Class E and Class ER Shares)

The two new Class E and Class ER Shares may be offered in limited circumstances to qualified Institutional Investors and any investor, respectively, at the discretion of the Investment Manager to cater for specific requirements in respect of such investors.

Section 7.3 “Class Descriptions, Eligibility for Shares, Minimum Subscription and Holding Amounts” of the prospectus has been updated to describe the characteristics of the new share classes.

The Class E shares will be launched for the sub-fund BlueBay Investment Grade Structured Credit Fund, with the following characteristics:

Management Fee (basis points)	Performance Fee Rate (%)	Expenses (basis points)
Up to 200	Nil	10

9. Benchmark disclosures

New regulatory guidance relating to funds domiciled in Europe and authorised as undertakings for collective investment in transferable securities in accordance with the **UCITS Directive**, was recently published. On 29 March 2019, the European Securities and Markets Authority has updated its Questions and Answers on the application of UCITS Directive (the “**ESMA Q&A**”) to provide further information regarding the disclosure of the Benchmark Index in the investment policies. As indicated in the ESMA Q&A, article 7(1)(d) of Commission Regulation (EU) No 583/2010 requires that a UCITS either has an index tracking objective, or alternatively allows for discretionary choices, and in both cases this must be disclosed in the objectives and investment policy section of the KIID.

As a result, the KIIDs and the investment policies of the Sub-Funds have been amended accordingly.

10. Amendment to the investor profile of certain Sub-Funds

The term “*Financially Sophisticated Investors*” has been removed from the prospectus and the investor profile of the sub-funds BlueBay Capital Income Fund, BlueBay Financial Capital Bond Fund, BlueBay Global Sovereign Opportunities Fund, BlueBay Investment Grade Structured Credit Fund has been updated to indicate that these sub-funds are suitable for qualified Institutional Investors and/or investors who are:

- an informed investor who has a knowledge of relevant financial products (an informed investor can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted within them only); or has financial industry experience; or
- an advanced investor who has a good knowledge of relevant financial products and transactions; or has financial industry experience; or is accompanied by professional investment advice; or is included in a discretionary portfolio service.

11. Update of the Risk Factors

Section 6 “Risk Factors” has been updated to reflect the risks that apply to the Sub-Funds.

- Amendment to section 6.8 “Currency Risk – Hedged Share Class”, which shall be read as follows:

“*Depending on the type of share class currency hedging, a Sub-Fund may enter into currency exchange transactions to hedge against:*

- *A change in currency exchange rates that would cause a decline in the value of a Class denominated in a currency other than the Reference Currency of the Sub-Fund. To do this, the Sub-Fund would enter into a forward contract to sell the Reference Currency of the Sub-Fund in exchange for the currency in which the Class is denominated; or*

- *A change in currency exchange rates that would cause a decline in the value of a Class exposed to currencies in the benchmark of the relevant Sub-Fund other than the Class currency. To do this, the Sub-Fund would enter into forward contracts to sell the non-Class currencies of the Sub-Fund’s benchmark in exchange for the currency in which the Class is denominated.* ***This applies in respect of the BHedged Classes as described in 7.3 “Class Descriptions, Eligibility for Shares, Minimum Subscription and Holding Amounts”.***

While the Sub-Fund or its authorised agent may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the Sub-Fund and the hedged Class.

In the event the net asset value of Shares of one or more Classes has been suspended or if the Board of Directors has decided to defer redemptions under the conditions set-out in section 7.6 "Redemption of Shares", the currency hedging of the affected Classes may not be precise and expose Shareholders to currency risk.

The hedging strategies may be entered into whether the Reference Currency or non-Class benchmark currencies of a Sub-Fund is declining or increasing in value relative to the relevant currency of the hedged Class and so, where such hedging is undertaken it may substantially protect investors in the relevant hedged Class against a decrease in the value of the Reference Currency or non-Class benchmark currencies relative to the hedged Class currency, but it may also preclude investors from benefiting from an increase in the value of the Reference Currency or non-Class benchmark currencies.

There is no legal segregation of assets and liabilities between different Classes in the same Sub-Fund. A Sub-Fund may incur liabilities in connection with currency hedging transactions carried out in relation to and for the benefit of a single hedged Class. In extreme cases, currency hedging transactions for one Class may adversely affect the net asset value of other Classes within the same Sub-Fund.

***The hedging strategies may not work perfectly. Hedging also involves costs. As a result, performance deviation may arise between the Reference Currency Class and the hedged Class of the same Sub-Fund.*"**

- Addition of a new risk disclosure in section 6.18 regarding public health emergencies, as follows:

  "*Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the outbreak of COVID-19 have resulted in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a Sub-Fund.*"

- Update of section 6.19 "United Kingdom Exit from the European Union", which shall be read as follows:

  "*On March 29, 2017, the UK formally notified the European Council of its intention to leave the European Union ("**Brexit**"). After a number of iterations, the European Commission and the UK's negotiators reached agreement on the terms of the UK's withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 at 11.00 pm after which it entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020. During this period, it is expected that the majority of the existing EU rules will continue to apply in the UK.*

  The terms of UK's exit from the EU are still uncertain, including UK's access to the EU single market permitting the exchange of goods and services between the UK and the EU. The UK expects to agree a deal on a future relationship with the EU by the end of the transitional period but whether this is possible is subject to agreement by EU member states.

  The future application of EU-based legislation to the fund industry in the UK will depend, among other things, on how the UK renegotiates its relationship with the EU. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact of a Sub-Fund and its investments, including the ability of a Sub-Fund to achieve its investment objectives.

  The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States."

- Insertion of a new section 6.20 in relation to "Catalyst Events", to be read as follows:

"*A Sub-Fund's investments may include investments in securities with near term catalyst events that are expected to lead to price appreciation/depreciation. Catalyst events include refinancings, restructurings, insolvencies and mergers and acquisitions, among others. Catalyst events may also increase illiquidity risk, as the post catalyst event securities may be difficult to purchase or sell or may become harder to value, especially in changing markets. A Sub-Fund's investments in illiquid securities may reduce the returns of the Sub-Fund because it may be unable to sell the illiquid securities at an advantageous time or price which could prevent the Sub-Fund from taking advantage of other investment opportunities.*"

12. Update of the description of the Financial Techniques and Instruments

The description of the "Financial Techniques and Instruments" of the Sub-Funds has been redrafted and shall be read as follows:

"*The Sub-Fund may: (i) invest in financial derivative instruments including but not limited to total return swaps, contracts for difference, portfolio swap agreements, interest rate swaps, futures, options, swaptions and credit default swaps; (ii) invest in currency swaps and currency forwards for currency hedging and other purposes; (iii) use credit default swaps in order to hedge the specific credit risk of some of the issuers in its portfolio by buying protection; (iv) sell protection by entering into credit default swap sale transactions in order to acquire a specific credit exposure and/or buy protection by entering into credit default swap without holding the underlying assets; and (v) use repurchase and reverse repurchase agreements to borrow or lend out assets*."

13. Update regarding the UK Reporting Fund Status

Section 8.3 "UK Reporting Fund Status" has been updated as follows:

~~"*Classes with UK Reporting Fund status may distribute income at the sole discretion of the Board of Directors. Investors invested in such Classes will be taxed on the higher of the reported income and any cash distribution received.*~~

It is intended that UK Reporting Fund status shall be applied for in respect of all Class C, Class D, Class DR, Class G, Class M, Class Q, Class S and Class ZR Shares. The Board of Directors may choose to apply for UK Reporting Fund status in respect of any Classes at any time. However, there is no guarantee that Reporting Fund status will or will not be obtained for any Class.

A list of Classes which currently have UK Reporting Fund status may be obtained from the registered office of the Fund or from the Registrar and Transfer Agent upon request. ~~*Please refer to Section 11.9. for information regarding the Reporting Fund regime.*~~

Classes with UK Reporting Fund status may distribute income at the sole discretion of the Board of Directors. Under the UK Reporting Funds regime, investors in Classes with Reporting Fund status are generally subject to tax on the share of such Class's income attributable to their holding in the Class, whether or not distributed, whereas any gains on disposal of their holding are generally subject to capital gains tax."

14. Update of the material contracts section

Section 4.12 "Material Contracts" has been updated to reflect the amendments to the Investment Management and Advisory, Risk Management and Compliance Services Agreement, which is now entitled "Investment Management and Advisory Agreement" and which has been restated and amended on 7 November 2016, 3 January 2019 and 17 July 2019.

The changes detailed above have been reflected in an updated Prospectus dated October 2020.

Regarding the change referred to under items 2 Change of investment policy for BlueBay Global High Yield Bond Fund & BlueBay Global High Yield ESG Bond Fund and 3 Change of investment restrictions for BlueBay Investment Grade Absolute Return Bond Fund & BlueBay Investment Grade Global Aggregate Bond Fund investors are granted one month from the date of the present notice to redeem their Shares free of charge should they disagree with the change made.

The updated Prospectus shall be available at the registered office of the Fund.

All changes to the Prospectus will become effective from the date of the Prospectus.

For the avoidance of doubt, capitalised terms used in this notice shall bear the same meaning set out in the updated Prospectus.

By order of the Board of BlueBay Funds

3rd November 2020