

Form ADV Part 2A: Firm Brochure

BlueBay Asset Management USA LLC

November 01, 2012

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This brochure provides information about the qualifications and business practices of BlueBay Asset Management, USA LLC (“BlueBay”). If you have any questions about the contents of this brochure, please contact Robert Lilly at 203-541-4314 or email rlilly@bluebayinvest.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BlueBay is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

This brochure contains information about BlueBay USA upon its initial registration as an investment adviser with the SEC. There have been no material changes since its adoption.

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Item 4: Advisory Business

BlueBay Asset Management LLC (“BlueBay USA”) is a private investment management firm founded in 2006 and formed under the laws of the state of Delaware as a limited liability company. BlueBay USA is a subsidiary of Royal Bank of Canada (“RBC”), a global financial services company with a number of affiliated entities. BlueBay USA is a newly registered adviser and does not yet have any assets under management.

We use the terms “BlueBay USA”, “we”, “us” or “our” in this brochure to refer to BlueBay Asset Management LLC.

BlueBay USA provides marketing, execution and research services to BlueBay Asset Management LLP (“BlueBay LLP”) a subsidiary of RBC and an affiliated entity. BlueBay LLP is a UK resident entity and is authorised and regulated by the UK Financial Services Authority. BlueBay LLP is a specialist fixed income credit manager and BlueBay USA will act as sub-advisor on some funds managed by BlueBay LLP.

BlueBay LLP provides asset management services to institutional investors and third-party distributors. BlueBay LLP manages a wide range of long-only and alternative specialist fixed income portfolios that focus on the following four sub-asset classes of fixed income:

- **Convertible bonds** – our Global Convertible Debt strategy is an actively managed strategy which seeks to generate attractive risk-adjusted returns by investing in global convertible bonds.
- **Global high yield/distressed debt** – we invest in high yield and distressed debt. It places strong emphasis on downside risk management, with dynamic, proactive proprietary research driving the security selection process. Emphasis on capital preservation is maintained through the use of credit derivatives. We exploit capital appreciation opportunities through rigorous analysis across sectors, issuers and capital structures, as well as positive risk migration and credit trajectory. This also includes a Direct Lending Fund, which provides lending solutions to European mid-market companies and the Funds loans according to defined parameters.
- **Emerging market debt** – our approach for investing in emerging market debt is the belief that the asset class continues to be inefficient, with the underlying sovereigns generally improving relative to developed markets. Local markets, in particular, are at an earlier stage of development relative to hard currency/developed bond markets.
- **European investment grade debt** – our European Investment Grade Debt strategy invests predominantly in European fixed income securities rated investment grade. The strategy seeks to exploit a broad investment universe and is permitted to take positions in less liquid securities.

Item 5: Fees and Compensation

The latest prospectus for each fund provides details of the specific schedule of fees payable to BBAM LLP for the relevant fund structure or class. The standard structures are a management fee only share class or a management fee plus performance fee share class. Fees within the various fund structures will differ between share classes, depending on share class characteristics e.g. minimum investment levels, lock-ups, performance fees. However the following criteria generally apply with regards to fees:

- An annual management fee of up to 2% of the net asset value is payable and these fees will be payable monthly or quarterly in arrears; and
- A performance fee, which is based upon the performance of the relevant share class, is payable, quarterly or annually in arrears. This fee is payable if the fund achieves an absolute or relative positive return or exceeds a specific agreed return over the previous annual accounting period. The performance fee is generally set at a maximum of 20%.

In addition to BBAM LLP fees, fund clients will incur other fees and expenses. These will be fees charged by third parties in connection with the administration of the portfolio, including, transfer agency fees, custodian fees, administrator fees, foreign currency exchange fees, brokerage and other transaction costs.

BBAM LLP provide investment management services to a number of segregated accounts (subject to an agreed and executed investment management agreement). Segregated accounts typically have a minimum of US\$100 million invested and may be managed on a management fee only basis or a combination of management and performance fees.

BBAM LLP investment management fees for segregated accounts are negotiated in connection with the respective asset class and/or modified for portfolios that have special investment constraints or unusual reporting or administrative requirements or unique characteristics.

Management fees are generally payable to BBAM LLP quarterly (although monthly payment periods may also apply), and are generally based upon the market value of the portfolio managed as of the end of the preceding calendar quarter or the average market value of the portfolio managed within the preceding calendar quarter. Performance fees, where applicable, are generally payable to BBAM LLP annually. All client fees are paid in arrears and are billed to the client. Fees charged by BBAM LLP do not include brokerage commissions, transaction costs and other related costs and expenses which may be incurred by the client. Further details on such expenses are discussed in Brokerage Practices section of this Brochure.

BBAM LLP investment management agreements may be terminated by BBAM LLP or clients, subject to applicable notice provisions contained in the investment management agreement.

Where BlueBay USA acts as sub-advisor on assets managed by BlueBay LLP, BlueBay USA receives a fee of between 25% and 40% of the investment management and performance fees received by BlueBay LLP on those assets.

BlueBay USA receives a fee from BlueBay LLP for marketing, execution and research services based on the cost to BlueBay USA of providing these services plus a mark-up of up to 10%.

Item 6: Performance Based Fees and Side-by-Side Management

BlueBay USA may act as sub-advisor on both long-only and alternative investment strategies for both funds and segregated accounts managed by BlueBay LLP. BlueBay LLP offers a variety of fee schedules for its investment products which may include both performance and management fees, where appropriate. BlueBay LLP receives sub-advisory fees based on an agreed percentage of the management and performance fees received by BlueBay LLP on the assets on which BlueBay USA is sub-advisor. We will act as sub-advisor on all portfolios side-by-side which may give rise to certain conflicts of interest; however we have a fiduciary duty to treat all of our clients fairly.

We may receive a sub-advisory fee from BlueBay LLP based on a percentage of performance based fees received by BlueBay LLP. The existence of such fees may create a conflict of interest in that we may be encouraged to take greater risks in performance based fee accounts in pursuit of higher returns; however we have a fiduciary duty to treat all of its clients fairly and the risks taken are monitored to ensure they are appropriate for the targeted level of return.

To ensure that we meet our fiduciary duties, we have adopted and implemented policies and procedures designed to ensure that conflicts of interest in side-by-side sub-advice are minimized and monitored on an ongoing basis, including performance comparisons between performance fee and management fee portfolios, employee compensation structures that assess and review risk taking and performance generation for each portfolio, and implementation of appropriate investment aggregation and allocation policies and procedures.

Item 7: Types of Clients

We provide investment management services to predominantly institutional clients including but not limited to:

- Pension and profit sharing plans
- Corporations
- Governments
- Insurance
- Business entities
- Pooled investment vehicles (i.e. Cayman domiciled hedge funds, Luxembourg UCITS and SIF vehicles, Delaware based funds established for US distribution) and segregated accounts.

The majority of pooled investment vehicles have minimum investment requirements and these are noted in the applicable prospectus or offering memorandum.

We provide investment management services to a number of segregated accounts (subject to an agreed and executed investment management agreement). Segregated accounts typically have a

minimum of US\$100 million invested and may be managed on a management fee only basis or a combination of management and performance fees. We may waive account minimums at our discretion.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

As mentioned previously, we manage a wide range of long-only and alternative specialist fixed income portfolios that focus on the following four sub-asset classes of fixed income:

Convertible Bonds

The our Global Convertible Debt strategy is managed by a team of dedicated credit analysts and portfolio managers, and also draws upon our other specialist teams, which combined, provides our proprietary convertible bond analysis.

Security selection is based on dynamic proactive proprietary research. We exploit capital appreciation opportunities through sector and issuer analysis. We also place a strong emphasis on the technical characteristics of each individual security to ensure that they are consistent with our overall investment objectives.

We adopt a team-oriented approach to managing all of our Global Convertible Debt products. All investment decisions are taken in accordance with our investment process. Monitoring and risk control are continually assessed throughout the process. The investment process is comprised into six stages:

- Stage 1 – Macro Strategy
- Stage 2 – Preliminary Screening
- Stage 3 – Credit & Equity Analysis
- Stage 4 – Valuation Relative Value Risk-Return characteristics
- Stage 5 – Technical Analysis
- Stage 6 – Portfolio Construction

High Yield/Distressed Debt

Our high yield debt issuer selection is primarily qualitative, driven by proprietary research involving a detailed analysis of screened credits. The credit screening process is designed to provide us with an in-depth understanding of the company's business, capital structure and the risks associated with a potential investment. The investment process is comprised of four stages:

- Stage 1 – Idea Sourcing/Preliminary Screening
- Stage 2 – Security Specific Risk Assessments Credit Analysis
- Stage 3 – Valuation: Relative Value/Absolute Risk-Return
- Stage 4 – Portfolio Construction

Global Emerging Market Debt

Our Emerging Market Sovereign Debt investment process uses the combination of a strategic approach to investment and a tactical trading style. Macroeconomic analysis forms the basis of our investment decisions. Both our sovereign external and local currency debt strategies follow largely the same investment process. Due to the additional risks of investing in local currencies, there are two extra steps within the Fundamental Analysis stage of the local currency debt investment process: Currency Valuation and Interest Rate Analysis.

We adopt a team approach to investing in which all investment decisions are taken in accordance with our investment process. Our process combines three stages:

- Stage 1 - Fundamental Analysis
- Stage 2 - Valuation
- Stage 3 - Portfolio Construction

The stages above form part of a continuous review process, rather than a linear process.

The investment process for our Emerging Market Corporate Debt strategies is both qualitative and quantitative. The investment process is driven by rigorous, proprietary bottom-up fundamental research involving a detailed analysis of screened credits. The process incorporates our macro-view, our sovereign macro-economic analysis and our assessment of value relative to non-emerging market corporates. The in-house credit analysis provides us with an in-depth understanding of each company's business and capital structure, and the risks associated with a potential investment. Bottom-up credit research is the main driver of our decision-making process in selecting emerging market corporate debt securities for the portfolio.

The team follows a four stage process, which is listed below:

- Stage 1 – Liquidity Screening
- Stage 2 – Relative Value Screening
- Stage 3 – Fundamental Analysis
- Stage 4 – Portfolio Construction

European Investment Grade Debt

We adopt a team-oriented approach to managing all of our Investment Grade Debt strategies, and all products use the same investment process outputs. Investment decisions are taken in accordance with our investment process, which combines six stages as listed below.

- Stage 1 – Macro Strategy Input
- Stage 2 – Preliminary Screening
- Stage 3 – Fundamental Analysis

- Stage 4 – Relative Value Analysis
- Stage 5 – Technical Analysis
- Stage 6 – Portfolio Construction

Methods of Analysis

We seek to provide asset management services characterized by active management, a strong investment process, a focus on capital preservation and the generation of attractive risk-adjusted returns for all four investment strategies. Funds offered by BlueBay have set guidelines which are published and available for review. For these funds, we monitor each respective guideline and limits imposed as part of our management of the Fund.

Our segregated mandates may have tailored guidelines according to specific client requirements. Tailored guidelines may have a positive or negative impact on a client's risk profile and returns for these mandates, we monitor each account's respective guidelines and limits imposed as part of our management of the account.

Our investment approach is governed by a style incorporating the following investment principles:

- Focus on absolute returns – both our long-only and alternative strategies use short exposures (either directly or via credit derivatives) as one of a number of techniques designed to deliver absolute-style returns
- Strong emphasis on capital preservation – the use of credit derivatives helps us to maximize portfolio efficiency and minimize risk
- Dynamic, research-driven approach
- Disciplined, risk controlled environment
- Active management: Our investment approach draws on both top-down and bottom-up inputs, resulting in an active style of management

Finally, credit analysis is the fundamental aspect of our investment approach and is designed to identify existing market inefficiencies at all stages of the investment processes as well as drive security selection using our credit expertise and proprietary research.

Risk of Loss

All investment strategies involve a risk of loss of a portion or all of a client's investment. Each of our strategies is subject to specific risks. These principle risks associated with our strategies are discussed in more detail below.

Active Management Risk. Our investment strategies are actively managed and performance therefore will reflect in part the extent to which investment decisions are suited to achieve the specific investment objective.

Issuer/Credit Risk. There is a possibility that issuers of securities in which we invest may default on the payment of interest or principal on the securities when due, which could cause loss of money.

Investment Grade Rated Securities. We may invest in investment grade rated securities. Investment grade rated securities are assigned credit ratings by ratings agencies on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to time, such assigned ratings of the securities and may subsequently downgrade the rating if economic circumstances impact the relevant bond issues.

Interest Rate Risk. Our yield and value will fluctuate as the general level of interest rates change. During periods when interest rates are low, yield may also be low and when interest rates increase, securities will generally decline in value.

Market Risk. One or more markets in which we invest may go down in value, sometimes sharply and unpredictably, and the value of securities held may fall or fail to rise. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The success of our investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. Unexpected volatility or illiquidity could impair profitability or result in losses.

Political, Economic and Legal Risks. Foreign securities may be subject to risk of loss because of less foreign government regulation, less public information and less economic, political and social stability in these countries. Loss may also result from the imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody. Foreign risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which we have exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time.

Emerging Markets Risk. The securities markets of most emerging countries are less liquid, are especially subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as extensive and frequent accounting, financial and other reporting requirements as the securities markets of more developed countries. These risks are not normally associated with investments in more developed countries. These risks must be considered in relation to all dealings and investments in emerging markets.

Currency Risk. Changes in foreign currency exchange rates will affect the value of securities held and the price of shares in our funds. Generally, when the value of the US Dollar rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth fewer US Dollars. Devaluation of a currency by a country's government or banking authority also may have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

Derivatives Risk. Derivatives may be riskier than other types of investments and could result in losses that significantly exceed the Fund's original investment. Many derivatives create leverage thereby causing a fund to be more volatile than it would have been if it had not used derivatives. Derivatives may also expose the Fund to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including the credit risk of the derivative counterparty.

High Yield Securities Risk. High yield securities, which are non-investment grade fixed income securities and unrated securities of comparable credit quality (commonly known as "junk bonds") are considered speculative and have a higher risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the junk bond markets generally and less secondary market liquidity.

Counterparty Risk. We are subject to the risk of the failure of any markets in which we hold our positions of their clearinghouses, of any counterparty or guarantor to our transactions or of any service provider. The inability or unwillingness of a counterparty or guarantor to honor obligations can subject us to credit losses incurred from late payments, failed payments and default. In times of general market turmoil, even large, well-established financial institutions may fail rapidly with little warning.

Liquidity Risk. We may be subject to the risk that a particular investment may be difficult to purchase or sell and that we may be unable to sell illiquid securities (including securities deemed liquid at the time of purchase that subsequently became less liquid) at an advantageous time or price or achieve its desired level of exposure to a certain sector.

Custodial Risk. We may invest in markets where the custodian and/or settlement systems are not fully developed. The assets of which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, may be exposed to risk in circumstances whereby the custodian will have no liability.

Valuation Risk. Our assets are comprised mainly of quoted investments where a valuation price can be obtained from an exchange or similarly verifiable source. However, there is a risk that where we invest in unquoted and/or illiquid investments the values at which these investments are sold may be significantly different from the estimated fair values of these investments.

Credit Spread Risk. Our investments may be adversely affected if any of the issuers it is invested in are subject to an actual or perceived deterioration to their credit quality. Any actual or perceived deterioration may lead to an increase in the credit spreads and a decline in price of the issuer's securities.

Operational Risk. Our investments may be adversely affected due to the operational process of our service providers, including where relevant, transfer agent, custodian or administrator, and in any cases when there is a separate Advisor or sub-advisor. We may also be subject to losses arising from inadequate or failed internal controls, processes and systems, or from human or external events.

Smaller Company Risk. The risk that the value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities of larger companies, due to narrow markets and limited resources of smaller companies. Our investments in smaller companies subject it to greater levels of credit, market and issuer risk.

Convertible Securities Risk. Market values of convertible securities depend on a number of factors including equity and credit risk, volatility risk, interest rate risk, amongst others. A convertible security's market value, however, tends to rise when the market price of the common stock of the issuing company rises. If the value of the underlying common stock or the level of the index involved in the convertible component is below the exercise price of the warrant or option at maturity, the convertible security will maintain its value, while the warrant or option itself will have no value.

Sovereign Debt Risk. We may invest in sovereign debt securities. These securities are issued or guaranteed by foreign governmental entities. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Loan Risk. We may invest in loans including loans that are rated below investment grade or the unrated equivalent. Like other high yield, corporate debt instruments, such loans are subject to an increased risk of default in the payment of principal and interest as well as the other risks described under "Interest Rate Risk," "Issuer/Credit Risk," and "High Yield Securities Risk." Although certain loans are secured by collateral, we could experience delays or limitations in realizing on such collateral or have its interest subordinated to other indebtedness of the obligor. Loans are vulnerable to market sentiment such that economic conditions or other events may reduce the demand for loans and cause their value to decline rapidly and unpredictably. Loans that are deemed to be liquid at the time of purchase may become illiquid. No active trading market may exist for some of the loans and certain loans may be subject to restrictions on resale. The inability to dispose of loans in a timely fashion could result in losses. Some loans that we invest in may have a more limited secondary market and therefore liquidity risk is more pronounced than those that invest primarily in other types of fixed income instruments or equity securities. Typically, loans are not registered securities and are not listed on any national securities exchange. Consequently, there may be less public information available about these type of investments and the market for certain loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. As a result, we may be more dependent upon the analytical ability of the advisor.

Equity Market Risk. Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Equity securities also include, among other things, preferred

stocks, convertible stocks and warrants. The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities.

Unlisted Securities. We may invest in unlisted securities. In general there is less governmental regulation and supervision of transactions in the unlisted securities markets than for transactions entered into on organized exchanges. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with unlisted securities. Therefore, an investment in unlisted securities will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and this will result in a loss.

Item 9: Disciplinary Information

Neither BlueBay USA nor its employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10: Other Financial Industry Activities and Affiliations

BlueBay USA is a subsidiary of RBC, a global financial services company with a number of affiliated entities. RBC group entities may have direct and indirect interests in the financial instruments and markets in which BlueBay USA invests for its clients and may effect transactions with those clients. RBC group entities may act in a variety of roles including those of proprietary trader, broker, underwriter, agent or lender in connection with transactions in which BlueBay USA's clients have an interest and will receive remuneration or other benefits in connection with these roles.

BlueBay USA's policies to manage these conflicts include:

- Order Execution Policy requiring that trades with RBC group entities are executed on an arm's length basis and that BlueBay USA obtains the best possible result taking into account price, costs, speed, likelihood of execution and settlement, size, nature of the order or any other relevant consideration;
- Information barriers between BlueBay USA and RBC designed to ensure that information is not improperly shared;
- The observance of a BlueBay USA corporate code of ethics and the RBC Code of Conduct; and
- BlueBay USA does not invest in RBC shares on behalf of its clients.

Specifically, we serve as a sub-advisory to a RBC registered investment company. We also provide investment advisory services to the clients of BlueBay Asset Management LLP, an affiliate based in the United Kingdom. Further, RBC entities may recommend our services to their clients and may be compensated for such introduction.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Code of Ethics pursuant to numerous global regulations which are applicable to our business, including SEC Rules and the Investment Company Act of 1940 Rules. Our Code of Ethics sets forth our standard of business conduct as a fiduciary and specifically requires that its employees and partners comply with laws and regulations governing the investment management business. In summary, the Code of Ethics requires our employees and partners to:

- Act with integrity, competence, diligence, respect and in an ethical manner with clients, prospective clients and all other persons with whom they deal in the course of their business activities;
- Place the interests of clients above their own personal interests;
- Use reasonable care and exercise independent and objective professional judgment when carrying out their duties for clients and prospective clients and with persons with whom they interact in the course of carrying out their duties;
- Promote the integrity of and uphold the laws and rules governing capital markets and the investment management profession;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals with whom they interact.
- Ensure that all verbal and written business communications are professional and do not include any material that could be regarded as inappropriate or offensive.

Our code of ethics that is applicable to all employees and partners. Among other things, the code requires us and our employees and partners to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Our restrictions on personal securities trading apply to employees and partners, as well as their family members living in the same household.

Our Code of Ethics policy is available upon request and can be obtained by emailing compliance@bluebayinvest.com

Personal Account Trading

We have adopted policies and procedures governing the personal account dealing of its Employees (permanent, contract and temporary employees of the firm, including interns); Partners; Executive and non- Executive Directors; any officer; advisory person; and connected

Persons of each of the listed persons. The policies and procedures are designed to mitigate the conflicts of interest between us and our clients.

Our Personal Account Trading policy requires prior approval from Compliance before executing a trade in a security for a personal account. Permission to trade is given only if clients do not hold the security and if there are no open orders in the security for clients and subject to any exemptions being available.

Covered Persons will not be permitted to trade in the following situations:

- there is an open order for any security issued by the same issuer for a client; and/or
- the issuer of the security is included in the Restricted List which includes issuers in relation to which we may hold Inside Information; and/or
- client accounts are holding securities issued by the same issuer unless an exemption applies.

Employees and partners may not purchase and sell the same security within any 30-day period. Employees and partners are required to arrange for their brokers to provide Compliance with copies of their trade confirmations and periodic transaction statements to enable Compliance to monitor for compliance with the policy. Ongoing disclosures of investment transactions must be provided to compliance. Compliance monitors personal account trading relative to client trading, to ensure that employees and partners do not engage in improper transactions.

Royal Bank of Canada (RBC) securities

We are part of the RBC group which means that we are subject to additional restrictions with regards to transactions in RBC securities and certain restrictions apply to all Covered Persons that wish to trade RBC securities. Transactions are only permitted in RBC securities during open trading window periods as established by RBC senior management.

Gifts and Entertainment

Under our Gifts and Entertainment policy, employees and partners are prohibited from giving or receiving gifts or entertainment that may conflict with their duties to clients. Employees and partners are required to obtain approval from a member of our Management Committee before giving or receiving a gift or entertainment valued at more than \$500. Quarterly disclosures of all gifts and entertainments given and received, irrespective of value must be disclosed to enable Compliance to monitor for compliance with the policy.

Conflicts of Interest

From time to time we may purchase or sell on behalf of clients' securities or other investment products in which we or our affiliates or other related parties have a financial or other material interest or a relationship of any other description which may give rise to a potential conflict with our duty to our clients. We may on occasion trade in investments issued by our clients. In all

such cases we will ensure that such transactions are effected on terms that are not materially less favorable to clients than if the potential conflict had not existed. We address these and other potential conflicts of interest in our Conflicts of Interest policy which sets out possible scenarios in which conflicts of interest may arise, as well as how they are managed and mitigated by us.

We manage both long-only and long/short portfolios, and also utilize alternative investment strategies for both funds and segregated accounts. We offer a variety of fee schedules for its investment products which may include both performance and management fees, where appropriate.

All employees are evaluated and rewarded annually during the yearly compensation review process. We have a Remuneration Committee which reviews the compensation arrangements annually. Compensation for any given individual is paid according to both quantitative and qualitative considerations. We operate a discretionary bonus scheme. Remuneration of all investment professionals is geared to fund performance and takes into account the profitable growth of each investment team's business.

We continue to operate a discretionary deferred bonus arrangement for all employees awarded bonuses over a certain threshold. Under this arrangement, qualifying bonus awards are made in the form of conditional investments in funds managed by us which vest at the end of a three-year period. In addition, we also operate an additional discretionary award plan. Under that arrangement, a limited number of conditional investments in funds managed by us which vest at the end of a three-year period may be awarded. Unvested bonus awards will typically be forfeited by a departing employee.

We have a large number of affiliates given the size of the RBC group of companies globally. Below is a short summary of what we believe to be the most relevant considerations relative to our relationships with our affiliates:

- RBC Capital Markets, an affiliate of RBC and BlueBay, was included on our approved counterparty list since before the acquisition. The approved counterparty list formally records the banks and brokers with whom our traders may do business and is subject to customary review, as with any other counterparty. We are entitled to use RBC Capital Markets for brokerage services, as long as trades are executed at arm's length and in compliance with our best execution policies and procedures. We do not have any minimum trading threshold to transact with RBC Capital Markets.
- RBC and its affiliates are included on our restricted list. We may not purchase or hold any paper issued by these entities in our portfolios.
- We may purchase primary market securities underwritten and/or syndicated by an affiliate of RBC, as long as the purchase is in compliance with our order execution, relevant US regulations and conflict of interest policies.

Item 12: Brokerage Practices

Execution traders are responsible for the selection of brokers, subject to these being an approved counterparty. Through being continuously in touch with the market, traders are able to recognize

opportunities and then identify the most appropriate broker with whom to place the trades. In this manner they are able to use their professional judgment to keep market impact to a minimum. Compliance also monitors trades on an ongoing basis to determine whether best execution is being obtained.

Remuneration of all investment professionals is geared to performance and takes into account the profitable growth of each investment team's business.

Discretionary Authority

There are no specific limitations on the securities to be bought or sold or the amount of such securities to be bought or sold for a particular account except as noted in the relevant client investment management agreement. Limitations may be imposed as a result of the requirement to comply with client investment guidelines and restrictions that are detailed in the investment management agreement.

We manage portfolios of investments on a discretionary basis for its clients, making and giving effect to decisions to deal using two methods. First, we can place an order resulting from a decision to deal on behalf of a client with a third party "Broker" (e.g. a stockbroker or investment bank) for that Broker to execute on behalf of the client. Secondly, we can execute the transaction resulting from a decision to deal on behalf of the client directly with a third party "Counterparty" (e.g. dealing directly with a market maker on a "request for quote" basis) or on an exchange or a trading system. The Counterparty, exchange or trading system with which we choose to execute such a transaction is referred to in this policy as an "Execution Venue".

Execution factors and criteria

When giving effect to decisions to deal on behalf of clients, the exact nature of the best possible result will be determined by us by reference to a wide variety of factors including: price, costs, speed, likelihood of execution and settlement, size, nature of the order, or any other consideration relevant to the execution of the order.

Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances we may appropriately determine that other factors are more important than price. We determine the relative importance of the various factors by using our commercial judgement and experience in light of market information and taking into account the following criteria: the characteristics of the client, the characteristics of the order, the characteristics of the instrument or product and the characteristics of the Brokers or Execution Venues to which that order can be directed.

Choosing between order placement and direct execution

Once we have made a decision to deal, the trader decides whether to place the order with a Broker or to execute the transaction directly on an execution venue. This decision is made having regard to the relative importance of the execution factors for the instrument or product in question. For some instruments or products, there is no choice. So, for example, when trading "over the

counter” derivatives, the transaction will always be effected by way of direct execution with a Counterparty.

Order placement with Brokers

Each portfolio manager and trader specializes in one of the four main strategies managed by us: Emerging Market debt, Global High Yield/Distressed, Global Convertibles and European Investment Grade debt. The core senior portfolio managers for each of the four strategies have focused on their asset class for more than 10 years, gaining insight and experience under a variety of market conditions. We have dedicated an execution team of traders to each of the four asset classes, providing them with in-depth knowledge of the instruments and products traded and the Brokers/Counterparties with which to trade.

Where we place an order with a Broker for execution, we are not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order (for example, we do not control the Broker’s choice of Execution Venues) and are not required to duplicate the efforts of the Broker in ensuring the best possible result. Our obligation is therefore to ensure that the Brokers included in our Approved Broker/Counterparty List are those which will enable it to comply with the Best Execution Obligation and that orders are passed only to those Brokers.

Direct execution with Execution Venues

Our traders will use their professional judgement, skill and experience to decide the most appropriate Execution Venue when seeking to comply with the Best Execution Obligation. We execute the majority of our trades with the Counterparties listed in the our Approved Broker/Counterparty List rather than on an exchange or other trading system.

The traders have built relationships with the Counterparties with which we trade, enabling them to ascertain which organization is likely to provide the product or instrument required in a way that allows us to satisfy the Best Execution Obligation owed to its clients. Typically the traders approach a range of Counterparties to obtain the best price available for a security. However, it may not be advantageous for us to seek multiple quotes if a security has limited liquidity and a small number of market makers, in which case placing an order may lead to a price movement that is unfavorable to our clients as a result of informing the market of our trading intentions. At all times the traders use their professional judgment to obtain the best possible result in the circumstances.

“Over the counter” trading in derivatives is effected by us with Counterparties that act as principal under ISDA and related master documentation. Owing to factors beyond our reasonable control, relationships with some of these Counterparties may have been established only for particular clients and so may not be available for all clients. Any decision to execute a transaction with a particular Counterparty on behalf of a client is made from the available pool of Counterparties for that client.

Counterparty Approval Process

Before undertaking business with a Counterparty for the first time, an approval process is followed to ensure that we only trade with appropriate counterparties. We maintain an Approved Broker/Counterparty List which formally records the parties with which a trader may do business. All approved counterparties are programmed into Charles River, our Investment Management System.

The Risk department within BlueBay has authority to approve new counterparties. On the basis of the completed initial approval form, financial statements, credit rating, and clearing arrangements, the Risk department considers whether the trading risk of the Counterparty is acceptable in light of the type of trading for which approval is sought.

The Selection of Trading Counterparties

As mentioned above, our Approved Counterparty List formally records the banks and brokers with whom our execution traders may do business. The execution traders initiate the approval process for a new counterparty by completing a form detailing the counterparty, the type of business to be transacted, and the reason for wanting to trade with the counterparty. The process will cover a number of factors including provision of liquidity, pricing, and the level of new issuance activity of the counterparty and any additional information that the execution trader considers relevant to the decision on whether to approve the counterparty. Compliance adds the regulatory status, the Financial Action Task Force status of the country in which the counterparty is situated, the results of the check of unauthorized firms doing business in the UK, and details of any legal or regulatory action based on publicly available information.

The Market Risk Committee obtains the most recent audited financial statements, the credit rating of the counterparty or counterparty parent (where applicable), and the detail of the clearing arrangements. On the basis of the completed initial approval form, financial statements, credit rating, and clearing arrangements, the Market Risk Committee considers whether the trading risk of the counterparty is acceptable in light of the type of trading for which approval is sought.

On a daily basis, the Risk Team monitors market indicators such as credit default swap spreads for OTC and depositor counterparties. If these indicators raise concern about the credit quality of any counterparty, the Market Risk Committee may prohibit further trading or remove the counterparty from the Approved Broker/Counterparty List.

Ongoing Review of Counterparties

On a daily basis, the Risk department monitors market indicators such as credit default swap spreads for OTC and depositor counterparties. If these indicators raise concern about the credit quality of any counterparty, the Market Risk Committee may prohibit further trading or remove the counterparty from the Approved Broker/Counterparty List.

On an annual basis, the Broker/Counterparty Annual Approval List is updated by both Risk and Compliance with details of any legal or regulatory action (based on publicly available information) and trading volumes during the previous year, and by the Head of Pricing Group &

Trade Execution with details of any market information that may affect our decision to do business with the firm. The Market Risk Committee obtains the most recent financial statements and credit ratings of each OTC and depositor counterparty. On the basis of the completed annual approval list, financial statements and credit ratings, the Market Risk Committee considers whether the trading risk of each of the counterparties on the annual approval list continues to be acceptable.

RBC Capital Markets, an affiliate of RBC and BlueBay, has been included on our Approved Counterparty List since before the acquisition. The Approved Counterparty List formally records the banks and brokers with whom our traders may do business and is subject to customary review, as with any other counterparty. We are entitled to use RBC Capital Markets for brokerage services, as long as trades are executed at arm's length and in compliance with our best execution policies and procedures. We do not have any minimum trading threshold to transact with RBC Capital Markets.

Segregated account prospects may request that we exclude RBC Capital Markets as a broker for their account.

Soft Dollar Benefits

We do not have any soft commission arrangements in place. Any proposal to implement such an arrangement would require compliance and Senior Management approval.

Best Execution Reviews

When dealing on behalf of clients, the exact nature of best execution will be determined by us by reference to a wide variety of factors including price, costs, speed, likelihood of execution and settlement, size, nature of the order, or any other consideration relevant to the execution of the order. Our Order Execution policy is available upon request.

Our Execution Team's collective professional experience, market knowledge and counterparty relationships developed over many years enables us to proactively source liquidity.

Access to primary and secondary market sources is achieved directly via our execution traders. Their role involves interacting with investment banks and other counterparties so that trades can be executed at the most optimal liquidity point in the markets.

We monitor the effectiveness of its order execution arrangements to identify and, where appropriate, correct any deficiencies. We review on a regular basis whether the brokers and execution venues included in the Order Execution Policy (available on request) provide the best possible result and whether any changes are necessary. Compliance also monitors trades on an on-going basis to determine whether best execution was obtained.

Trade Allocation and Trade Aggregation

We have established and implemented an Order Allocation policy, setting out the most important and/or relevant aspects of the order allocation arrangements to ensure fair allocation. Generally the portfolio managers will allocate trades across clients with similar strategies to bring the

holding in each account to a similar percentage of the value of the portfolio. The portfolio manager will take into account factors impacting the allocation, including:

- Client investment guidelines that exclude a particular security or type of security;
- Client investment guidelines that restrict the amount (usually as a percentage of the portfolio value) of a particular security or security type;
- Minimum tradable lot sizes applicable to a security; and Round lot sizes.

The trader aggregates orders and places a block order with one or more brokers. Block trades are entered into for efficient trading purposes, to limit market impact and to achieve the best price at execution. If the block trade is filled in its entirety, all participating clients receive the order amount. If the trade is partially filled or executed with more than one broker, each tranche of the trade is allocated among the participating accounts pro rata according to the order size specified by the portfolio manager at the time of order placement. Tranches are executed and allocated on this pro rata basis until the order has been filled or the outstanding order has been cancelled by the portfolio manager.

Cross Transactions

We may from time to time effect “cross transactions” between two of our clients, in which one client will purchase securities held by another client. Such transactions are executed only when we deem the transaction to be in the best interests of both clients and at a market price which is checked via a Price Data Warehouse, Our proprietary pricing system, by our independent Pricing Team. In the instance that the cross transaction needs to be executed at a price other than one obtained through Price Data Warehouse or quarter end. The price must be first approved by both the Head of the Pricing Team and Compliance. We do not receive any compensation in connection with such cross transactions. We comply with the conditions and/or constraints on cross transactions under ERISA and the Investment Company Act of 1940 each of which impose conditions and/or constraints on cross transactions.

Insider Trading

We have adopted an Insider Trading policy concerning the misuse of insider information. Employees who receive possible inside information liaise with Compliance to determine whether it is material non-public price-sensitive information. If the information is deemed to be inside information, the security is added to our restricted list, which means that we cannot trade in the security for any clients and also, employees will be prohibited from executing trades in the security for their personal accounts. Securities are added to the restricted list in our portfolio management system, Charles River Investment Management System (Charles River) that is used to check all trade orders against investment guidelines and restrictions. Input of an order in a restricted list security will give rise to an alert that prevents transmission of the order to the trade execution desk. Employees notify Compliance when they are no longer in possession of inside information and the security is removed from the restricted list if Compliance is satisfied that the information is no longer material non-public price-sensitive information.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but Compliance might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees

trading ahead of clients. Compliance does not grant preclearance where it would appear that an employee's trading could disadvantage our clients.

Directed Brokerage

We permit directed brokerage by clients in certain circumstances. At the time of negotiation of the investment management agreement each client is made aware of the risks of directed brokerage, including that best execution may not be achieved as the result.

Trade Errors

Should a mandate breach or error occur, our priority is to rectify the situation as soon as possible, ensuring that our clients are put back to the position they would have been had the error never occurred. Any error goes through a formal review process whereby the error is rectified, compensation paid if necessary and a procedural review of the failed control undertaken. All errors are reviewed by Operational Risk and Compliance and are escalated to senior management and the client as appropriate. All errors are further reviewed at the Group Risk Committee which meets twice a quarter. This rigorous review process ensures that procedures are put in place to prevent reoccurrence. Operational Risk track any resultant control enhancements ensuring timely implementation.

Item 13: Review of Accounts

Segregated Accounts

We have a dedicated Client Relations team. Each client account is allocated a Client Relations Manager (CRM) who is the primary point of contact for all client enquiries, reporting and regular reviews of the client's portfolio. Client review meetings are conducted by the CRM with the primary responsibility for the client and attended by the portfolio manager.

The portfolio manager is responsible for ensuring the portfolio is in compliance with the client's investment guidelines/investment restrictions. Investment guidelines are programmed into Charles River and any trades placed on behalf of the client will be subject to a pre-trade compliance check before they are passed through to our dedicated trade execution desk. Compliance monitors the client's accounts for post trade compliance and have responsibility for investigating any breaches of the investment guidelines and authorising corrective action to be taken.

Segregated account reporting is agreed with the client at the outset of the relationship. Client reporting is despatched by the Client Relations team and provided generally on a monthly basis via e-mail, or as requested by the client. Reporting includes input from the portfolio managers, fund/investment accounting team and risk/performance team and is subject to a rigorous review process.

The Chief Investment Officer (CIO) and the portfolio managers review the performance and risk of all our funds and segregated client accounts on an on-going basis. In addition, the Market Risk Committee, which is chaired by the Chief Investment Officer and includes Chief Operating Officer, the Head of Risk and the Head of Investment Risk, meets regularly (usually weekly) and amongst other things, performs an ongoing review and oversight of investment risks and performance for all accounts managed by us.

BlueBay Funds

Underlying investors invested in various BlueBay funds receive a fund factsheet (including performance and risk statistics, portfolio characteristics, market commentary and fund facts) on a monthly basis. Statements of holdings in the funds are produced by the respective fund administrator on a monthly basis; investors also receive audited annual financial statements and unaudited semi-annual financial statements for the fund in which they are invested. Clients can access all fund reporting generated by us via the secure client extranet website, BlueBayLink, or request to receive this information via e-mail.

Item 14: Client Referrals and Other Compensation

From time to time, we may enter into arrangements with various third parties pursuant to which each has agreed to introduce BlueBay USA to prospective clients and investors who are eligible for and may have an interest in advisory services or investment products managed by us. Compensation will vary for each such party and will be paid pursuant to the terms of a written agreement with the respective party, which also outlines the nature of the activities to be undertaken. All client and investor solicitation activities will be undertaken in accordance with the requirements of the various federal securities laws and disclosure specific to the solicitation will be provided to each prospective client and investor at the time of solicitation.

Item 15: Custody

We generally do not accept custody of client funds or securities. All clients' accounts are held in custody by unaffiliated broker/dealers, banks or other institutions approved to provide custodian services. We do have the ability to issue instructions in relation to the movement of client assets and cash but only in accordance with the provisions of relevant agreements and mandates.

Account custodians will send statements directly to the account owners. Clients should carefully review these statements, and should compare these statements to any account information provided by us.

Item 16: Investment Discretion

We maintain investment discretion over all of our clients' accounts. We have the authority to determine, without obtaining specific client consent, the amount and price of securities bought and sold, the preferred broker-dealers through which they effect trades, and the commission rate charge for trades. Limitations may be imposed as a result of the requirement to comply with client investment guidelines and restrictions that are detailed in the investment management agreement.

Item 17: Voting Client Securities

Our policy is to vote client proxies in the interest of maximizing shareholder value. We vote client proxies in a way that we believe, consistent with our fiduciary duty, will cause securities to increase the most or decline the least in value. Our clients do not direct our vote. Consideration

will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

We have currently identified no conflicts of interest between our client interests and our own within our proxy voting process. Nevertheless, if we determine that we are facing a material conflict of interest in voting your proxy, our procedures provide for our Compliance department to determine the appropriate vote. If the Compliance department is unable to determine the appropriate vote, a competent independent third party will be engaged, at our expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for your review. In addition, our complete proxy voting record is available to our clients, and only to our clients. Please contact us if you have any questions or if you would like to review either of these documents.

Item 18: Financial Information

A balance sheet is not required to be provided as we (i) do not solicit fees more than six months in advance, (ii) do not have a financial condition that is likely to impair our ability to meet contractual commitments to our clients or (iii) have not been subject to any bankruptcy proceeding during the past 10 years.