



**RBC Global
Asset Management**

Advisory Brochure Part 2A of Form ADV **RBC Alternative Asset Management Inc.**

January 28, 2014

This brochure provides information about the qualifications and business practices of RBC Alternative Asset Management Inc. ("RBC AAM"). If you have any questions about the contents of this brochure, please contact us at 212-703-6230. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. RBC Alternative Asset Management Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about RBC Alternative Asset Management Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 – Material Changes

The following is a summary of the specific material change to the brochure since its inception on January 30, 2012:

- 01/28/2014: Annual Update, no material changes.
- 10/10/2013: Clarified affiliated custody relationships.
- 07/25/2013: Funds are no longer open to new investors.
- 01/29/2013: We no longer charge performance-based fees.

RBC Alternative Asset Management Inc. will provide our clients with a new Brochure as necessary based on changes or new information. This brochure is also available upon request, at any time, free of charge.

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Item 4 – Advisory Business

Firm Overview

RBC Alternative Asset Management Inc. (“RBC AAM”, “we” or “our”) was formed in 2005. We are a wholly owned subsidiary of Royal Bank Holding Inc., which is a wholly owned subsidiary of Royal Bank of Canada (“RBC”). RBC is publicly held and traded on the New York Stock Exchange and Toronto Stock Exchange.

RBC AAM is also part of the RBC Global Asset Management (“RBC GAM”) asset management division of RBC, which includes RBC Global Asset Management (U.S.) Inc, RBC Global Asset Management Inc., BlueBay Asset Management LLP, BlueBay Asset Management USA, RBC Global Asset Management (UK) Limited and RBC Alternative Asset Management Inc., which are separate but affiliated corporate entities.

RBC GAM operates as a global firm and leverages the talent and investment capabilities across RBC GAM to create solutions for its clients. We are providing this Brochure to persons who receive or who may receive investment advisory services in order to ensure compliance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

As of October 31, 2013, RBC AAM had a total of \$107.8 million in assets under management: \$105.9 million in discretionary assets and \$1.9 million in non-discretionary assets.

Advisory Services

RBC AAM is a fund of hedge funds adviser, meaning that we advise clients primarily on investments in various types of private investment vehicles or managed accounts (each, a “Portfolio Fund”). We provide these advisory services to a variety of clients on either a discretionary or non-discretionary basis. In particular:

Funds of Hedge Funds (the “Funds”)

We manage funds of hedge funds organized in the Cayman Islands. The Funds invest primarily in other hedge funds, which in turn make direct investments. Where RBC AAM is the investment adviser to a Fund, the Fund – *not* any fund investor – is our client. The investment objectives and guidelines of each Fund are outlined in the offering documents and are not specifically tailored to the individual needs of fund investors. All Funds are closed to new investors.

Customized Hedge Fund Portfolios (the “Managed Accounts”)

We offer customized investment portfolios that are designed for clients seeking a customized hedge fund mandate with control over the structure of the portfolio. We collaborate with the client to design, implement, and monitor a customized portfolio that is tailored to the investor’s unique needs. We work with the client to understand the client’s investment objectives – including their desired risk and return characteristics, exposures they are taking in the rest of their investment portfolio, and what exposures they would like to avoid – in order to construct a customized hedge fund portfolio that is managed on a discretionary basis. During the course of these discussions, a Managed Account client may place various types of restrictions on the management of their accounts. For example, a Managed Account client may restrict investments in certain industries, in hedge funds that implement specific strategies or investments in specific regions of the world.

Each of the products and services above are referred to as “Client Portfolios” and the Funds and clients of Managed Accounts are referred to as “AAM Clients.”

RBC AAM sub-advises a Canadian mutual fund for an affiliate, RBC Global Asset Management, Inc. This fund is not available to U.S. investors. For more information about this relationship, see Item 10.

Our investment management services currently are limited to the services discussed above, but we may in the future determine to offer additional types of investment management services.

Item 5 – Fees and Compensation

Each AAM Client has entered into an agreement with RBC AAM pursuant to which RBC AAM provides investment advisory services and may receive a management fee. The specific manner in which fees are charged by RBC AAM is established in the AAM Client’s written agreement with RBC AAM. RBC AAM will generally bill its fees on a monthly basis in arrears, although specific terms may be negotiated with each AAM Client.

The Funds

Each of the Funds has set forth its specific fee structure (including how and when fees are calculated, charged, and payable) in an offering document provided to each prospective Fund investor prior to the prospective client's decision to invest. Funds are currently closed to new investors.

Managed Accounts

Management fees and the services to be provided are negotiated on a case-by-case basis with each client and captured in an investment management agreement prior to the client's decision to invest. The rates charged for management fees may vary by client depending on the amount of net assets in the customized portfolio, complexity of the mandate, and/or other factors not listed here. Generally, fees are deducted from the client's Managed Account assets or invoiced separately. In the event of the termination of a customized portfolio advisory relationship prior to the end of a management fee period, the fees would be calculated on a pro-rata basis.

Because each Client Portfolio implements a fund of hedge funds strategy, an AAM Client will bear the operating expenses of the underlying hedge funds in which the Client Portfolio invests. The total expenses borne by an AAM Client will be higher than if invested directly in the Portfolio Funds and the returns may therefore be lower. Each Client Portfolio, the Portfolio Funds and the managers of such Portfolio Funds ("Portfolio Managers") may use aggressive investment strategies, which may be riskier than those used by typical mutual funds.

AAM Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer or electronic fund fees and other fees, and taxes on brokerage accounts and securities transactions. Such charges, fees, and commissions are exclusive of and in addition to RBC AAM's fee, and RBC AAM does not receive any portion of these commissions, fees, and costs.

Item 6 – Performance-Based Fees and Side-By-Side Management

RBC AAM does not charge performance-based fees for new or actively investing accounts (fees based on a share of capital gains on or appreciation of the assets of accounts). However, certain legacy RBC AAM clients may have performance-based fee arrangements that are subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. These accounts do not participate in new investment opportunities.

RBC AAM may manage multiple accounts for multiple clients with different investment mandates and different fee structures. The investment objectives, strategies, time horizons, tax considerations, and other investment considerations specific to a particular client account may differ from other accounts. RBC AAM has procedures that are reasonably designed to ensure that all Client Accounts are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

RBC AAM management services primarily involve managing Funds and Managed Accounts. Managed Account clients currently include trusts and institutions, such as corporations, but may include other types of clients in the future. Fund investors are generally qualified investors, including high net worth individuals, large corporations, institutional clients, and pension plans. Where RBC AAM is the investment adviser to a Fund, the Fund – *not* any fund investor – is our client.

Funds are currently closed to new investors. Generally, there is a minimum investment of \$50 million for Managed Accounts. RBC AAM also provides investment management services as a sub-adviser to an affiliated entity. For more information about this relationship, see Item 10.

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

RBC AAM offers investment advice pertaining to investments or allocation of assets to Client Portfolios managed by a number of Portfolio Managers that are selected pursuant to RBC AAM's proprietary multi-manager strategy. RBC AAM may advise clients regarding a pool of assets notionally referenced in an option, swap, derivative or note. Subject to individualized

investment objectives and restrictions, the AAM Client's assets may be deployed in whatever investment strategies are deemed appropriate under prevailing economic conditions.

RBC AAM's investment process follows a four-step process: (1) macro-economic research, (2) strategy allocation, (3) Portfolio Manager selection, and (4) risk management.

1. **Macro Economic Research.** RBC AAM begins by developing its global macro-economic view. This includes evaluating various factors, such as monetary policy, economic indicators, interest rates, equity markets and commodity markets, among other things. RBC AAM's macro-economic view is essential in identifying opportunities and risks in the markets, and ultimately in determining the optimal allocation of investments.
2. **Strategy Allocation.** RBC AAM believes that most hedge fund strategies are cyclical in nature and that opportunity and risk present themselves over many different market cycles. RBC AAM assesses the current and future opportunities and risks of hedge fund strategies in an attempt to determine the optimal strategy allocation for the AAM Client. This assessment includes evaluating the market environment, interest rates, credit spreads, implied volatility, new issuance markets, corporate events, capital flows, and equity valuations, among other factors. The objective of proper strategy allocation is to capitalize on opportunities in the various strategies, as well as to identify potential risks that could have a negative impact on performance.

RBC AAM also assesses the correlation, liquidity, volatility, and return expectations of the different strategies in varying market conditions to achieve the optimal risk and return balance. RBC AAM will alter or modify investment strategies on an ongoing basis in response to available investment opportunities or perceived risks that result from changing market conditions.

3. **Portfolio Manager Selection.** RBC AAM seeks to invest in hedge funds or discretionary managed accounts ("Portfolio Funds") with Portfolio Managers that utilize different trading methodologies and show low correlation to one another to help achieve the goal of proper portfolio diversification. RBC AAM selects Portfolio Managers based on a number of factors including, but not limited to, portfolio management experience, strategy, style, performance expectations, and correlation to the client's other investments.

RBC AAM identifies Portfolio Managers of potential interest primarily through its experience and network of industry contacts. Other sources include conferences, prime brokers, and databases. RBC AAM performs an extensive due diligence process, including on-site visits, and personal interviews with the Portfolio Manager's investment teams to assess their respective core competencies and the viability of their respective strategies.

This evaluation process typically entails ongoing discussions over an extended period of time. In addition, RBC AAM conducts extensive operational due diligence of each Portfolio Manager and Portfolio Fund to ensure that appropriate accounting, operational, and administrative controls are in place prior to investing or allocating assets.

As part of the due diligence process, RBC AAM puts significant effort into collecting third party knowledge. It utilizes its network of industry contacts to conduct character reference checks of Portfolio Managers.

After RBC AAM invests in a particular Portfolio Fund, RBC AAM monitors the relationship through on-site visits, analyses of the investment portfolio, and discussions with the Portfolio Manager. Ongoing analysis provides RBC AAM with information which is used to ascertain a Portfolio Fund's and Portfolio Manager's ability to implement its strategy successfully and, when necessary, adapt the investment program to changes within the financial markets. It is this ongoing evaluation process that will ultimately determine when it is appropriate to maintain, increase, or terminate the investment or allocation. The number and composition of Portfolio Funds will change over time. RBC AAM may redeem investments from Portfolio Funds and invest in different Portfolio Funds without prior notice to or the consent of the AAM Client.

4. **Risk Management.** The objective of risk management is to identify, analyze, and understand the various risks to which an AAM Client may be exposed in an effort to make informed investment decisions. RBC AAM performs a combination of performance analysis and portfolio analysis as part of its risk management process.

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Performance analysis is designed to evaluate the performance record of the Portfolio Funds and the Portfolio Managers. This assists RBC AAM in quantifying its top-down strategy allocation, as well as assessing the returns of a Portfolio Fund versus its market benchmarks and peers. Performance analysis includes portfolio optimizations, statistical analysis, downside risk analysis, regression analysis, style analysis, and peer comparisons, among other things.

Portfolio analysis is designed to analyze the exposures and risks of the Portfolio Funds and ultimately to aggregate them for the AAM Client. This assists RBC AAM in confirming its understanding of a Portfolio Manager's investment strategy and risk management, and complies with the Portfolio Manager's risk discipline. It also allows RBC AAM to know the Client Portfolio exposures, which is necessary in portfolio construction and maintenance.

Risk of Loss

Investments offered through RBC AAM are speculative investments and are not intended to be a complete investment program. Investment in hedge funds is suitable only for persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment. Investment in hedge funds involves significant risks and while the following summary of these risks must be carefully evaluated before making an investment, the following does not intend to describe all possible risks of such an investment. For investments in the Funds, additional risks are outlined in the offering documents.

The trading risks described are generally applicable to Client Portfolios' investments in Portfolio Funds managed by Portfolio Managers, but similar types of risks will apply to the extent the Client Portfolio invests directly.

Multiple Portfolio Managers. Each Portfolio Manager makes their trading decisions independently, yet it is possible that one or more of such Portfolio Managers may, at any time, take positions that may be opposite to positions taken by other Portfolio Managers. Each such position would indirectly cost the Client Portfolio transactional expenses and the fees of such Portfolio Managers but may not generate any recognized gain or loss. It is also possible that the Portfolio Managers may on occasion be competing with each other for similar positions at the same time and may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may result in more rapid change in value than would be the case if the investments were more widely diversified.

Limited Availability of Portfolio Funds. A number of the Portfolio Funds may significantly limit investor access to such Portfolio Funds due to investor demand exceeding Portfolio Fund size or capacity or for other reasons. The failure to gain admittance to, or to be permitted to invest as much as it desires in, one or more such Portfolio Funds could adversely affect investment performance.

Structured Investments. Client Portfolios may invest with Portfolio Managers through structured notes linked to the performance of a Portfolio Fund or strategy managed by a Portfolio Manager or through a swap or other contract paying a return equal to the total return of the pooled entity managed by a Portfolio Manager. These types of structured investments involve many of the same risks as direct investments in the Portfolio Funds. Moreover, structured investments expose the Client Portfolio to the risks associated with derivatives, including the risk of counterparty default and liquidity risks.

Performance-Based Compensation Arrangements. RBC AAM typically invests with Portfolio Funds which are managed by Portfolio Managers that are compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the relevant Portfolio Fund during specific measuring periods. In certain infrequent cases, Portfolio Managers may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although RBC AAM anticipates that most, if not all, Portfolio Managers who charge such fees will take into account prior losses. We recognize that performance-based fees can create an incentive for Portfolio Managers to favor accounts with higher performance fees in allocating investment opportunities or to make investments that are more speculative than would be the if performance-based compensation was not charged. As part of the due diligence process, we inquire about the policies and procedures the Portfolio Manager has in place to allocate trades fairly and equitably.

Duplicative Expenses. In addition to the management fees of RBC AAM, Client Portfolios bear the asset-based fees and performance-based allocations or fees of the Portfolio Managers.

Replacement of Portfolio Managers or Portfolio Funds. RBC AAM is not restricted in appointing or replacing Portfolio Managers or Portfolio Funds. Although not anticipated, the investment policies may result in substantial Portfolio Manager

or Portfolio Fund turnover. A particular Portfolio Manager or Portfolio Fund may be replaced for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position with such Portfolio Manager or Portfolio Fund. Replacement of Portfolio Managers or Portfolio Funds may involve greater fees, which will be borne directly by the Client Portfolio.

Activities of Portfolio Managers; Portfolio Manager Misconduct or Bad Judgment. Although we seek to select Portfolio Managers with the highest level of integrity, we will have no control over the day-to-day operations of any of the selected Portfolio Managers. When assets are allocated to a Portfolio Fund, the Client Portfolio will not have custody of the assets or control over their investment by the Portfolio Manager. A Portfolio Manager could divert or abscond with the assets, fail to follow agreed-upon investment strategies, provide false reports of operations or engage in other misconduct. There can be no assurance that the conduct of every Portfolio Manager engaged will conform to our expectations, or perform such Portfolio Manager's services in the manner disclosed to RBC AAM.

Misuse of Confidential Information. In trading public securities, there are consequences for trading on insider information, and RBC AAM expects that Portfolio Managers will use only public information. Portfolio Managers may be charged with misuse of confidential information or other securities law violations. If that were the case, the performance records of these Portfolio Managers could be misleading. Furthermore, if a Portfolio Manager or entity with which the Client Portfolio invests has engaged in the past or engages in the future in such misuse or violations, Client Portfolios could be exposed to losses.

Risk of Litigation. Portfolio Managers utilized may become involved in litigation as a result of investments made by Portfolio Funds. Under such circumstances, such Portfolio Funds could be named as a defendant in a lawsuit or regulatory action.

Limits on Information. RBC AAM selects Portfolio Managers based upon the factors described above. We will request detailed information from each Portfolio Manager regarding such Portfolio Manager's historical performance and investment strategy. However, RBC AAM will not have access to complete information regarding a Portfolio Manager and may not always be provided with detailed information regarding all the investments made because this information may be considered proprietary information by the Portfolio Manager.

Valuations and Estimates. In most cases, each Portfolio Fund will provide a monthly capital statement with the estimated value of the investment of each Client Portfolio and an annually audited financial statement. Portfolio Funds that use an independent administrator to calculate the estimated value reflected on the capital statement will be accepted. If the Portfolio Fund does not use an independent administrator, RBC AAM will have limited ability to assess the accuracy of the valuations received from the Portfolio Funds. Therefore, estimates prepared by an administrator or custodian of the Portfolio Funds may be used on monthly portfolio reports.

Lack of Liquidity in Portfolio Funds. Many Portfolio Funds may only permit redemptions on a quarterly or less frequent (semi-annual, annual, or longer) basis, and only if the redeeming investor has delivered advance notice (90 days, 180 days, or longer) before the applicable redemption date. Certain Portfolio Funds may further restrict redemptions through the use of "lock-ups," which may delay the initial date on which an investor can redeem, or "gates," which restrict the overall amount an investor may redeem from a Portfolio Fund. Some Portfolio Managers may also limit redemptions with respect to "side pocket" investments, where a particular investment is classified as "illiquid" or "designated" and investors generally cannot receive their allocable share until that investment is liquidated or otherwise realized. Such limitations on redeeming from Portfolio Funds could limit the ability to meet redemption requests and limit the Investment Manager's ability to allocate the AAM Client's assets as dynamically as the Investment Manager may otherwise desire. In addition, an inability to redeem from a Portfolio Fund may expose the AAM Account to losses it could have otherwise avoided if it had been able to redeem from such Portfolio Fund. Similarly, an inability to redeem from a Portfolio Fund may also cause the AAM Account to become unbalanced because it may be forced to obtain liquidity from more liquid investments.

Limited Operating History. Portfolio Managers retained by the Client Portfolio may be new Portfolio Managers with a limited performance history (although RBC AAM will seek to invest with Portfolio Managers whose personnel have significant prior experience in the securities industry or other factors that RBC AAM deems desirable). Such investments may involve greater risks than investment with more established Portfolio Managers.

Sole Principal Portfolio Managers. Some of the Portfolio Managers to which the Client Portfolio may allocate capital may consist of only one or a limited number of principals. A Portfolio Fund may be highly dependent on the continued service these principals. In the event of death, disability, or departure from the Portfolio Fund of any such persons, the business of

the Portfolio Fund may be adversely affected. In addition, the principals may not be required to devote all or any specified portion of their time to managing the Portfolio Fund's affairs, but only to devote so much of their time to the Portfolio Fund's affairs as they determine to be necessary to accomplish the Portfolio Fund's purposes and to conduct properly the Portfolio Fund's operations.

Other Clients of Portfolio Managers. The Portfolio Managers have responsibility for investing the Client Portfolios allocated to them. The Portfolio Managers also manage other accounts (including other accounts in which the Portfolio Managers may have an interest) and may have financial and other incentives to favor such accounts over the Client Portfolio. In investing on behalf of other clients, as well as RBC AAM's Client Portfolios, Portfolio Managers must allocate their resources, as well as limited market opportunities. Doing so not only could increase the level of competition for the same trades, but also could make it difficult or impossible to take or liquidate a particular position at a favorable price.

General. The transactions in which Client Portfolios engage involve significant risks. No assurance can be given that AAM Clients will realize a profit on their investments. Moreover, AAM Clients may lose all or some of their investment. Because of the nature of the trading activities, the results of the Client Portfolios' operations may fluctuate from month to month and from period to period. Accordingly, AAM Clients should understand that the results of a particular period will not necessarily be indicative of results in future periods.

Use of Leverage; Borrowing; Interest Rates. The investment strategy of Portfolio Managers may involve use of leverage (i.e., borrowings) to increase investment positions and exposure. Although the use of leverage increases returns to investors if a Portfolio Fund earns a greater return on the investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to investors if a Portfolio Fund fails to earn as much on such investments as it pays for such funds. A particular Portfolio Fund may not be subject to any limitation on the amount of its borrowings and the amount of its borrowings outstanding at any time may be large in comparison to its capital. Risk of loss and the magnitude of possible gains are both increased by the use of leverage. Fluctuations in the market value of a Portfolio Fund's security portfolio will have a greater effect relative to the capital than would be the case in the absence of leverage. Adverse market fluctuations in the case of margin borrowings may require the untimely liquidation of one or more investment positions. Interest costs of borrowings will be an expense of the Portfolio Funds employing leverage and therefore both borrowing levels and fluctuations in interest rates may affect the operating results of such Portfolio Funds and therefore the Client Portfolios.

Investment and Trading Risks in General. Unless prohibited by the Investment Management Agreement (for Managed Account clients), there are no limitations on RBC AAM as to the markets, strategies or investments in which the Client Portfolios' assets may be invested by Portfolio Managers. For example, a Portfolio Manager may invest in non-U.S. markets, engage in short sales or option trading, focus on securities of distressed companies or high yield securities, invest in equity securities of small capitalization companies, engage in convertible or risk arbitrage, trade commodity or financial futures, and enter into swaps, forwards or other derivative instruments or invest in private equity or other illiquid investments. In addition, strategies employed by Portfolio Managers may involve significant use of leverage and investments in illiquid or restricted securities. Such practices can, in certain circumstances, maximize the adverse impact to which the Client Portfolios may be subject. No guarantee or representation is made that the Client Portfolios' program will be successful and investment results may vary substantially over time.

All investments made by the Client Portfolios risk the loss of capital. Portfolio Managers may invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity markets, the risks of short sales, the risks of leverage associated with trading in futures and options on futures markets, the potential illiquidity of derivative instruments, the risk of loss of counterparty defaults, and the risk of borrowing to meet redemption requests. It is not possible to recite here all of the risks that could be associated with these or other markets, strategies or investments.

A prospective AAM Client should be a sophisticated investor with an understanding of hedge fund investing. The past performance of RBC AAM, or of Portfolio Managers selected by RBC AAM, is not necessarily indicative of future results. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Non-U.S. Investments; Currency Risks; Currency Hedges. Client Portfolio assets may be invested in Portfolio Funds denominated in non-U.S. currencies, the price of which is determined with reference to such currencies. Investments in non-U.S. currencies involve certain considerations comprising both risks and opportunities, which may include changes in

exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, and greater price volatility. To the extent unhedged, the value of the Client Portfolios' net assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of a Portfolio Manager's investments in the various local markets and currencies.

Portfolio Managers may implement currency hedges in Portfolio Funds, including forward currency contracts, options, and other derivatives, to hedge against currency fluctuations, but the Portfolio Managers are not required to hedge, and there can be no assurance that such Currency Hedges, even if undertaken, will be effective. Moreover, Currency Hedges may result in increased transaction costs and expose the Portfolio Fund to the risks inherent in over-the-counter ("OTC") transactions discussed herein. Finally, as a result of the 2010 passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and subsequent regulations by the SEC and the Commodity Futures Trading Commission ("CFTC"), the use of Currency Hedges and other OTC transactions has subjected market participants to additional regulations and costs, including but not limited to regulatory, clearing, execution and compliance costs.

Debt Securities. The Portfolio Managers may invest in unrated or low-grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Portfolio Managers may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Portfolio Managers may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Arbitrage Transaction Risks. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, and index arbitrage. The Portfolio Managers may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Portfolio Manager is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

High-Yield Securities. The Portfolio Managers may invest in "high-yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower rated securities, the yields and prices of such securities tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Small to Medium Cap Stocks. At any given time, the Portfolio Managers may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$1 billion. These securities often involve greater risks than the securities of larger, better-known companies.

Other Strategy-Specific Risks. Portfolio Funds employing alternative investment strategies are subject to a risk of total loss - the risk that a previously low volatility and apparently comparatively low risk strategy will incur sudden and dramatic losses - at a level of severity to which investment funds employing traditional strategies (which may be less dependent on the availability of financing or market liquidity) may not be subject. Strategy-specific losses may result from any number of factors, including excessive concentration by multiple Portfolio Managers in the same investment and/or market sector, general market events or conditions that adversely affect particular strategies (e.g., illiquidity within a given market), faulty

assumptions or analysis concerning market events or conditions and faulty or incomplete “due diligence” regarding particular markets or investments.

Emerging Markets. The Portfolio Managers may invest in emerging market securities. Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include: (a) limited liquidity of securities markets; (b) currency exchange rate fluctuations; (c) potentially higher rates of inflation (including hyper-inflation); (d) a higher degree of governmental involvement in and control over emerging economies; (e) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (f) limited regulatory oversight of securities markets; (g) longer settlement periods for securities transactions; (h) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (i) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

Special Situations. The Portfolio Managers may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Portfolio Manager may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Portfolio Managers may invest, there is a potential risk of loss by the Portfolio Fund of its entire investment in such companies.

Short Sales. The Portfolio Managers may engage in “short selling” of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Portfolio Fund. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the securities borrowed by a Portfolio Fund in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Portfolio Fund may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Options. The Portfolio Managers may purchase or write options on securities. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). OTC options also involve counterparty default and solvency risk.

Illiquid or Thinly-Traded Securities. A Portfolio Fund’s assets may, at any given time, include securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. Further, certain securities in which the Portfolio Managers may invest may not have a readily ascertainable market price and will be valued by the Portfolio Managers. In this regard, a Portfolio Manager may face a conflict of interest in valuing the securities, as their value will affect the Portfolio Manager’s compensation. Although RBC AAM will review the valuation procedures used by all Portfolio Managers, RBC AAM will not be able to confirm the accuracy of valuations provided by Portfolio Managers.

Commodity and Futures Contracts. The Portfolio Managers may invest in commodity and futures contracts. Commodity futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage is typical of a commodity futures trading account. As a result, a relatively small price movement in a

commodity futures contract may result in substantial losses. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits — which conditions have in the past sometimes lasted for several days in certain contracts — the Portfolio Managers could be prevented from promptly liquidating unfavorable positions and thus be subject, and consequently subject the Client Portfolios, to substantial losses.

Counterparty and Custodial Risk. To the extent that Portfolio Managers invest in swaps, derivative or “synthetic” instruments, repurchase agreements, or other OTC transactions, or, in certain circumstances, non-U.S. securities, the Client Portfolios may indirectly take a credit risk with regard to parties with whom the Portfolio Managers trade and may also indirectly bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

In addition, there are risks involved in dealing with the custodians or brokers who settle Portfolio Manager trades, particularly with respect to non-U.S. investments. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Portfolio Funds and hence the Client Portfolios should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation and there may be practical or time problems associated with enforcing the Client Portfolios' rights to their assets in the case of an insolvency of any such party.

Changing Market and Economic Conditions. Changing market and economic conditions and other factors, such as changes in tax laws, securities laws, bankruptcy laws or accounting standards, may make the business of the Client Portfolios less profitable or unprofitable.

Government Regulation. Instability in the financial markets has led the U.S. Government to take unprecedented actions to support certain financial institutions and certain segments of the financial markets that experienced extreme volatility. Regulatory organizations may take legislative or regulatory actions that may affect the operations of a Client Portfolio or its investments or preclude a portfolio's ability to achieve its investment objective.

On December 10, 2013, U.S. regulators approved final regulations implementing Section 619 of the Dodd-Frank Act, known as the “Volcker Rule.” The Volcker Rule places restrictions on the ability of a “banking entity” such as RBC and its affiliates from acquiring or retaining any ownership interest in, or sponsoring, a “covered fund” such as a hedge fund, and prohibits certain transactions between these funds and any RBC entity. However, the Volcker Rule provides limited exceptions to the sponsorship and ownership restrictions. For example, a banking entity may provide investment management and other fiduciary services to a covered fund that is not offered to U.S. investors. Additionally, foreign funds that are not offered to U.S. investors are largely exempt from the Volcker Rule provided that such funds are not owned or sponsored by a U.S. banking entity. Full compliance with the Volcker Rule is required by July 21, 2015 and both RBC and the Investment Manager may be impacted in terms of their relationships with covered funds.

Future Regulatory Changes are Impossible to Predict. The securities markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC, the CFTC and various exchanges, the FRB and other regulators are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds is impossible to predict, but could be substantial and adverse.

Limited Regulation. While the Client Portfolios and the Portfolio Funds may be considered similar to investment companies, the Client Portfolios and the Portfolio Funds do not intend to register as such under the Investment Company Act in reliance upon certain exemptions available to privately offered investment companies. Accordingly, the provisions of the Investment Company Act will not be applicable to the Client Portfolios or the Portfolio Funds. However, RBC AAM is registered as an investment adviser with the SEC and consequently is governed by the regulations of the SEC and subject to the oversight of such agency.

Dependence on Key Personnel. RBC AAM is dependent on the services of a limited number of persons. The Client Portfolios will also be dependent upon the expertise and abilities of the underlying Portfolio Managers who will have investment discretion over the Client Portfolios' assets. Therefore, the death, incapacity or retirement of any RBC AAM key personnel or Portfolio Manager may adversely affect investment results.

Limited Liquidity. Generally, investments may only be redeemed effective as of the last day of a calendar quarter (and at such other times, with the consent of, and upon such terms as may be approved by, RBC AAM in its sole discretion). An investment in the Client Portfolios is suitable only for certain sophisticated investors. In some cases, some Portfolio Funds in which the Client Portfolios invests may have liquidity provisions and lock-ups which are significantly more restrictive than those of the Client Portfolios.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of RBC AAM or the integrity of our management.

RBC AAM and our management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

As discussed in Item 4 above, RBC AAM is a wholly owned subsidiary of Royal Bank Holding Inc., which is a wholly owned subsidiary of RBC. RBC has a global family of companies under its control, including two affiliated U.S. registered investment advisers material to the investment advisory services we provide:

- RBC GAM-US and
- RBC Capital Markets, LLC ("RBC CM"), a dually-registered investment adviser and broker dealer.

As described below, many of our affiliates engage in activities that are material to our advisory business or to AAM Clients. RBC AAM does not have any relationships or arrangements that are material to its advisory business or clients with a related person other than those discussed below:

- RBC AAM may have employees who are registered representatives of an affiliated broker-dealer, RBC CM.
- Some of our directors, executive officers, and employees are also directors, officers, or employees of one or more affiliates. In these circumstances, the potential for a conflict of interest exists between the obligations to AAM Clients and the incentive to take actions that benefit one or more of our other affiliates. There may also be conflicts among the affiliated entities with respect to the allocation of resources and time. We believe these potential conflicts are mitigated because our employees and those of our affiliates are subject to a Code of Conduct and various policies that require these employees to act in the best interests of AAM Clients and to put the needs of AAM Clients first at all times.
- We receive certain administrative, operational, infrastructure and technical support, compliance, legal, and marketing services from our affiliates that may be material to our advisory business.
- Royal Bank of Canada, acting through its New York Branch acts as the custodian and administrator for the Funds. RBC is the parent company of RBC AAM. For more information about this relationship, see Item 15.
- Certain Managed Account clients have selected Royal Bank of Canada (Channel Islands) Limited, an affiliated qualified custodian to custody their assets. Refer to Item 15 for more information on custody with affiliates.
- We have a contractual relationship with RBC Investment Management (UK) Limited ("RBIM") that covers the payment of compensation to RBIM for their past referrals of clients to RBC AAM. The compensation paid does not increase the client's fees and is paid in accordance with Rule 206(4)-3 under the Advisers Act. Such referral fees were disclosed to the referred client(s) and are generally paid in cash.
- RBC AAM acts as sub-adviser to RBC GAM Inc. on behalf of the RBC Hedge Fund Portfolio USD, which is a Canadian mutual fund for Canadian investors. RBC AAM provides investment recommendations to RBC GAM Inc. based on the investment management agreement. RBC GAM Inc. then instructs its custodian to invest in the recommended Portfolio Funds.
- RBC AAM has an open loan facility with RBC to allow a Fund to borrow for cash management purposes, which may include funding redemptions, meeting margin requirements, settling currency transactions, and other purposes as deemed appropriate by RBC AAM.

These relationships and arrangements do not create a material conflict of interest with AAM Clients.

Item 11 – Code of Ethics

Due to the dual-role of Theresa Alewine, the CCO of both RBC GAM-US and RBC AAM, our employees follow the RBC GAM-US Code of Ethics and are monitored by the same compliance group as employees of RBC GAM-US.

Code of Ethics and Personal Trading

We have adopted a Code of Ethics that guides our standards of business conduct as a fiduciary to our clients as well as other policies and procedures that outline our practices surrounding personal trading in securities, confidentiality of client information, and the misuse of non-public information.

You may obtain a copy of our Code of Ethics by contacting us at (800) 553-2143 or sending a request to:

RBC Global Asset Management (U.S.) Inc.
Attention: Client Service
100 South Fifth Street, Suite 2300
Minneapolis, MN 55402

Generally, the personal trading and participation or interest in client transactions of our Code of Ethics provides that: The personal securities transactions, activities, and interests of the employees will not interfere with (i) making decisions in the best interest of our advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts;

- Except for certain classes of securities that have been designated as exempt transactions, employees must pre-clear all personal trades for their own accounts or accounts over which they have an interest or control;
- Employees may not purchase or sell the same security during the firm imposed blackout period, which is 7 days after a trade in a client account and 7 days before the client trade (These restrictions may be waived where appropriate by the compliance department based on individual circumstances);
- Employees may not generally purchase or sell the same security for a gain within any 60-day period (These restrictions may be waived where appropriate by the compliance department based on individual circumstances); and
- Employees must report personal securities holdings at the time of hire, as well as annually thereafter, and certify adherence to the Code of Ethics and accuracy of their personal holdings and transactions quarterly.

Affiliated Investors

RBC AAM is the investment manager to Client Portfolios and, in that capacity, RBC AAM has full investment responsibility with regard to the assets of each Client Portfolio. To the extent RBC or our affiliated entities have investments in or provided seed capital to a Fund, RBC AAM may have an incentive to favor those Funds over Client Portfolios that do not hold assets of RBC-affiliated entities. As described in the response to Item 6, RBC AAM has adopted controls, such as its allocation policy, that are intended to ensure that no AAM Clients are favored over others. More information about conflicts of interest arising from affiliated investors, please see the Fund's offering documents.

Use of Affiliated Broker-Dealer

RBC AAM does not execute security trades with Broker-Dealers on behalf of its clients or Funds.

Item 12 – Brokerage Practices

Generally, RBC AAM does not direct brokerage or have any soft dollar arrangements. RBC AAM does not execute security trades on behalf of its clients. Rather, RBC AAM primarily invests AAM Client assets through private placements in hedge funds at the prevailing monthly net asset value without the involvement of any financial intermediary such as a broker-dealer, and commissions are not payable in connection with such transactions. As part of the due diligence process, RBC AAM may review the brokerage practices and soft dollar arrangements of the underlying hedge funds.

RBC AAM may purchase interests in or shares of a hedge fund for one Client Portfolio at the same time it is redeeming interests in or shares of the same hedge fund for another Client Portfolio.

In certain circumstances, there may be limitations on the ability of RBC AAM to invest in one or more hedge funds. We have adopted investment opportunity allocation policies and procedures that are designed to result in the fair allocation of

investment opportunities among all Client Portfolios for which such opportunities are appropriate and that have the funds available to take advantage of such opportunities.

In other circumstances, there may be limitations on the ability to redeem out of a Portfolio Fund (*e.g.*, a gate or other type of mechanism for restricting redemptions). Additionally, there may be occurrences where we are forced to redeem investments in a Portfolio Fund, in whole or in part, due to regulatory constraints or a compulsory redemption effected by the Portfolio Fund.

Item 13 – Review of Accounts

RBC AAM performs ongoing reviews of each Fund and Managed Account to ensure that the AAM Client's investment objectives are being diligently pursued. This process is conducted by the Chief Investment Officer and other investment professionals.

Investors in each Fund receive monthly reports from the administrator which provide the current valuation of the Fund and a report from RBC AAM discussing performance. Additionally, external investors in the Fund will receive an annual audited financial report.

Managed Account clients should receive at least quarterly statements from the administrator or other qualified custodian that the client selected to hold and maintain their investment assets. They will also receive a monthly report from RBC AAM discussing performance.

Item 14 – Client Referrals and Other Compensation

RBC AAM may from time to time enter into a relationship with third parties (who may be affiliates) to market Client Portfolios. Payments to parties would come from RBC AAM's assets, not the assets of the AAM Client and will be paid in accordance with Rule 206(4)-3 under the Advisers Act. Such referral fees will be disclosed upon referral and are generally paid in cash. Currently, RBC AAM is paying one affiliate, RBIM, for their past referrals. For more information, see Item 10.

Employees of affiliates of RBC AAM may be employed to sell interests in Client Portfolios. While not directly compensated by RBC AAM, they would be compensated by an affiliate of RBC AAM.

RBC AAM does not receive any compensation directly or indirectly from Portfolio Managers or Portfolio Funds that it recommends to or purchases for Client Portfolios.

As part of its ordinary business, RBC AAM, or a related person may send corporate gifts or pay for meals and entertainment, such as golf fees, tickets to cultural or sporting events for clients who do business with us, or our affiliates. RBC AAM employees may also receive corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to certain limitations as outlined in our policies and procedures.

Item 15 – Custody

Managed Account clients should receive at least quarterly statements from the administrator or other qualified custodian that the client selected to hold and maintain their investment assets. RBC AAM urges clients to carefully review such statements and compare such official custodial records to the account statements that we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. When a Managed Account client selects an affiliated qualified custodian to custody their assets, RBC AAM may be deemed to have custody of those assets and will comply with all disclosure and regulatory requirements, including a surprise annual audit, in compliance with applicable SEC rules. Certain Managed Account clients have selected Royal Bank of Canada (Channel Islands) Limited, an affiliated qualified custodian, to custody their assets. RBC AAM has determined that it is operationally independent from Royal Bank of Canada (Channel Islands) Limited and as such is not deemed to have custody of these assets. This determination is reviewed and confirmed at least annually.

The custodian of the Funds, Royal Bank of Canada–New York Branch (“RBC-NY Branch”), is an affiliate of RBC AAM dedicated to providing U.S. and offshore fund of hedge fund clients with custody and administration services.

Contact: Martha Espinoza | 212-858-8304 | aagcustody@rbccm.com
Royal Bank of Canada - New York Branch
3 World Financial Center
200 Vesey Street, 14th Floor
New York, NY 10281-8098

The custodian is responsible for executing purchases and sales of Portfolio Funds at the direction of RBC AAM and for the safekeeping of the Fund's property that is delivered to and accepted by the custodian for credit to the Fund's custody account.

Due to the relationship between RBC-NY Branch and RBC AAM, RBC AAM is deemed to have custody of the assets in each Fund. To comply with the requirements of the Advisers Act, each RBC AAM Fund is audited each year by an independent public accountant and these audited financial statements are provided to Fund investors within 180 days of fiscal year end.

Item 16 – Investment Discretion

RBC AAM usually receives discretionary authority for a Client Portfolio, including a power of attorney, through an agreement between RBC AAM and the AAM Client at the outset of an advisory relationship. This includes the authority to determine when a Client Portfolio invests or withdraws from a Portfolio Fund and the amount of such investment or withdrawal without obtaining specific consent from investors. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client Portfolio. Because RBC AAM is a fund of hedge funds manager, securities execution decisions for the portfolios of the underlying funds are not made by RBC AAM, but by the underlying Portfolio Managers responsible for the placement of buy and sell orders and the execution of such orders. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client Portfolio.

For discretionary accounts, RBC AAM observes the investment policies, limitations and restrictions of the Client Portfolio when selecting investments and determining amounts.

For non-discretionary accounts, the AAM Client's approval and/or instruction would be required for RBC AAM to act.

Item 17 – Voting Client Securities

It is RBC AAM's policy to abide by proxy voting guidelines in accordance with Rule 206(4)-6 of the Advisers Act. Because of the nature of the investment management services it offers, RBC AAM rarely is in a position to cast any proxy votes. However, in the unusual event that a hedge fund manager requests RBC AAM to vote limited partnership interests, limited liability company interests, shares or similar equity interests, RBC AAM as a fiduciary, will execute proxy votes in a manner consistent with its duty, in the best interest of the AAM Client.

Item 18 – Financial Information

We are not required to include a balance sheet in this brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

RBC AAM has not been the subject of a bankruptcy petition during the past 10 years.