

Part 2A of Form ADV The Brochure

October 31, 2014

BlueBay Asset Management USA LLC

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Four Stamford Plaza

107 Elm Street, Suite 512

Stamford, CT 06902

(P) +1-203-541-4314

(F) +1-203-541-4350

October 2014

This brochure provides information about the qualifications and business practices of BlueBay Asset Management USA LLC ("BlueBay USA"). If you have any questions about the contents of this brochure, please contact Robert Lilly at +1-203-541-4314 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.

MATERIAL CHANGES

This brochure contains information about BlueBay USA.

Effective 1 January 2014, Alex Khein, previously COO, became CEO of BlueBay.

Also effective 1 January 2014, Raphael Robelin and David Dowsett succeeded Mark Poole as Co-CIOs of the firm, and will retain their responsibilities as Co-Head of the Investment Grade team and Co-Head of the Emerging Market team, respectively.

Hugh Willis, one of BlueBay's founding partners and previous CEO, became Executive Chairman and remains on BlueBay's Board; and Mark Poole, one of BlueBay's founding partners and previous CIO, became Executive Chairman of the Investment Committee and Asset Allocation Committee and relinquished his seat on the Board effective 1 January 2014. Both Hugh and Mark remain members of the Partnership.

Luc Leclercq joined BlueBay in November 2013 as Partner and COO to succeed Alex Khein, effective 1 January 2014.

With Nick Williams, CFO; Erich Gerth, Global Head of Business Development; and Natalie Benitez-Castellano, Global Head of Human Resources; remaining in their current management positions, we expect the enlarged management team resulting from these initiatives to well-equip BlueBay for the next phase of its development.

From 1 May 2015, Alex Khein will become Co-CEO of RBC GAM alongside Damon Williams, currently Head of RBC GAM's Institutional Business. Alex will continue to be based in London with 85-90% of his time spent with BlueBay.

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1. Advisory Business – Who We Are

BlueBay Asset Management USA 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 registered adviser and has approximately US\$28.6 billion assets under management.

We use the terms “BlueBay USA”, “we”, “us” or “our” in this brochure to refer to BlueBay Asset Management USA 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 acts 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 convertible debt strategy aims to generate equity-like returns with lower volatility than investing in equities, in a manner consistent with the investment guidelines. We seek to achieve the targeted return by exploiting existing market inefficiencies at each stage of the investment process, using our strong credit and equity expertise and high quality, proprietary research. We implement strategies adopted from the long/short convertible bond universe to optimise the risk/return characteristics of the portfolio, with a focus on capital preservation throughout the credit cycle.
- **High yield/distressed debt** – Our high yield and distressed debt strategies place strong emphasis on downside risk management, with dynamic, proactive proprietary research driving the security selection process. 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.
- **Emerging market debt** – Our approach to investing in emerging market debt reflects our belief that the asset class continues to be inefficient while the underlying sovereign and corporate credits are generally improving, relative to developed markets. Local markets, in particular, are at an earlier stage of development relative to hard currency/developed bond markets, resulting in higher pricing volatility and real interest rate premia. We believe in the value of active management, with a focus on identifying high conviction capital appreciation and relative value opportunities through our rigorous fundamental research process. We seek to capitalise on attractive alpha-generating opportunities while minimising downside volatility.
- **Investment grade debt** – The cornerstone of our investment grade debt investment philosophy is our focus on delivering attractive absolute, risk-adjusted returns throughout the credit cycle based on our dynamic, research-driven approach. We believe that financial markets are inefficient and it is possible to generate alpha through active portfolio management. We employ a disciplined investment process in order to identify opportunities to generate alpha, and actively seek to identify underweight, as well as overweight, positions. We recognise the asymmetric nature of tail risk at an issuer level and employ both credit derivatives and cash bonds in an unconstrained and dynamic manner to meet our alpha targets.

2. Fees And Compensation

The latest prospectus for each fund provides details of the specific schedule of fees payable for the relevant fund structure and class. The standard fee structures are a management fee only or a management fee plus performance fee. 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, may be 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% of net outperformance.

In addition to BlueBay 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.

BlueBay provides 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 (or equivalent) invested and may be managed on a management fee only basis or with a combination of management and performance fees.

BlueBay's investment management fees for segregated accounts are negotiated in connection with the respective asset class and may be modified for portfolios that have special investment constraints, unusual reporting or administrative requirements or unique characteristics.

Management fees for segregated accounts are generally payable 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 annually. All client fees are paid in arrears and are billed to the client. Fees charged by BlueBay 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 the Brokerage Practices section of the Brochure.

BlueBay's investment management agreements may be terminated by BlueBay or its client, subject to applicable notice provisions contained in the investment management agreement.

3. Performance Based Fees and Side-by-Side Management

BlueBay USA may act as sub-advisor on both long-only and alternative investment strategies for 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 USA 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 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 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 minimised and monitored on an ongoing basis. These include 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.

4. Types Of Clients

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

- Pension Funds
- Corporations
- Non-Profit Organisations
- Family Offices
- Insurance Companies
- Sovereign Wealth Funds
- Fiduciary Consultants
- Distribution Channels
- Private & High Net Worth Individuals

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 (or equivalent) 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.

5. 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

Our 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, provide 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.

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 of six stages:

- Stage 1 – Macro Strategy
- Stage 2 – Preliminary Screening
- Stage 3 – Fundamental Credit and Equity Analysis
- Stage 4 – Valuation and Relative Value Analysis
- Stage 5 – Technical Analysis
- Stage 6 – Portfolio Construction

High Yield/Distressed Debt

Our high yield debt issuer selection process 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 and Preliminary Screening
- Stage 2 – Credit Analysis
- Stage 3 – Relative Value and Absolute Risk and Return
- Stage 4 – Portfolio Construction

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, however, 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.

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:

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

Investment Grade Debt

Our investment grade debt strategies aim to generate performance across both interest rates and credit through both relative value and market directional positions. They have no bias to asset type or strategy type, as these are dictated by investment opportunities. The mix is expected to vary across the investment cycle and we focus on specific markets, assets or strategies that, we believe, offer the most opportunities and the most asymmetric risk/return characteristics.

Investment decisions for all of our investment grade debt strategies are taken in accordance with our investment process which combines six stages:

- 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 characterised 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 limit 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 maximise portfolio efficiency
- 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

Risk management at BlueBay is used to identify and quantify risks faced by the business, mitigate and manage such risks within the context of the overall risk appetite, and to provide ongoing monitoring of such risks for escalation as needed throughout the year.

This is achieved through a strong risk governance framework, independent reporting and robust systems and controls, which are regularly reviewed by staff responsible for risk monitoring and external reviews by independent third parties.

BlueBay is exposed to four primary sources of risk:

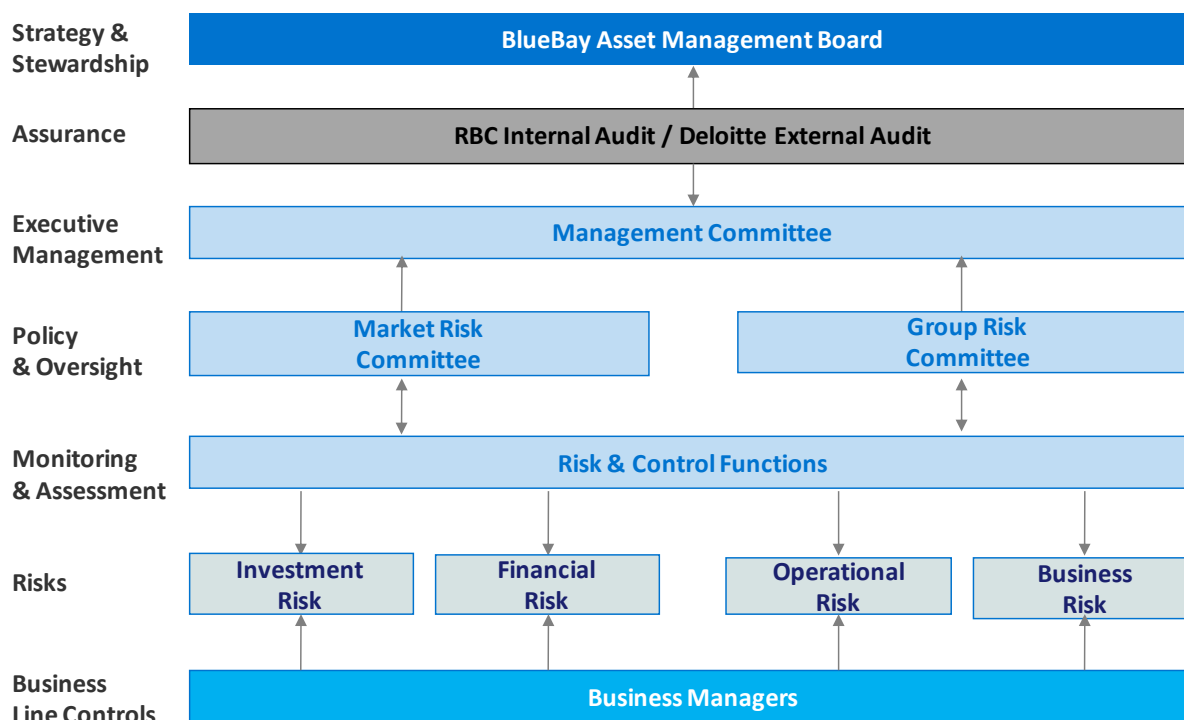
- Investment risk, which is the risk that BlueBay's fund products fail to deliver the expected level of performance;
- Business risks, which are internal or external risks related to the execution of BlueBay's business strategy;
- Operational risks, which are risks related to people, processes, systems and external events; and
- Financial risks, which are risks from market fluctuations, counterparty failures or withdrawal of liquidity affecting BlueBay directly.

Risk Appetite

BlueBay's risk tolerance is expressed through a risk appetite statement (as presented in the Internal Capital Adequacy Assessment Process (ICAAP) report) which defines the types and degree of risk that BlueBay is willing to accept in order to execute its business strategy. Formulated by the Board and monitored by it quarterly, it provides practical guidance to key stakeholders about the level of tolerance for risk in the principal risk categories BlueBay is facing. It also determines the framework of controls and oversight required to ensure risk exposures remain within acceptable levels.

Risk Governance

BlueBay's Governance framework is designed to ensure clear accountabilities, defined authorities and an efficient flow of information. Overall risk oversight is provided by the Board.



The Board

The Board has responsibility for setting the risk management and internal control policies for BlueBay. It is responsible for reviewing the adequacy and effectiveness of the internal controls and risk management processes. In order to identify risks and potential control weaknesses the Board draws upon the Risk Register (a list of key risks identified by BlueBay management) which it reviews

on an annual basis. To assist in these responsibilities the Board agrees an internal audit program with RBC Internal Audit Services to review the processes and controls in place. Additionally the Board reviews the scope and nature of the external audits conducted by Deloitte and reviews findings.

The Board fulfils this duty by means of direct intervention or by delegating appropriate responsibilities to the Management Committee.

The Board comprises seven non-executive members and four executive members, meeting four times per year.

Management Committee

The Management Committee is responsible for the execution of the business strategy and therefore bears responsibility for the identification, assessment and management of all risk categories through its day-to-day management and the implementation of effective management structures. The members of the Management Committee collectively have direct responsibility for all functions within BlueBay and receive update reports on the issues and risks arising from the various departments through regular meetings with the department heads. The Management Committee additionally relies on the support of the Group Risk Committee and the Market Risk Committee to provide policy and oversight over the main areas of risks.

The Management Committee comprises the CEO, two Co-CIOs, CFO, COO, Global Head of Business Development and Global Head of Human Resources, meeting twice monthly.

Group Risk Committee

The purpose of the Group Risk Committee is to set policy and provide oversight over business and operational risks, review the effectiveness of BlueBay's control environment and enhance staff awareness of the risks and mitigating policies and procedures.

The Committee comprises the Head of Risk & Performance (Chair), COO, CFO, General Counsel, Global Head of Compliance and Head of Operational Risk. The Committee meets monthly.

Market Risk Committee

The purpose of the Market Risk Committee is to set policy relating to BlueBay's investment risk management framework and provide ongoing review and oversight of investment risk and performance. Additionally the Committee establishes mandates and guidelines for BlueBay fund products as well as providing oversight over financial risks assumed by BlueBay.

The Committee comprises the Head of Risk & Performance (Chair), Head of Investment Risk and two Co-CIOs. The Committee meets weekly.

The cross-memberships within Management, Group Risk and Market Risk Committees encourage and enable the flow of information across BlueBay. Taken together, these committees provide ongoing oversight over all risks faced by BlueBay.

Risk Monitoring

Risk management is the responsibility of all staff within each department performing functions that are vital for the effective management and mitigation of risks.

BlueBay's Risk and Performance Department is tasked with the independent monitoring of all risk categories, with a dual reporting line to the CEO and COO. Additionally, some departments such as Legal, Compliance and Finance and Operations also provide independent review and challenge as part of their day-to-day operations. Risk and control awareness throughout the organisation is reinforced through the annual update of the Risk Register.

Breaches and errors are escalated to Risk and Compliance and recorded in the breaches and errors register. Issues are brought to the attention of the Risk Department for inclusion in the Risk Register.

Independent Verification

Independent verification of systems and controls is provided by Internal and External Audit. Internal Audit services are provided by RBC Internal Audit Services, who report their findings to the BlueBay Board and to the RBC Audit committee responsible for subsidiary entities.

The Internal Audit program helps the Management Committee ensure that adequate systems of internal control are in place and it provides assurance to the Board and the RBC Audit Committee that the risks identified by BlueBay are being properly managed. The internal audit programme involves an annual audit of departments within BlueBay, with all departments audited at least every three years.

External audit services are provided by Deloitte, who are the reporting accountant for the annual report and accounts and for the ISAE 3402 Assurance report on controls at a service organisation ("ISAE 3402"). Deloitte reports in the ISAE 3402 on the design of

control procedures and the achievement of specified control objectives. They also report on the effectiveness of the control procedures which were tested.

Deloitte also reviews BlueBay's systems and controls associated with preparation of its financial statements, on which clients may rely to assess BlueBay's financial strength, in its role as the external auditor.

Issues identified in audit reviews are agreed with the responsible manager and resolved within a given time frame. The Group Risk Committee monitors the status of open issues and ensures timely completion.

Risk Measurement and Mitigation

a) Investment & Financial Risks

BlueBay mitigates investment risk by adhering to the following key principles:

- All investment positions are priced daily by the independent Pricing Team and reconciled against administrators' records on official NAV dates by Fund Accounting.
- Daily performance reports are distributed to senior management.
- Compliance performs pre-trade checks to ensure transactions do not breach applicable regulations, prospectus restrictions or investment management agreements.
- The Market Risk Committee sets internal guidelines for all BlueBay fund products to ensure they are managed in accordance with their mandates.
- The Risk Team produces and reviews detailed daily risk reports for all BlueBay fund products and engages with the portfolio managers to ensure all risks are understood and clearly communicated.
- The Risk Team monitors exposures against internal guidelines and reports exceptions to the Market Risk Committee. The Risk Team will instruct portfolio managers to reduce exposures if these are deemed excessive.
- Brokers and counterparties used by BlueBay funds are subject to an initial approval process, daily oversight and annual review. Exposure to counterparties is monitored daily and subject to internal limits.
- OTC derivatives are transacted under ISDA agreements with bilateral CSAs. Daily exchange of margins ensures that mark-to-market exposures are cash collateralised to the full extent permitted by the CSA. Similarly, repurchase agreements are only traded under valid GMRA's.
- Custodians and sub-custodians are reviewed annually.
- Minimum cash amounts in all BlueBay funds are monitored daily. All investment positions are classified in terms of liquidity by the Risk Team at least once a month.
- New investment products are subject to an internal approval process to ensure all infrastructure departments can handle them appropriately.

Market Risk

The measures used by BlueBay to monitor market risk are:

- Value at Risk (VAR) and/or ex-ante Tracking Error. VAR is calculated by way of Monte Carlo simulation, using 95% confidence level, one day horizon and a one year, exponentially weighted look-back period. Other confidence levels, horizons and look-back periods are used for regulatory purposes. To monitor the effectiveness of the VAR model, the Risk Team performs an ongoing backtesting of the model against daily returns for all BlueBay fund products. At least twice a year, the results of the backtesting program are reviewed by the Market Risk Committee.
- Risk factor sensitivities, such as interest rate sensitivity (IR01), credit spread sensitivity (CR01), FX delta, equity delta and vega.
- Leverage, or the sum of exposures from all investment positions divided by the NAV of a fund. Exposure is calculated as market value for cash products, ten year equivalent notional for interest rate derivatives, and delta-adjusted notional for all other derivatives.
- Concentrations, such as top issuer, top 5 issuers, top issuer by rating, top country and/or top sector.

- Stress tests. Stress tests consist of both historical and predictive scenarios. Stress tests are updated if warranted by market events, new asset classes or on request, and the Market Risk Committee formally reviews all scenarios at least annually to ensure they are still relevant.
- Drawdown.

Internal guidelines are set to cover those risk measures that are deemed particularly relevant for the investment strategy pursued by each fund. Guidelines are set conservatively to alert the Risk Team when risk levels start moving outside of the normal ranges. Guidelines are “soft”, and there is no expectation that the portfolio managers need to comply with these guidelines at all times, provided that the Risk Team is comfortable with the resulting risk levels.

Exceptions are reported daily to the Market Risk Committee and reviewed at its weekly meeting.

Counterparty Risk

The Market Risk Committee approves all counterparty relationships. The Risk Team maintains a list of approved counterparties, which is reviewed at least annually.

Counterparties are grouped into tiers, which determine approved products and applicable limits. A summary is provided in the table below.

| Cpty Tier | Conditions | Approved Products | | | | | |
|-----------|---|-------------------|------------|-------|------------|-----------------|-----------------|
| | | DVP | FOP | Loans | Cash Sweep | OTC | Repos |
| Tier 1 | A-/A3 or better by at least one agency, observable CDS spread and/or equity price | Y | <5% of NAV | Y | Y | Subject to ISDA | Subject to GMRA |
| Tier 2 | Major provider of liquidity | <100m notional | N | (Y) | N | N | N |
| Tier 3 | Occasional provider of liquidity | <10m notional | N | N | N | N | N |

For Tier 1 counterparties (and where possible for Tier 2 & 3 counterparties) the Risk Team monitor rating changes, CDS spreads and equity price movements daily. The general requirement for a Tier 1 counterparty is a senior debt rating of A-/A3 by at least one agency, and a 5 year CDS spread of less than 250bp, although the Market Risk Committee may approve exceptions.

Counterparty exposures are monitored daily by the Risk Team. Counterparty exposure is defined as the replacement value (positive mark-to-market) of a contract. Exposures are netted by counterparty and product category and include any collateral held or posted.

OTC collateral is monitored daily by Operations.

Unless more restrictive limits are defined by applicable regulations, prospectus or investment management agreements, the following internal limits per counterparty apply:

- Long only funds: 8% of NAV for OECD banks, 4% of NAV for other counterparties
- Alternative funds: 20% of NAV per counterparty
- BlueBay overall: 3% of AUM per counterparty

Overall notional limits apply for DVP trades with Tier 2 & 3 counterparties, and additional limits apply for Free of Payment settlement and securities lending transactions.

Liquidity Risk

Each portfolio holding is allocated to one of four liquidity buckets based on the Risk Team’s assessment of the time it will take to liquidate each holding in normal market conditions without materially impacting the value of the position.

The four liquidity buckets are:

- L1: assumes instruments can be liquidated within 1 day;
- L2: assumes instruments can be liquidated within 1 week;
- L3: assumes instruments can be liquidated within 1 month;
- L4: instruments are deemed illiquid.

The Risk Team uses both quantitative and qualitative criteria to determine the appropriate liquidity bucket. Quantitatively, the liquidity score is determined by a set of criteria ranging from the security's bid-offer spread, the number of market makers or the size of a holding relative to the total amount outstanding of a security.

The Risk Team may change the liquidity score derived from the quantitative criteria if there are other indicators that point to a different liquidity score. For this more qualitative assessment, the Risk Team will seek advice from BlueBay's trade execution team.

Changes to the liquidity profile over time are monitored by the Risk Team, which will report any significant changes to the relevant portfolio managers and the Market Risk Committee. Action may be taken to increase the liquidity of a sub-fund where deemed necessary.

Liquidity scores are part of the quarterly risk report to the Fund board of directors and liquidity stress tests are reviewed quarterly by the Market Risk Committee.

Environmental, Social & Governance (ESG) Risk

ESG risk encompasses non financial aspects related to an issuer's operations which may inhibit their ability to meet their financial commitments. These risks vary by country and industry but may include pollution and waste, management of employees and contractors, relationship with customers and wider society and transparency of decision making and accountability structures. ESG risk factors are considered by the credit analysts as part of their investment analysis. The Risk Team assists with this process by providing ESG scores and research sourced from specialist ESG research providers. All portfolio holdings are assigned an ESG score, either sourced from independent ESG providers if available, or otherwise internally derived. Average portfolio scores, as well as bottom scoring and controversial holdings, are reported by the Risk Team to the portfolio managers and the Market Risk Committee. Internal "soft" guidelines apply to average portfolio scores and portfolio managers may be challenged to justify certain holdings, but no exclusions apply. BlueBay's Environmental, Social and Governance Risk Management Policy is available on the company's website.

Financial Risk

BlueBay is exposed to the following principal sources of financial risk:

- Investment risk from seed investments
- Foreign exchange rate risk from foreign currency fee receipts
- Counterparty risk from cash deposits
- Liquidity risk

These risks are mitigated as follows:

- Investment risk from seed investments is covered by the monitoring described under Investment Risk. The Group Risk Committee also monitors the risk exposure using value at risk key risk indicators.
- Foreign exchange rate risk is managed at the RBC Group level in line with RBC Group policies. BlueBay limits its local exposure by ensuring fee income receipts are automatically converted to GBP and only operating levels of cash are kept in non-GBP currencies.
- For cash deposits, BlueBay maintains banking relationships with multiple Tier 1 institutions that are subject to daily monitoring by the Risk Team. Should the Market Risk Committee become concerned about such an institution balances can be moved to another one intraday.
- Liquidity risk is mitigated by the fact that BlueBay has no debt and is adequately monitored through the ICAAP process.

b) Operational & Business Risks

Operational risk (including Information Security) is managed and mitigated by means of a defined risk governance framework giving clear reporting lines, suitably trained and qualified staff and a comprehensive structure of internal controls with appropriate monitoring and oversight. The process followed is to identify, assess, mitigate, monitor and report these risks.

Identify

Risks are identified by senior management and business managers and recorded in the Risk Register. This process is an ongoing assessment with a formal review of the risk register held annually. At this time the business areas conduct a risk and controls assessment with the output feeding into the Risk Register. Risk Register items may either have led to material losses in the past, or

they may be potential concerns. A series of key risk indicators (“KRIs”) has been developed across the business areas helping to identify areas of potential change within the risk framework.

Assess & Mitigate

Every risk item is assigned an inherent risk score based on the likelihood and the impact of such an event occurring. Existing controls are also listed and the resultant residual risk scored and assessed. The residual risk is reviewed to ensure that it is acceptable within the parameters defined by BlueBay’s risk appetite and further controls are considered if necessary.

The scoring of Risk Register items is based on the following matrix, with the likelihood estimated over a three year horizon:

| | | | | | | | |
|--|--------|----------|---|--|---|--|---|
| L I K E L I H O O D | >50% | Probable | 4 | 4 | 8 | 12 | 16 |
| | 10-50% | Possible | 3 | 3 | 6 | 9 | 12 |
| | 1-10% | Unlikely | 2 | 2 | 4 | 6 | 8 |
| | <1% | Rare | 1 | 1 | 2 | 3 | 4 |
| | | | | 1 | 2 | 3 | 4 |
| | | | | Minor | Moderate | Major | Severe |
| Financial Loss (% of Revenues) | | | | <1% | 1-5% | 5-10% | >10% |
| Management Effort | | | | Minor impact on day to day business activities | Moderate impact which can be managed under normal circumstances | Major impact which with proper management can be endured | Serious impact which threatens survival of business |
| Regulatory Compliance | | | | Minor breach - no fine, no business disruption | Fine but no business disruption | Significant fine and major disruption to the business | Severe fine and damage to reputation |
| Stakeholder Confidence | | | | Minimal impact | Some short term impact | Disruption to stakeholder confidence with some long term effects | Major long term loss of confidence by stakeholders |

IMPACT

Monitor

Risks and controls are monitored through ongoing assessment of issues raised by business areas and regular reporting of KRIs and other management information, as outlined in 5 above.

Manage & Report

BlueBay uses an operational risk management system called ARC Logics (formerly called SWORD) to help manage and report its risks.

The risk register is maintained on this system and allows risks to be matched up with mitigating controls. Risks are classified on the system as Investment, Financial, Business or Operational and are rated according to the scoring methodology. Mitigating controls are mapped by business process to the relevant risk and their effectiveness is scored. Quarterly control assurance reporting allows control owners to verify that their controls have been working effectively and have managed the risks appropriately.

The system also acts as a loss database recording control breakdown incidents that have occurred. This allows for losses to be linked to the failed control, along with details of the loss and remedial actions. Operational Risk is responsible for recording and resolving these incidents which are formally documented and reviewed by the Group Risk Committee.

Additionally key business issues and actions, which may have arisen from control failures, audit review or business necessity, are also recorded in the system. Issues and actions can be assigned appropriately allowing users and management to readily track and manage issues.

Various scenarios, utilising risks identified in the risk register combined with internal and external loss data, are modelled and their impact on the business assessed. These scenarios and their financial impact are documented in the BlueBay ICAAP which is approved by the BlueBay Board.

BlueBay key processes and procedures are documented and maintained by the relevant business areas. All key risk related policies are developed in line with RBC Group policies (where appropriate) and best market practice. These are reviewed and approved by the Group Risk Committee.

6. 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.

7. 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 be used, where permitted by regulation and the client's contract, to 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 among these companies and their partners and employees;
- The observance of the BlueBay USA 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-advisor 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.

8. 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 all employees and partners to:

- Act with integrity, competence, diligence, respect and in an ethical manner with clients/investors, prospective clients/investors, and all other persons with whom they deal in the course of their business activities;
- Place the interests of clients/investors above their own personal interests;
- Use reasonable care and exercise independent and objective professional judgment when carrying out their duties for clients/investors, and prospective clients/investors, 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; and
- Ensure that all verbal and written communications, including Bloomberg messages, Bloomberg instant messages, and email messages, are professional and do not include any material that could be regarded as inappropriate or offensive.

Our Code of Ethics is applicable to all employees and partners. Among other things, the code requires us and our employees and partners to act in clients'/investors' 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.

All partners and employees are required to confirm on an initial and annual basis that they are familiar with and will comply with the guidelines laid out in the Compliance Manual. BlueBay's Compliance Manual is regularly amended according to changes in business activities, regulations and law. The Compliance Manual is formally updated and redistributed to all partners and employees once a year. The Compliance Manual was last updated in June 2014.

Additionally, BlueBay employees are required to sign up to the RBC Code of Conduct. BlueBay is committed to ensuring the integrity of the business by maintaining its ethical standards and continuing the high degree of professionalism.

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

Personal Account Trading

BlueBay has adopted policies and procedures governing the personal account dealing of its partners and employees (permanent, contract, consultants (more than three month duration) and temporary employees of the firm, including interns); and connected persons of each of the listed persons (referred to collectively as "Covered Persons"). The policies and procedures are designed to mitigate the conflicts of interest between BlueBay's partners and employees and its clients.

The BlueBay Personal Account Dealing Policy requires employees to obtain prior approval from Compliance before executing a trade in a security for their personal account. 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 BlueBay may hold inside information; and/or
- client accounts are holding securities issued by the same issuer, unless an exemption applies.

BlueBay uses SunGard Protegent Personal Trading Assistant (PTA), an online application, to manage all personal account dealing activity. Covered Persons may not purchase and sell the same security within any 30-day period, and Covered Persons are required to arrange for their brokers to provide BlueBay's Compliance Team with broker statements so that adherence to the policy can be monitored. Covered Persons are also required to complete certifications in PTA on a quarterly basis to confirm that all personal account dealing information disclosed in PTA is complete and accurate.

Royal Bank of Canada (RBC) securities

BlueBay is part of the RBC group which means that BlueBay is subject to additional restrictions with regards to transactions in RBC securities and certain restrictions apply to all Covered Persons who 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 the BlueBay 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 the BlueBay Management Committee before giving or receiving a gift valued at more than GBP[]/USD[] or entertainment valued at more than GBP[]/USD[]. 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

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9. 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 recognise 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 specialises in one of the four main strategies managed by us: Convertible bonds, High yield/distressed debt, Emerging market debt and 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 organisation 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 unauthorised 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

BlueBay has an Order Allocation Policy to ensure fair allocation of all trading orders.

The portfolio manager is responsible for the allocation of trades across clients. Generally, the portfolio manager will allocate trades across similar mandates to bring the holding in each account to a similar percentage of the value of the portfolio. Allocations must reasonably be in the best interests of all the affected clients, and the portfolio manager will take into account factors impacting the allocation, including:

- Availability of cash;
- Client investment guidelines that exclude a particular security or type of security;
- Client investment guidelines that restrict the amount of a particular security or security type;
- Client benchmarks against which performance is measured;
- Internal risk management measures;
- Investment objectives;
- Investment strategy;
- Alpha target;
- Fund size (NAV); and
- Market parameters such as minimum tradable lot sizes and round lot sizes applicable to a security.

Once the portfolio manager has completed allocation for a deal, the trader aggregates orders and places a block order with one or more brokers. 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 should be 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 and partners 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 and partners 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 and partners 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 or partner 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 and partners trading ahead of clients. Compliance does not grant preclearance where it would appear that an employee's or partner'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.

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 recognise 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.

10. Review Of Accounts

The Co-Chief Investment Officers 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 Head of Risk & Performance and includes the Head of Investment Risk and two Co-CIOs, meets weekly and among other things, performs an ongoing review and oversight of investment risks and performance for all accounts managed by us.

The portfolio manager is responsible for ensuring the portfolio is in compliance with the client's or fund's investment guidelines/investment restrictions. Investment guidelines are programmed into Charles River and any trades placed on behalf of the client or fund 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 has responsibility for investigating any breaches of the investment guidelines and authorising corrective action to be taken.

Segregated Accounts

BlueBay has a dedicated Client Relationship Management Team with experienced and dedicated Client Relationship Managers (CRMs) with regional expertise. The CRMs work towards a trusted partnership with clients, and are responsible for all client mandates and ongoing client servicing and reporting.

Each client is allocated a dedicated CRM who handles any day-to-day enquiries, organises client review meetings with the portfolio manager, provides regular portfolio reporting and advises any important developments at BlueBay and within the market.

In addition, BlueBay has a team of Institutional Portfolio Managers who are strategy-dedicated client-facing PMs whose primary role is to provide client servicing to a high standard, conduct client review meetings and participate in product development initiatives.

Our standard reporting package for segregated account clients includes monthly reports which cover:

- Performance Analysis
- Risk Statistics
- Market Review and Outlook
- Portfolio Commentary
- Full Portfolio Valuation
- Transaction Analysis
- Accrued Income Statement
- Cash Flow Summary

We discuss particular client reporting requirements with new segregated account clients prior to investment. We do this so that from the outset, reporting requirements and expectations of timelines are stated and agreed between both parties.

Client review meetings typically take place on an annual basis. These would be attended by both the portfolio manager and the CRM assigned to the account. Review meetings may be held in person either at the client's or BlueBay's offices, or via video or conference call. We would be happy to discuss the precise frequency of meetings the client might require.

We also organise monthly 'dial in' investor forums with the portfolio manager to update investors on the strategy's performance and an investment outlook for the month ahead. The CRM will advise of any important developments at BlueBay and within the market.

Segregated account clients will appoint their own custodian/administrator and BlueBay's in-house operations and fund accounting teams will liaise directly with the custodian/administrator appointed by the client. We discuss particular client reporting requirements with new segregated account clients prior to investment. We do this so that from the outset, reporting requirements and expectations of timelines are stated and agreed between both parties.

BlueBay Funds

BlueBay's standard reporting package for pooled fund investors is in the form of a monthly newsletter for the relevant fund. The newsletter includes: performance, risk statistics, commentary, portfolio characteristics, risk sensitivities and strategy/sector/regional breakdowns and is provided within approximately 10-15 business days after month-end in electronic format.

Client-specific reporting is provided through two separate channels; in reports directly from the administrator and from BlueBay's extranet facility. Fund administrators typically provide pooled fund clients with detailed transactional reports two days after month-end. These reports include information relative to transactions during the month, as well as opening and closing balances. Within five days after month-end, share class performance for the month-, quarter-, year-to-date and since inception are available on the extranet. Daily NAV data is also available on BlueBay's extranet with a two-day lag.

BlueBay holds monthly investor calls for BlueBay funds which are available as podcasts via email or the extranet.

In addition, BlueBay produces periodic credit reports covering specific market topics or sub-asset classes as a means to communicate our views to the financial market place.

11. 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.

12. 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.

13. 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.

14. Voting Client Securities

Our policy is to vote client proxies in the interest of maximising 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 memorialised 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.

15. 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.

CONFIDENTIAL

Part 2B of Form ADV The Brochure Supplement

October 31, 2014

BlueBay Asset Management USA LLC

This brochure supplement provides information about Tom Kreuzer and Andrzej Skiba. It supplements our accompanying Form ADV Firm Brochure. Please contact our Compliance Officer, Robert Lilly, at +1-203-541-4314 if you have any questions about the Form ADV Firm Brochure or this Brochure Supplement, or if you would like to request additional or updated copies of either document.

Additional information about Messrs. Kreuzer and Skiba is available on the SEC's website at www.adviserinfo.sec.gov.

Biographical Information

| Tom Kreuzer | |
|---|---|
| Educational Background and Business Experience | Tom, born in 1977, joined BlueBay in July 2002 and is a Portfolio Manager and Head of North American High Yield Credit based in the Stamford, Connecticut, office. Prior to BlueBay, Tom spent three years at Deutsche Bank within the Leveraged Finance and Financial Sponsor Group, in New York and London, where he was an analyst prior to being promoted to Associate in 2002. Tom holds a BA (cum laude) from Middlebury College. |
| Disciplinary Information | Tom has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Tom or of BlueBay (USA). |
| Other Business Activities | Tom is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of BlueBay (USA). |
| Additional Compensation | Tom does not receive economic benefits from any person or entity other than BlueBay (USA) in connection with the provision of investment advice to clients. |
| Supervision | Tom reports into the BlueBay (USA) Board. |

| Andrzej Skiba | |
|---|--|
| Educational Background and Business Experience | Andrzej, born in 1979, joined BlueBay in February 2005 and is a Senior Portfolio Manager with the Investment Grade Debt team based in the Stamford, Connecticut, office. Andrzej spent his first four years at BlueBay as a credit analyst covering the TMT, utilities and retail sectors for the Investment Grade Debt team. Prior to BlueBay, Andrzej worked for Goldman Sachs as a credit analyst covering European investment grade telecom, media and utility sectors. Andrzej has a BSc (Hons) in Management and International Business Economics from UMIST and is a CFA charterholder. |
| Disciplinary Information | Andrzej has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Andrzej or of BlueBay (USA). |
| Other Business Activities | Andrzej is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of BlueBay (USA). |
| Additional Compensation | Andrzej does not receive economic benefits from any person or entity other than BlueBay (USA) in connection with the provision of investment advice to clients. |
| Supervision | Andrzej reports into the BlueBay (USA) Board. |