

## Part 2A of Form ADV Brochure

October 31, 2018

### BlueBay Asset Management USA LLC

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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 Andrew Cunningham at +1-203-541-4348 or email [compliance@bluebay.com](mailto:compliance@bluebay.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. Investment adviser registration does not imply a certain level of skill or training.

**Additional information about BlueBay is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## MATERIAL CHANGES

This brochure contains information about BlueBay Asset Management USA LLC ("BlueBay USA")

This brochure ("Brochure") is dated October 31, 2018 and is an annual update to the prior Brochure dated October 31, 2017.

Below is a list of material changes related to BlueBay USA:

In March 2018, Andrzej Skiba, a member of BlueBay USA's board of directors, assumed the role of Head of US Credit. Andrzej accepted management responsibility for the BlueBay Developed Market Team's resources based in Stamford, Connecticut and became a named portfolio manager with respect to the Global High Yield strategy, taking overall responsibility for the portfolio and working alongside Thomas Kreuzer and Justin Jewell. Andrzej continued to maintain his pre-existing responsibilities as lead manager for Global Investment Grade credit portfolios and as a portfolio manager with respect to the Absolute Return Bond Strategy.

Following the expiration of its commercial lease and effective in March 2018, BlueBay USA moved its offices from Four Stamford Plaza, 107 Elm Street, Stamford Connecticut to 750 Washington Boulevard, Stamford Connecticut.

BlueBay USA has provided updated information in the following areas:

- Item 4 - Advisory Business
- Item 5 - Fees and Compensation
- Item 6 – Performance-Based Fees and Side-by-Side Management
- Item 7 - Types of Clients
- Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss
- Item 10 - Other Financial Industry Activities and Affiliations
- Item 11 - Code Of Ethics, Participation Or Interest In Client Transactions And Personal Trading
- Item 12 - Brokerage Practices
- Item 13 - Review of Accounts
- Item 14 - Client Referrals and Other Compensation
- Item 15 – Custody
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## Item 4 - Advisory Business

This Brochure relates to BlueBay USA which 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 RBC, a global financial services company with a number of affiliated entities. BlueBay USA is a registered investment adviser and has approximately US\$12.4 billion assets under management on a discretionary basis, as at 31 October 2018.

We use the terms “BlueBay USA”, “we”, “us” or “our” in this brochure to refer to BlueBay Asset Management USA LLC. Use of the term “BlueBay” refers collectively to the entities in the BlueBay Group.

BlueBay USA provides marketing, execution and research services to BlueBay Asset Management LLP (“BlueBay LLP”), a subsidiary of RBC and a closely affiliated entity. BlueBay LLP is a UK resident entity and is authorised and regulated by the UK Financial Conduct Authority. BlueBay LLP is a specialist fixed income credit manager and BlueBay USA acts as sub-advisor on some funds managed by BlueBay LLP. Therefore, there is close operational coordination and overlap between BlueBay USA and BlueBay LLP.

BlueBay USA provides asset management services to BlueBay LLP’s institutional investors and third-party distributors by virtue of it performing sub-advisory services for BlueBay LLP. BlueBay LLP manages a wide range of long-only and alternative specialist fixed income portfolios. BlueBay LLP utilizes the sub-advisory services of BlueBay USA in its management of assets focused on the following sub-asset classes of fixed income:

- **Investment grade debt** – The cornerstone of BlueBay LLP’s investment grade debt investment philosophy is its focus on delivering attractive absolute, risk-adjusted returns throughout the credit cycle based on its dynamic, research-driven approach. BlueBay LLP believes that financial markets are inefficient and that it may be possible to generate alpha through active portfolio management. BlueBay LLP in coordination with BlueBay USA employs a disciplined investment process in an effort to identify opportunity potential with the goal to generate alpha, and actively seeks to identify underweight, as well as overweight, positions. BlueBay recognises the asymmetric nature of tail risk at an issuer level and employs both credit derivatives and cash bonds in an unconstrained and dynamic manner to meet BlueBay’s alpha targets.
- **High yield/distressed debt/loans** – BlueBay LLP’s high yield and distressed debt strategies place strong emphasis on downside risk management, with dynamic, proactive proprietary research driving the security selection process. BlueBay seeks to exploit capital appreciation opportunities should they arise through rigorous analysis across sectors, issuers and capital structures, as well as positive risk migration and credit trajectory.
- **Multi-asset credit** – BlueBay’s approach to multi-asset credit combines a top-down asset allocation with a bottom-up credit selection to provide investors with diversified exposure to credit strategies throughout the economic cycle. BlueBay LLP’s multi-asset credit strategies are implemented as benchmarked to a specific index or are non-benchmark driven to offer investors more flexibility. The offering draws on the liquid strategies managed by BlueBay’s specialist teams and capabilities which are listed above.

## Investment Restrictions

Private Funds offered by BlueBay LLP have set guidelines which are published and available for review by BlueBay LLP clients and prospective investors. For these funds, BlueBay LLP and BlueBay USA both monitor each respective guideline and limit imposed as part of its management of the fund. 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; BlueBay LLP and BlueBay USA each monitor the respective guidelines and limits imposed as part of its management of the account.

## Item 5 - Fees and Compensation

BlueBay USA receives remuneration for its advisory services as sub-advisor from BlueBay LLP on an intra-group basis, from fees received by BlueBay LLP.

### Pooled Investment Vehicle Fees

The latest prospectus for each private fund for which BlueBay USA provides sub-advisory services to BlueBay LLP is detailed in the specific schedule of fees payable for the relevant fund structure and class. The standard fee structures BlueBay LLP earns in connection with its advising private funds are a management fee only or a management fee plus performance fee. Fees paid by BlueBay LLP clients to BlueBay LLP 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 up to be within a range of 10%-30% of the net outperformance.

In addition to the BlueBay LLP fees described above, 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.

The fees earned by BlueBay USA in connection with its sub-advisory services are paid by BlueBay LLP to BlueBay USA as part of a separately negotiated sub-advisory agreement and are not dependent upon the payment of management fees and expenses paid to BlueBay LLP by fund clients.

### Segregated Accounts Fees

BlueBay LLP provides investment management services to a number of segregated accounts (subject to an agreed and executed investment management agreement). BlueBay USA may act as a sub-advisor to BlueBay LLP with respect to these segregated accounts. Segregated accounts may be managed by BlueBay LLP on a management fee only basis or with a combination of management and performance fees. Other fees and expenses may be incurred which are dependent upon the choice of custodian, administrator, and/or other third-party service providers that the investor intends to make; and will be borne by the investor.

BlueBay LLP'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 LLP to their segregated account clients 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 LLP or its client, subject to applicable notice provisions contained in the investment management agreement.

The fees earned by BlueBay USA in connection with its sub-advisory services for advising BlueBay LLP's clients' segregated accounts are paid by BlueBay LLP to BlueBay USA as part of a separately negotiated sub-advisory agreement. Such fees are not dependent upon the payment of management fees and expenses to BlueBay LLP by segregated account clients.

## Item 6 – Performance-Based Fees and Side-by-Side Management

BlueBay USA may act as sub-advisor on both long-only and alternative investment strategies for funds and segregated accounts managed by BlueBay LLP, as described in more detail in item 5 above.

### Side-By-Side Management of Advisory Accounts; Investment Opportunity Allocation

BlueBay LLP may manage or advise multiple Advisory Accounts (including Advisory Accounts in which BlueBay, RBC or personnel of BlueBay have an interest) that have investment objectives that are the same or similar and that may seek to make investments or sell investments in the same securities or other instruments, sectors or strategies. BlueBay USA may act in a sub-advisory capacity to BlueBay LLP with respect to these multiple Advisory Accounts. This creates the potential for conflicts, particularly in circumstances where the availability or liquidity of investment opportunities is limited. Areas in which such limited opportunities may exist include, without limitation, in local and emerging markets, high yield securities, fixed income securities, direct or indirect investments in and co-investments alongside alternative investment funds, investments Initial Public Offerings/New Issues. To address these potential conflicts, BlueBay LLP has developed allocation policies and procedures that are also applicable to BlueBay USA and provide that personnel making portfolio decisions for the benefit of Advisory Accounts will make purchase and sale decisions for, and allocate investment opportunities among, Advisory Accounts consistent with BlueBay LLP's fiduciary obligations to its account holders.

BlueBay's policies and procedures may result in the pro rata allocation (on a basis determined by BlueBay) of limited opportunities across eligible Advisory Accounts managed by a particular portfolio management team, but in other cases may not be pro rata. Non-proportional allocations may occur across Advisory Accounts, in fixed income securities due to the availability of multiple appropriate or substantially similar investments in fixed income strategies, as well as due to differences in benchmark factors, hedging strategies, or for other reasons too numerous to particularise.

To assess that BlueBay is meeting its fiduciary duties, BlueBay's policies and procedures are subject to periodic review and testing. Tests may include performance comparisons between performance fee and management fee portfolios, and reviews of employee compensation structures that assess the risk taking and performance generation for each portfolio.

BlueBay USA is subject to BlueBay LLP's policies and procedures by its corporate affiliation. Trades executed by BlueBay USA are reported to BlueBay LLP for allocation to BlueBay LLP advisory accounts in accordance with the BlueBay Allocation policy applicable to both BlueBay LLP and BlueBay USA.

## Item 7 - Types of Clients

BlueBay LLP provides 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

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

BlueBay LLP 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 a combination of management and performance fees. BlueBay may waive account minimums at its discretion. While BlueBay USA may be tasked by BlueBay LLP with executing trading on behalf of BlueBay LLP's clients pursuant to BlueBay USA's and BlueBay LLP's sub-advisory agreement, BlueBay USA has only BlueBay LLP as a client.

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

BlueBay LLP seeks to provide asset management services, and BlueBay USA seeks to provide to BlueBay LLP sub-advisory services, characterised by active management, a strong investment process, a focus on capital preservation and the generation of attractive risk-adjusted returns for all its investment strategies. Funds offered by BlueBay LLP have set guidelines which are published and available for review. For these funds, BlueBay monitors each respective guideline and limit imposed as part of its management of the funds. For those funds for which BlueBay USA acts as sub-advisor for BlueBay LLP, BlueBay USA similarly monitors each respective guideline and limit imposed as part of its sub-advising of the funds.

BlueBay LLP's 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; BlueBay LLP monitors each account's respective guidelines and limits imposed as part of its management of the account. Such account guidelines are shared with BlueBay USA as part of BlueBay USA's sub-advising

BlueBay LLP's investment approach is governed by a style incorporating the following investment principles:

- Focus on absolute returns: both BlueBay LLP's 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: BlueBay LLP's investment approach draws on both top-down and bottom-up inputs, resulting in an active style of management

Credit analysis is the fundamental aspect of BlueBay LLP's investment approach and is designed to identify existing market inefficiencies at all stages of the investment processes as well as drive security selection using its credit expertise and proprietary research. This same credit analysis is shared by BlueBay USA in its sub-advisory capacity for BlueBay LLP.

BlueBay LLP believes that ESG factors can potentially have a material impact on an issuer's long-term financial performance. Given the limited upside (and potentially significant downside) of fixed income investments, the focus of its ESG analysis is on understanding downside risks. Poorly-managed ESG risks can lead to inefficiencies, operational disruption, litigation and reputational damage, which may ultimately impact an issuer's ability to meet their financial responsibilities. Supplementing traditional financial analysis by reviewing ESG-related management practices and performance is therefore not only prudent but also in line with BlueBay LLP's fiduciary duty to optimize investor returns as well as in line with BlueBay USA's sub-advisory agreement with BlueBay LLP.

### Investment Strategies

As mentioned previously, BlueBay LLP manages and BlueBay USA sub-advises BlueBay LLP on a wide range of long-only and alternative specialist fixed income portfolios that focus on the following sub-asset classes of fixed income:

#### Investment Grade Debt

BlueBay LLP's 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 BlueBay LLP's focus is on specific markets, assets or strategies that, BlueBay believes, offer the most opportunity potential and the most potential asymmetric risk/return characteristics.

Investment decisions for all of BlueBay LLP's investment grade debt strategies, whether those decisions are made by BlueBay LLP or BlueBay USA, are taken in accordance with its 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

### High Yield/Distressed Debt

BlueBay LLP's 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 both BlueBay LLP and BlueBay USA 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 five 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
- Stage 5 - Ongoing Monitoring and Engagement

### Multi-asset Credit

BlueBay LLP's multi-asset credit strategies are managed by the members of the Asset Allocation Committee (AAC) who are experienced investment professionals and senior decision makers, including employees of BlueBay USA, who draw upon the expertise of BlueBay's internal specialist investment teams, which combined, make decisions about the asset allocation, macro/tail hedging, and asset class beta of the strategies.

Security selection is based on dynamic, proactive proprietary research which is performed by the underlying investment management teams in each sub-asset class.

All investment decisions are taken in accordance with BlueBay LLP's investment process and any sub-advisory agreements between BlueBay USA and BlueBay LLP for the management of multi-asset credit strategies. Monitoring and risk control are continually assessed throughout the process. The investment process is comprised of four stages:

- Stage 1 – Portfolio Manager Forecasts
- Stage 2 – Risk & Transaction Costs
- Stage 3 – Capital Preservation
- Stage 4 – Asset Allocation Decisions

### Event-driven

- Event-driven strategies seek to exploit situations in which an anticipated corporate event is expected to generate price movement, including, for example, mergers, acquisitions, restructurings, bankruptcies, recapitalizations, spin-offs, split-offs, liquidations, regulatory or legal developments and other events. Event-driven strategies are highly issuer- and transaction-specific and rely more on fundamental research and judgment than on quantitative analysis. The strategies are designed to generate profits should a particular event come to pass, while a variety of techniques may be used to mitigate the risk that the event does not happen. Such an investment may be made in certain or all parts of an issuer's capital structure, as well as derivative products.

### Material Risks

#### Risk of Loss

Risk management at BlueBay is applicable to both BlueBay LLP and BlueBay USA and 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 applied utilizing a risk governance framework, independent reporting and systems and controls, which are regularly reviewed by BlueBay staff responsible for risk monitoring as well as external reviews by independent third parties.

BlueBay is exposed to four primary sources of risk:

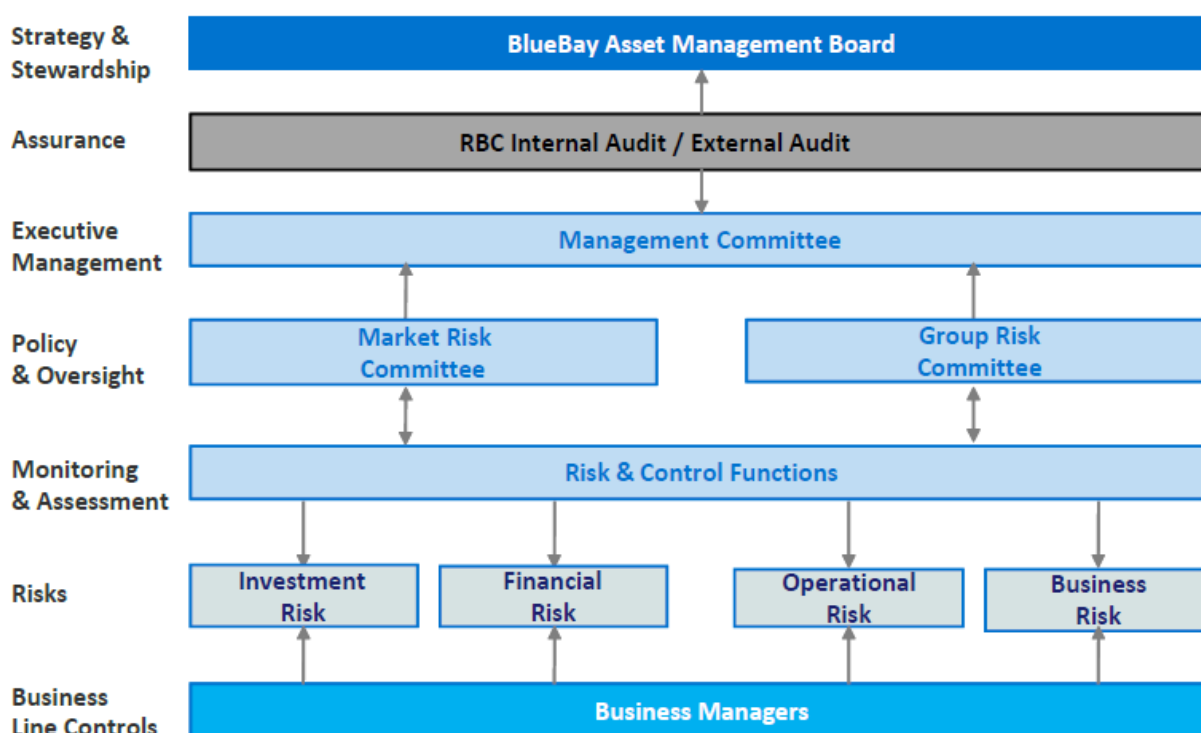
- Investment risk, which is the risk that BlueBay's fund products (meaning all funds including segregated mandates) fail to deliver the expected level of performance;
- Business risks, which are internal or external risks related to the execution of BlueBay's business strategy;
- Operational risks, which 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 quarterly, it provides practical guidance to key stakeholders about the level of tolerance for risk in the principal risk categories BlueBay faces. 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 BlueBay LLP's Board.



For illustrative purposes only.

### The Boards of BlueBay LLP and BlueBay USA

The BlueBay LLP Board has responsibility for setting the risk management and internal control policies broadly applicable to both BlueBay LLP and BlueBay USA. The BlueBay LLP Board is responsible for reviewing the adequacy and effectiveness of the internal controls and risk management processes. The BlueBay USA Board performs the same adequacy and effectiveness reviews for internal controls and risk management directly applicable to the business carried out by BlueBay USA.

In order to identify risks and potential control weaknesses the BlueBay LLP Board draws upon the Risk Register (a list of key risks identified by BlueBay LLP management) which it reviews on an annual basis. To assist in these responsibilities the BlueBay LLP Board agrees to an internal audit program with RBC Internal Audit Services to review the processes and controls in place. Additionally the BlueBay LLP Board reviews the scope and nature of the external audits conducted by PwC and reviews findings.

BlueBay LLP's Boards fulfils its duty by means of direct intervention or by delegating appropriate responsibilities to the Management Committee.

BlueBay LLP Board is comprised of two Independent Non-Executive Members, four Non-Executive Members and three Executive Members, meeting five times per year. The BlueBay USA Board is comprised of one Non-Executive Members and four Executive Members, meeting twice a year.

### **BlueBay LLP Management Committee**

The BlueBay LLP 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 BlueBay LLP Management Committee collectively have direct responsibility for all functions within BlueBay LLP and BlueBay USA and receive update reports on the issues and risks arising from the various departments through regular meetings with the department heads. The BlueBay LLP 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 BlueBay LLP Management Committee comprises the CEO, CIO, COO-CRO, General Counsel Global Head of Sales.

### **BlueBay Operating Committee**

The purpose of the BlueBay Operating Committee is to provide cross departmental functional support and oversight of the departments in their execution of the Management Committee's strategy as well as focus on all processes and functions of the group globally; except for the execution of investment strategy, investment decisions and sales strategy.

The Committee comprises the COO-CRO (Chair), Chief Technology Officer, Director of Investment Operations, General Counsel, Global Head of Compliance, Global Head of Operations, Head of Finance, Head of PMO and Business Solutions, Head of BOSO, Head of Client Operations, Head of Investment Risk and Performance Attribution, Head of Luxembourg, Head of Technology and Operational Risk and the BlueBay Group Operating Committee generally meet monthly.

### **BlueBay Market Risk Committee**

The purpose of the BlueBay 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's fund products as well as providing oversight over financial risks assumed by BlueBay's fund products.

The Committee comprises the Head of Investment Risk and Performance Attribution (chair), the COO-CRO, CIO, Conducting Officer of BlueBay Funds Management Company S.A. and a Senior Risk Manager. The Committee meets weekly.

The cross-memberships within Management, Operating 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 BlueBay staff within each department performing functions that are vital for the effective management and mitigation of risks.

BlueBay's Risk Department is tasked with the independent monitoring of all risk categories, with a reporting line to the COO-CRO and an escalation channel to the CEO.

Additionally, some departments such as Legal, Compliance, 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 Group Internal Audit, 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 PwC, 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"). (Note, the reporting accountant for the

ISAE3402 report for the periods up to 31 March 2016 was Deloitte, changing to PwC from 1 April 2016). The external auditor 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.

The external auditor 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**

### **Investment & Financial Risks**

Both BlueBay LLP and BlueBay USA mitigate 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.
- Pre-trade checks are performed to ensure transactions do not breach applicable regulations, prospectus restrictions or investment management agreements. Post trade checks are undertaken to capture any trades not covered by the pre-trade checks.
- Every fund is subject to the portfolio guidelines which appear in the corresponding investment management agreement, prospectus and/or other applicable document. The Market Risk Committee may set additional internal guidelines to ensure adequate risk mitigation.
- 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 appropriately managed.
- The Risk Team monitors exposures against internal guidelines and reports exceptions to the Market Risk Committee. The Risk Team can instruct portfolio managers to reduce exposures if they are deemed excessive or inappropriate in light of the fund's mandate and strategy.
- 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.
- Bilateral 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 both BlueBay LLP and BlueBay USA 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 back-testing of the model against daily returns for all BlueBay fund products. At least twice a year, the results of the back-testing 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 sensitivity to changes in volatility (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. The Risk Team can instruct portfolio managers to bring risk levels back within guidelines.

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

### Counterparty Risk

The BlueBay 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	(Y)*	N
Tier 3	Occasional provider of liquidity	<10m notional	N	N	N	N	N

*\*Subject to Market Risk Committee approval.*

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. Counterparty risk on centrally cleared products are conservatively modelled and reported as counterparty risk to the clearing agent (Tier 1 institution) used by BlueBay funds.

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 BlueBay LLP 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 materially influence its ability to meet its financial obligations in the long term. These risks vary by country, industry, as well as by issuer-specific characteristics (e.g. size, geographical footprint etc.) and may include issues such as climate change, management of employees and labour standards in the supply chain, as well as governance and ethical business practices. BlueBay as a whole primarily employs an ESG integration strategy which involves the identification and assessment of material ESG risk factors. Such an approach does not automatically exclude low ESG scoring issuers from investment, but ensures ESG risk factors are considered by the credit analysts as part of their investment analysis. ESG investment risk management is co-ordinated and overseen by the Risk Team, led by the ESG investment specialist. The team sources issuer level ESG data and related ESG scores either from independent ESG providers if available, or otherwise internally derived. Average portfolio scores, as well as low ESG scoring and controversial holdings, are reported by the Risk Team to the investment teams and the Market Risk Committee on a regular basis for review. Internal "soft" ESG score 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 Investment Risk policy applicable BlueBay is available on the BlueBay website.

In addition to an ESG integration approach, BlueBay has a controversial weapons investment policy for its Luxembourg and Cayman Island domiciled funds, which excludes investments in issuers involved in the manufacture of cluster munitions and antipersonnel landmines. This process is implemented internally by BlueBay's Compliance team.

### **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. All cash deposits of greater than £50m (allowing for short term liabilities and regulatory restriction) are deposited with RBC Group entities. Short term liabilities are defined as liabilities falling due in less than 3 months.

- Liquidity risk is mitigated by the fact that BlueBay has no debt and additionally, as part of the ICAAP process, certain scenarios are stress tested to ensure that the firm has adequate capital reserves.

## 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 (gross) risk score based on the likelihood and the impact of such an event occurring. Existing controls are also listed and the resultant residual (net) risk scored and assessed. The residual risk is reviewed to ensure that it is acceptable within the parameters defined by BlueBay's risk appetite. Initiatives are formulated against key risks and the intention of these is either to reduce the residual risk score where it is considered too high or to maintain that residual risk level against an increasing risk.

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				

For illustrative purposes only.

### 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 above.

### Manage & Report

Both BlueBay LLP and BlueBay USA use an operational risk management system called Archer to help manage and report its risks.

The risk register is maintained allowing 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. Control assurance reporting allows control owners to verify that their controls have been working effectively and have managed the risks appropriately.



A loss database is also maintained 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 LLP's Board.

BlueBay's 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.

## **Item 9 - Disciplinary Information**

To the best of BlueBay USA's knowledge and belief, there has never been a case where BlueBay USA or any of its employees have been investigated, disciplined, suspended (including revocation or suspension of licenses), subpoenaed, indicted, prosecuted, or barred from investment activities by any US state or US federal regulatory authorities.

Furthermore, BlueBay USA is not currently subject to any threatened or pending litigation that would be material to a client's evaluation of the company or its personnel. BlueBay USA is a subsidiary of RBC, a global financial services company publicly listed on the Toronto Stock Exchange and the New York Stock Exchange. Various legal actions and proceedings are pending or threatened against RBC and its subsidiaries (other than BlueBay), some of which seek relief or damages in amounts that are substantial. These actions and proceedings arise in the ordinary course of RBC's businesses and include suits relating to its lending, collections, servicing, investments and trust activities. Due to the complex nature of some of these actions and proceedings, it may be a number of years before such matters are ultimately resolved.

## Item 10 - Other Financial Industry Activities and Affiliations

BlueBay USA is a subsidiary of RBC, a global financial services company with a number of affiliated entities. RBC group entities may have direct and indirect interests in the financial instruments and markets in which BlueBay USA invests for its clients and may 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 a proprietary trader, broker, underwriter, custodian, 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, BlueBay USA serves as a sub-advisor to a RBC registered investment company. BlueBay USA also provides investment advisory services to the clients of BlueBay LLP. Further, RBC entities may recommend BlueBay services to their clients and may be compensated for such introduction.

### Regulatory authorities

BlueBay Asset Management LLP is authorised and regulated by the UK Financial Conduct Authority (FCA). The company was first registered on 1 December 2001 and has since been registered as an LLP; the registration number is 571599. BlueBay was authorised by the FCA as an Alternative Investment Fund Manager (AIFM) on 9 May 2014.

BlueBay Asset Management LLP has been registered as an Investment Advisor with the US Securities and Exchange Commission (SEC) since 10 July 2002 (SEC number 801-61494 and CRD number 122793).

BlueBay Asset Management LLP is a member of the National Futures Association (NFA) and has been registered as a Commodity Trading Advisor and Commodity Pool Operator with the NFA as authorised by the US Commodity Futures Trading Commission (CFTC) since 25 January 2013 (NFA ID 0344858). BlueBay Asset Management LLP also holds a swap firm designation with the NFA.

BlueBay Asset Management USA LLC has been registered as an Investment Advisor with the SEC since 24 November 2012 (SEC number 801-77361 and CRD number 164530).

BlueBay Asset Management USA LLC is a member of the NFA and has been registered as an Introducing Broker with the NFA since 25 June 2014 (NFA ID 0447750). BlueBay Asset Management USA LLC also holds a swap firm designation with the NFA.

In Australia, BlueBay Asset Management LLP is exempt from the requirement to hold an Australian financial services licence under the Corporations Act in respect of financial services as it is regulated by the UK FCA.

BlueBay Asset Management LLP relies upon both the respective International Dealer and International Adviser exemptions in Canada.

Details of employees registered with the FCA as Approved Persons are given in the FCA Register on the FCA website at <https://register.fca.org.uk>.

### Conflicts Relating to Management Persons; Policies and Procedures

Certain of BlueBay's management persons may also hold positions with the affiliates listed above. In these positions, those management persons of BlueBay may have certain responsibilities with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of these affiliates. Consequently, in carrying out their roles at BlueBay and these other entities, the management persons of BlueBay may be subject to the same or similar potential conflicts of interest that exist between BlueBay and these affiliates. BlueBay has established a variety of restrictions, policies, procedures, and disclosures designed to address potential conflicts that may arise between BlueBay, its management persons and its affiliates. No assurance can be made that any of BlueBay's current policies and procedures, or any policies and procedures that are established by BlueBay the future.

## Item 11 - Code of Ethics, Participation Or Interest In Client Transactions And Personal Trading

### Code of Ethics

BlueBay has adopted a Code of Ethics applicable to both BlueBay LLP and BlueBay USA pursuant to numerous global regulations which are applicable to BlueBay's business, including SEC Rules and the Investment Company Act of 1940 Rules. BlueBay's Code of Ethics sets forth its 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 communication, 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.

BlueBay's Code of Ethics is applicable to all employees and partners and extends to employees of BlueBay USA. Among other things, the code requires BlueBay and its 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. BlueBay's 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. BlueBay USA's Compliance Manual is undergoing review and amendment.

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.

BlueBay's Code of Ethics policy is available upon request.

### Personal Account Dealing

BlueBay has adopted policies and procedures governing the personal account dealing of its partners and employees (permanent, contract, consultants and temporary employees of the firm, including interns) of both BlueBay LLP and BlueBay USA; 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.

BlueBay LLP's policies and procedures impose certain restrictions on securities transactions in the personal accounts of covered persons to help avoid conflicts of interest. Subject to the limitations of the Code, covered persons may buy and sell securities or other investments for their personal accounts, including investments in pooled investment vehicles that are sponsored, managed or advised by BlueBay, and may also take positions that are the same as, different from, or made at different times than, positions taken for Advisory Accounts. BlueBay may provide a copy of the Code to clients or prospective clients upon request in its absolute discretion. All BlueBay partners and employees are subject to additional policies and procedures regarding confidential and proprietary information, information barriers, and private investments and outside business activities.

BlueBay LLP uses an online application, to manage all personal account dealing activity. Covered Persons are subject to holding periods for securities held in their personal dealing accounts and 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 on a quarterly basis to confirm that all personal account dealing information disclosed is complete and accurate.

Any partner or employee of either BlueBay LLP or BlueBay USA who are covered by the Code and who fail to observe its requirements or those contained in related BlueBay policies and procedures is subject to potential remedial action. BlueBay will

determine on a case by case basis what remedial action should be taken in response to any violation, including potential voiding or reversal of a trade, the cost of which will be borne by the employee or owner of the account or limiting an employee's personal trading for some period of time. The Personal Account Dealing Policy may be made available to a BlueBay Client or prospective client upon request at BlueBay's absolute discretion.

### **Royal Bank of Canada (RBC) securities**

BlueBay LLP and BlueBay USA are part of the RBC group which means that BlueBay entities are 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. Personal Account transactions are only permitted in RBC securities during open trading window periods as established by RBC senior management.

BlueBay pooled vehicles are restricted from purchasing or holding RBC issued securities.

### **Gifts and Entertainment**

From time to time, partners and employees of BlueBay entities may receive gifts (other than cash or cash equivalents), entertainment or meals from third parties, or attend educational or other conferences hosted by third parties. There is no agreement or arrangement between BlueBay and third parties regarding the provision of gifts, entertainment, meals and conferences to BlueBay partners and employees that is based on BlueBay's service contract or arrangement with any particular entity or individual. BlueBay partners and employees are subject to firm wide policies on gifts, entertainment, meals and conferences that are designed to comply with applicable law and the rules and to assure that they do not accept any gifts or entertainment that could influence or appear to influence their business judgment. ERISA fiduciaries are subject to additional restrictions, including a special limit on the annual amount they can receive from any one individual or entity so that any such amounts are considered insubstantial.

BlueBay may provide entertainment that may take the form of high value participatory and spectator sporting and cultural events and where appropriate the costs associated with the same may be charged to Advisory Accounts according to BlueBay's policies.

BlueBay requires that employees and partners conduct themselves, at all times, to conform to high standards of ethical conduct and to avoid any appearance of impropriety or conflict of interest. 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. An item or event may be given or received only when it is consistent with generally accepted business practice; it is of reasonable value under the circumstances and cannot be construed as a bribe or payoff; and does not violate any law or ethical standard. Gifts and entertainment should not be likely to conflict with any duties that BlueBay owes to its clients or with any duties which the recipient firm owes to its clients.

## **Conflicts of Interest**

### **Introduction**

BlueBay LLP or BlueBay USA may on occasion find itself in a position where conflicts of interest arise. If these conflicts of interest are not properly identified and managed, there is the potential it may lead to a loss of revenue and reputational damage to BlueBay. Consequently, it is important that conflicts of interest are correctly identified and managed within BlueBay LLP and BlueBay USA, in accordance with BlueBay LLP's Conflicts of Interest Policy.

All BlueBay staff members have a role to play in the identification of control of conflicts of interest and must be scrupulous in their efforts to avoid creating any conflicts of interest. A conflict of interest can be broadly defined as a situation in which personal and/or financial considerations for oneself or one's company creates undue influence or compromise one's professional judgment in service to a client or fund.

A conflict of interest typically arises where there is an implicit or explicit relationship of trust owed by BlueBay or its employees to a client or prospect. Where a person or company may potentially exploit a professional or official capacity for their own benefit or for the company's benefit, a conflict of interest may be present.

### **Identification of Conflicts of Interest**

Conflicts of interest may exist or arise in relation to various activities undertaken by BlueBay LLP in its own right or on behalf of funds and accounts that they manage or for which BlueBay USA may sub-advise BlueBay LLP. It is important that all potential situations that may give rise to a conflict are identified and the protection of investors' interests is the primary concern.

It is important to assess whether the parties impacted by an identified conflict of interest may be damaged. This is likely to occur if any relevant person:

- is likely to make a financial gain, or avoid a financial loss to the detriment of a fund, either through a lost benefit or a financial cost;

- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of a fund , which is distinct from the Fund's interest and not to their benefit;
- has a financial or other incentive to favour the interest of another party over the interests of the fund , or to the detriment of the fund;
- carries on or has a significant interest externally in the same business as the fund, or is connected to or with the fund;
- receives or will receive from a person other than the fund an inducement in relation to a service provided to the fund, in the form of monies, goods or services, other than the standard commission or fee for that service.

Relevant persons engaged in the approval of the purchase of supplies on behalf of BlueBay are expected to be free of interests or relationships that are actually or potentially unfavourable or detrimental to the best interests of BlueBay. Relevant persons shall not engage or participate in any commercial transaction involving BlueBay, (including its affiliates, divisions or subsidiaries) in which they have a financial interest; and BlueBay is required to meet its obligations to regulators or other external agencies, and such obligation conflicts with the interest of a fund.

### **Monitoring, Control and Management of Conflicts**

All policies and procedures adopted by BlueBay LLP and applicable to BlueBay USA have been developed with a view to preventing a conflict of interest arising, or if it arises to ensure that it is identified, managed and reported. This may include using these types of controls:

- ensuring that adequate segregation of duties are applied throughout the business, including signing authorities, systems access, etc.;
- the use of 'Chinese walls', both physical and procedural;
- the sharing of information only on a 'need to know' basis;
- establishing appropriate and independent reporting lines between departments;
- encourage the reporting of conflicts of interest situations;
- independent review of situations that have higher risk of conflict, e.g. error corrections, services provided by a group company, etc., by the Risk Management function or Compliance;
- regular control of the application of procedures by the Internal Auditor.

### **Management of conflicts**

BlueBay maintains and operates internal organisational and administrative arrangements to prevent the rise of conflicts as well as manage such conflicts should they appear. These arrangements include:

- clearly defined and documented reporting lines and responsibilities;
- segregation of duties to avoid conflicts of interest wherever possible;
- alignment of firm and employee interests with investor interests through linking of remuneration to portfolio performance;
- portfolio risk management arrangements to monitor levels of risk taking;
- reporting to senior management of action taken to manage actual conflicts arising and to minimise the risk of recurrence of the conflict;
- contractual obligation on all employees to comply with Compliance and Human Resources policies designed to mitigate conflicts and to report conflicts arising;
- training on regulations, and the policies implemented to promote compliance with those regulations; and
- recording of potential and actual conflicts and regular review of the effectiveness of BlueBay's management of conflicts.

When BlueBay delegates functions to third parties, such as the asset management of funds, these third parties are also required to follow these standards with regards to management of conflicts. This is applicable to BlueBay USA.

### **Conflicts arising from acting for multiple clients and/or funds**

BlueBay has put in place policies to manage conflicts that may arise when trading for multiple clients and/or funds. These policies include:

- Order Execution Policy to ensure that funds are provided with “best execution”;
- Order Allocation Policy to ensure the fair allocation of aggregated orders and trades; and
- Cross Trade Policy to ensure that such trades are executed at the appropriate market price and in the best interest of both funds.

In certain cases, BlueBay receives management fees based upon assets under management and in others based upon its performance in managing the accounts. While BlueBay may benefit more from above average performance in the performance fee accounts as compared with accounts for which it receives asset based fees, its procedures require the fair and equitable allocation of securities among these accounts. These policies and oversight measures are applicable to BlueBay USA in its sib-advisory capacity on behalf of BlueBay LLP

### **Conflicts between funds and relevant persons**

BlueBay policies to manage these conflicts include:

- Personal Account Dealing Policy to ensure that conflicts between an employee’s trading and trading undertaken on behalf of clients are avoided;
- Gifts & Entertainment policy to ensure that employees do not accept or give a gift or other benefit that is not justifiable in the circumstances because it gives rise to a potential conflict;
- Contractual provisions restricting employees from working for any other businesses if there is any risk of a conflict arising;
- Remuneration arrangements for portfolio managers that reward both short term and long term performance, and on an individual and on an investment team basis;

### **Conflicts arising from transacting with affiliates**

Both BlueBay LLP and BlueBay USA are part 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 invests for funds and may be used, where permitted by regulation and the client’s contract, to effect transactions for funds. 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 funds have an interest and will receive remuneration or other benefits in connection with these roles.

BlueBay LLP 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 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 and RBC designed to ensure that information is not improperly shared among these companies, their partners and employees.
- The observance of code of ethics and the RBC Code of Conduct; and
- BlueBay does not invest in RBC issued securities on behalf of the funds.

### **Potential Conflicts resulting from Investments in Different Parts of an Issuer’s Capital Structure**

BlueBay’s affiliates and Advisory Accounts, on the one hand, and a particular Advisory Account, on the other hand, may invest in or extend credit to different parts of the capital structure of a single issuer. As a result, BlueBay’s affiliates or different Advisory Accounts managed by BlueBay may take actions that adversely affect a particular Advisory Account. In addition, BlueBay’s affiliates may advise Accounts with respect to different parts of the capital structure of the same issuer, or classes of securities that are subordinate or senior to securities, in which a particular Advisory Account invests. BlueBay’s affiliates may pursue rights, provide advice or engage in other activities, or refrain from pursuing rights, providing advice or engaging in other activities, on their own behalf or on behalf of their clients with respect to an issuer in which a particular Advisory Account has invested, and such actions (or refraining from action) may have a material adverse effect on a BlueBay Advisory Account. For example, in the event that a

BlueBay affiliate holds loans, securities or other positions in the capital structure of an issuer that ranks senior in preference to the holdings of a particular BlueBay Advisory Account in the same issuer, and the issuer were to experience financial or operational challenges, the BlueBay affiliate, acting on behalf of itself or its client, may seek a liquidation, reorganization or restructuring of the issuer, or terms in connection with the foregoing, that may have an adverse effect on or otherwise conflict with the interests of the particular BlueBay Advisory Account's holdings in the issuer.

## **Valuation**

BlueBay values all portfolio assets in accordance with BlueBay's Pricing & Valuation Policy. BlueBay's Valuation Committee, who provides governance and oversight over the pricing function, maintains the policy. The pricing hierarchy is listed in the policy and shows the pricing sources used by BlueBay to value each security type. Securities are valued using index provider consistent prices, third party valuation services, independently sourced broker quotes or market recognised valuation tools. Level 3 assets, as defined under US GAAP by ASC 820 – Fair Value Measurement, and other illiquid securities are reviewed by BlueBay's in-house credit analysts. The credit analysts present a Pricing Paper to the Valuation Committee who will scrutinise the information provided. The Valuation Committee can approve the use of the Pricing Paper to value the asset in the Advisory Account or challenge the credit analyst to justify their position. Before any Pricing Paper prepared by an in-house credit analyst is used to value a position in an Advisory Account it must receive approval from the Valuation Committee. Those assets that meet pre-defined size criteria will also be subject to periodic review by specialist independent third party valuation providers

BlueBay may value an identical asset differently than another division or unit within RBC, including because such other division or unit has information or uses valuation techniques and models that it does not share with BlueBay. BlueBay may also value an identical asset differently in different Advisory Accounts, including because different Advisory Accounts are subject to different valuation guidelines pursuant to their respective governing agreements, different third-party vendors are hired to perform valuation functions for the Advisory Accounts or the Advisory Accounts are managed or advised by different portfolio management teams within BlueBay that employ different valuation policies or procedures or otherwise. BlueBay will face a conflict with respect to valuations generally because of their effect on BlueBay's fees and other compensation. In addition, to the extent BlueBay utilises third-party vendors to perform certain valuation functions, these vendors may have interests and incentives that differ from those of the Advisory Accounts.

## **Reporting and Disclosure of Conflicts**

Any potential conflict of interest that arises in a specific situation or transaction must be disclosed to Compliance and resolved and the action to be taken approved before anyone in BlueBay takes any action.

On disclosure, Compliance will review the circumstances of the potential conflict to determine whether an actual conflict exists, how the conflict may adversely affect the interests of the fund(s), account(s) or its investors and if there are any reasonable steps that can be taken to manage the conflict.

If it is not possible to manage the conflict of interest so that the interests of the client are not harmed, it may be necessary to disclose to the client the nature of the conflict and how or whether a service can be provided or can continue to be provided to the client. All relevant facts must be disclosed to the client in order to allow them to make an informed decision relating to its interests.

If BlueBay does not refrain from acting then the nature of the Conflict will be disclosed to the affected client so that the client may make an informed decision with respect to the services to be provided in the context of which the Conflict arises.

## **Record keeping**

BlueBay LLP keeps a record of potential conflicts of interest that may arise within the organisation, including for BlueBay USA, and this shows the types of services and activities it carries out in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or may arise.

This records will be maintained by the Compliance Department and updated on an ongoing basis and will be kept as prescribed by relevant regulations.



## Item 12 - Brokerage Practices

### Broker, Dealer and Other Trading Venue and Methods Selection

BlueBay USA places orders for the execution of transactions for BlueBay LLP Advisory Accounts according to its BlueBay LLP's best execution policies and procedures. Subject to any specific instructions that BlueBay LLP accepts from clients, BlueBay LLP may take into account a range of factors in deciding how to execute client orders, including, but not limited to, price; costs; timing and speed of execution; responsiveness; creditworthiness and financial stability; likelihood of, and capabilities in, execution, clearance and settlement; size; liquidity in or with an execution venue; nature; in certain circumstances and a broker's or counterparty's willingness to commit capital. In instances where BlueBay USA acts as sub-advisor to BlueBay LLP client accounts, BlueBay USA would account for the range of factors identified. BlueBay USA traders would be responsible for the selection of brokers and venues according to these factors and their being an approved counterparty. Compliance monitors trades on a risk-based basis to determine whether best execution is being obtained.

### 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 BlueBay LLP client 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. To the extent BlueBay USA would act as a sub-advisor for such accounts pursuant to its sub-advisory agreement with BlueBay LLP, BlueBay USA would be apprised of such account limitations.

BlueBay LLP manages portfolios of investments on a discretionary basis for its clients, making and giving effect to decisions to deal using two methods. BlueBay 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. BlueBay 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 BlueBay chooses to execute such a transaction is referred to in this policy as an "Execution Venue". BlueBay USA acts in a similar capacity in executing trades for BlueBay LLP clients pursuant to the sub-advisory agreement between BlueBay USA and BlueBay LLP.

### Directed Brokerage

As mentioned above BlueBay LLP generally has the discretionary authority to determine and direct execution of portfolio transactions for discretionary investments made by BlueBay LLP on an Advisory Account's behalf without prior consultation with the Advisory Account on a transaction-by-transaction basis. Advisory Accounts may limit BlueBay LLP's discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements. Such limitations would be shared by BlueBay LLP with BlueBay USA in instances where BlueBay USA were to execute trades for BlueBay LLP clients pursuant to the sub-advisory agreement between BlueBay USA and BlueBay LLP.

Where an Advisory Account directs or limits the use of a particular broker-dealer, it is possible that BlueBay LLP may be unable to achieve the most favourable execution price of Advisory Account transactions, and the Advisory Account may be disadvantaged as a result of a less favourable execution price and/or higher commissions or spreads.

Advisory Accounts that direct brokerage may have execution of their orders delayed, since, in an effort to achieve orderly execution of transactions, execution of orders for Advisory Accounts that have directed BlueBay LLP to use particular broker-dealers may, in certain circumstances, be made after BlueBay LLP completes the execution of non-directed orders. This delay may negatively affect the price paid or received in the purchase or sale of securities, respectively, by an Advisory Account electing to direct brokerage.

An Advisory Account might not be able to participate in certain investment opportunities because the Advisory Account's directed or restricted broker-dealer requirements may not have access to certain securities, such as new issues. Such account restrictions would be shared by BlueBay LLP with BlueBay USA where BlueBay USA were to execute trades for BlueBay LLP's clients pursuant to the sub-advisory agreement between BlueBay USA and BlueBay LLP.

### Execution factors and criteria

When BlueBay LLP or BlueBay USA give effect to decisions to deal on behalf of BlueBay LLP clients in a direct or sub-advisory capacity, the exact nature of the best possible result will be determined by the respective BlueBay entity 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 the respective BlueBay entity may appropriately determine that other factors are more important than price. BlueBay determines the relative importance of the various factors by using BlueBay's 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 BlueBay USA has made a decision to deal for a BlueBay LLP client where BlueBay USA is acting as a sub-advisor, the BlueBay USA 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 BlueBay USA portfolio manager and trader specialises in one of the main strategies for which BlueBay USA is acting in the capacity as a sub-advisor for BlueBay LLP high yield/distressed debt, multi-asset credit and investment grade debt. The core senior portfolio managers for each of the strategies have significant experience in their asset class during which time they have, gained insight and experience under a variety of market conditions. BlueBay USA has dedicated an execution team of traders to each of the asset classes, providing them with in-depth knowledge of the instruments and products traded and the Brokers/Counterparties with which to trade. In addition, BlueBay USA utilizes BlueBay LLP’s central dealing desk through which less specialised orders are traded.

Where BlueBay USA places an order with a Broker for execution, BlueBay USA is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order (for example, BlueBay USA does not control the Broker’s choice of Execution Venues) and is not required to duplicate the efforts of the Broker in ensuring the best possible result. BlueBay USA’s obligation to BlueBay LLP is therefore to ensure that the Brokers included in its 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**

BlueBay USA’s 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. BlueBay USA executes the majority of its trades with the Counterparties listed in the Approved Broker/Counterparty List rather than on an exchange or other trading system.

The traders have built relationships with the Counterparties with which BlueBay USA trades, enabling them to ascertain which organisation is likely to provide the product or instrument required in a way that allows BlueBay USA to satisfy the Best Execution Obligation owed to BlueBay LLP’s 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 BlueBay USA 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 unfavourable to BlueBay LLP’s clients as a result of informing the market of its trading intentions. At all times the BlueBay USA traders use their professional judgment to obtain the best possible result in the circumstances.

“Over the counter” trading in derivatives is effected by BlueBay with Counterparties that act as principal under ISDA and related master documentation. Owing to factors beyond BlueBay’s 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 BlueBay only trades with appropriate counterparties. BlueBay maintains an Approved Broker/Counterparty List which formally records the parties with which a trader may do business. All approved counterparties are programmed into BlueBay’s Order Management System (“OMS”).

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

Segregated account prospects may request that BlueBay excludes RBC Capital Markets as a broker for their account.

### **Soft Dollar Benefits**

Neither BlueBay LLP nor BlueBay USA 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 BlueBay 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.

BlueBay's Execution Team's collective professional experience, market knowledge and counterparty relationships developed over many years enable it to proactively source liquidity.

Access to primary and secondary market sources is achieved directly via BlueBay's 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.

BlueBay monitors the effectiveness of its order execution arrangements to identify and, where appropriate, correct any deficiencies. BlueBay reviews 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. BlueBay Compliance also monitors trades to determine whether best execution was obtained.

### **Trade Allocation and Trade Aggregation**

BlueBay LLP directs BlueBay USA to seek to execute orders for BlueBay LLP clients fairly and equitably over time and as such BlueBay LLP has an Order Aggregation and Allocation Policy applicable to both BlueBay LLP and BlueBay USA to achieve this end.

Pursuant to BlueBay LLP's policies and procedures it may combine or aggregate purchase or sale orders for the same security or other instrument for multiple Accounts (including Accounts in which RBC, BlueBay or its personnel has an interest) so that the orders can be executed at the same time and block trade treatment of any such orders can be elected when available. BlueBay aggregates orders when it considers doing so appropriate and in the interests of its clients generally and may elect block trade treatment, when available.

In addition, under certain circumstances trades for Advisory Accounts may be aggregated with accounts that contain RBC or BlueBay assets. These circumstances may include, without limitation, when managing accounts in a commercially reasonable manner for clients (which may be affiliates engaging BlueBay to act as an independent investment advisor); or when aggregating

will have a de minimis effect on the performance of client accounts (e.g., where the size of the account relative to the size of the market makes aggregation not material).

When Advisory Account orders are aggregated, the orders will be placed with one or more broker-dealers or other counterparties for execution. When a block trade is completely filled, BlueBay will generally allocate the securities or other instruments purchased or the proceeds of any sale pro rata among the participating Accounts, based on the Advisory Accounts' relative size. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or small allocations or to satisfy account cash flows and guidelines. If the order at a particular broker-dealer or other counterparty is filled at several different prices, through multiple trades, generally all participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice.

BlueBay may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for Advisory Accounts that are not aggregated, and incur lower transaction costs on netted trades than trades that are not netted. BlueBay is under no obligation to aggregate or net for particular trades. Where transactions for an Advisory Account are not aggregated with other orders for instance, in the case of directed/restricted brokerage on Advisory Accounts, the Advisory Account may not benefit from a better price and lower commission rate or lower transaction cost than might have been available had the trades been aggregated or netted. Aggregation and netting of trades may disproportionately benefit some Advisory Accounts relative to other Advisory Accounts due to the relative amount of market savings obtained by the Advisory Accounts. The BlueBay portfolio manager or a designee 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 may take into account factors impacting the allocation, including but not limited to:

- 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.

#### **IPO/New Issue Allocation**

Allocation of initial public offerings or new issues ("IPO/New Issue") will be effected consistent with fiduciary duties and in accordance with the general BlueBay allocation policies and procedures outlined above under "Performance Based Fees and Side-By-Side Management" and "Trade Aggregation and Trade Allocation". The application of the relevant factors may result in non-pro rata allocations, and certain Advisory Accounts (including Advisory Accounts in which BlueBay, RBC and personnel of BlueBay have an interest) may receive an allocation when other Advisory Accounts do not. Allocations may be adjusted under certain circumstances, for example in situations where pro rata allocations would result in de minimis positions or odd lots. Furthermore, some Advisory Accounts may not be eligible to participate in an IPO/New Issue where, for example, the investment guidelines for an Advisory Account prohibit IPOs/New Issues.

There may be instances in which one or more funds or other Advisory Accounts are intended to be BlueBay's primary investment vehicles focused on, or to receive priority with respect to, a particular strategy as compared to other funds or Advisory Accounts, other Accounts (including Advisory Accounts in which BlueBay, RBC and personnel of BlueBay have an interest) may also invest through other areas of RBC in investment opportunities that would be appropriate for the Advisory Accounts. Such Accounts will not be subject to the BlueBay allocation policies. Investments by such Accounts may reduce or eliminate the availability of investment opportunities to, or otherwise adversely affect, the Advisory Accounts. Furthermore, in a case in which one or more funds or other Advisory Accounts are intended to be BlueBay's primary investment vehicles with respect to a particular trading strategy, other Advisory Accounts may not have access to such strategy or may have more limited access than would otherwise be the case.

In addition, in some cases BlueBay may make investment recommendations to Advisory Accounts that make investment decisions independently of BlueBay. In circumstances in which there is limited availability of an investment opportunity, if such Advisory Accounts invest in the investment opportunity at the same time as, or prior to, other Advisory Accounts, the availability of the investment opportunity for other Advisory Accounts will be reduced irrespective of BlueBay's policies regarding allocations of investments.

#### **Cross Transactions**

BlueBay may from time to time effect "cross transactions" between two of BlueBay's clients, in which one client will purchase securities held by another client. In executing cross transactions BlueBay will have a potentially conflicting division of loyalties and

responsibilities to the parties in such transactions, including with respect to a decision to enter into such transactions as well as with respect to valuation, pricing and other terms. BlueBay has developed policies and procedures in relation to such transactions and conflicts. However, there can be no assurance that such transactions will be effected in the manner that is most favourable to an Advisory Account that is a party to any such transaction. Cross transactions may disproportionately benefit some Advisory Accounts relative to other Advisory Accounts due to the relative amount of market savings obtained by the Advisory Accounts. Principal, cross or agency cross transactions will be effected in accordance with fiduciary requirements and applicable law and such transactions are executed only when BlueBay deems the transaction to be in the best interests of both clients and at a price determined according to BlueBay's Pricing and Valuation Policy. Cross transactions for accounts subject to ERISA are made in accordance with applicable U.S. Department of Labour ("DOL") regulations and relevant exemptions. Where applicable crosses will also be undertaken in accordance with Rule 17a-7 of the Investment Company Act of 1940.

### **Material Non-Public Information and Insider Trading**

BlueBay receives material non-public information in the ordinary course of its business. This is information that is not available to other investors or other confidential information which, if disclosed, would likely affect an investor's decision to buy, sell or hold a security. This information is received voluntarily and involuntarily and under varying circumstances, including, but not limited to, upon execution of a non-disclosure agreement, as a result of serving on the board of directors of a company, serving on ad hoc or official creditors' committees. Under applicable law, members of the BlueBay Group are generally prohibited from disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether that person is a BlueBay Client. BlueBay's investment flexibility will also be constrained as a consequence of its receipt of material non-public information.

BlueBay has adopted an Insider Trading policy concerning the misuse of immaterial non-public information. Accordingly to BlueBay's policies should a partner or employee obtain, either voluntarily or involuntarily, material non-public information with respect to an issuer, it is generally prohibited from communicating that information to, or using that information for the benefit of, BlueBay Clients. BlueBay has no obligation or responsibility to disclose the information to, or use such information for the benefit of, any person. BlueBay has adopted an Insider Trading Policy, which establishes procedures reasonably designed to prevent the misuse of material non-public information by BlueBay and its personnel. Under the Insider Trading Policy, BlueBay and its personnel are generally not permitted to use material non-public information in the course of business activities or otherwise, in effecting purchases and sales in securities transactions for BlueBay Clients or for personal accounts.

From time to time, certain BlueBay employees use paid expert networks, (subject to the BlueBay policies regarding the handling and restricted use of material non-public information). BlueBay has adopted specific policies and procedures to prevent and address the receipt of any material non-public information from such expert networks.

### **Trade and Operational Errors**

Trade and Operational Errors ("Incidents") may occasionally occur. BlueBay has policies and procedures that address the identification and correction of incidents, consistent with applicable standards of care and client documentation. An incidents generally is compensable by BlueBay to a client when it is a mistake (whether by act or omission) in which BlueBay has in its reasonable view, deviated from the applicable investment guidelines or the applicable standard of care in managing a Portfolio.

Incidents may include, but are not limited to: (i) the placement of orders (either purchases or sales) in excess of the amount of securities intended to trade for a Portfolio; (ii) the purchase (or sale) of a security when it should have been sold (or purchased); (iii) the purchase or sale of a security not intended for the Portfolio; (iv) the purchase or sale of a security contrary to applicable investment guidelines or restrictions; (v) incorrect allocations of trades; and (vi) transactions with a non-authorised counterparty.

Incidents may result in gains or losses or could have no financial impact and clients or funds are generally are entitled to retain any gain resulting from an incident. Where an incident results in a loss this will be compensated as determined in good faith by BlueBay. BlueBay will determine the amount to be reimbursed, if any, based on what it considers reasonable guidelines regarding these matters in light of all of the facts and circumstances related to the incident. In general, compensation is expected to be limited to direct and actual losses, which may be calculated relative to comparable conforming investments, market factors and benchmarks and with reference to related transactions and/or other factors BlueBay considers relevant. Compensation generally will not include any amounts or measures that BlueBay determines are speculative or uncertain.

Incidents may be reviewed by BlueBay's Operational Risk and Compliance functions and maybe escalated to senior management and client as appropriate. BlueBay's Operational Risk function will track any resultant control enhancements to implementation.

## Item 13 - Review of Accounts

The BlueBay LLP Market Risk Committee is chaired by the Head of Investment Performance – Attribution and includes the Chief Investment Officer, Chief Operating Officer/Chief Risk Officer, a Conducting Officer for BlueBay Funds Management Company S.A. and a Senior Risk Manager. The Market Risk Committee meets regularly (usually weekly) and amongst other things, performs an ongoing review and oversight of investment risks and performance for all accounts managed by BlueBay.

Portfolio management teams within both BlueBay LLP and BlueBay USA have primary responsibility for ensuring that portfolios are managed in compliance with relevant investment restrictions and this forms an integral part of the investment process. This process is reinforced by automated pre and post trade Charles River compliance rules that are independently managed by both Investment Compliance and Investment Control. All investment restrictions are programmed into Charles River using system-enforced 4-eyes review and validation functionality. Investment guidelines that cannot be programmed into Charles River are monitored using alternative techniques that are implemented and reviewed by the Investment Control or Investment Compliance Teams.

### Segregated Accounts

BlueBay has a dedicated Client Relationship Management Team with experienced Client Directors each with regional expertise. The Client Directors 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 Client Director 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 (IPMs) 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.

BlueBay's 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

Client review meetings typically take place on an annual basis. These would be attended by both the portfolio manager and the Client Director 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. BlueBay would be available upon request to discuss the precise frequency and format of meetings the client might require.

The Client Director 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 service providers appointed by the client. BlueBay discusses particular client reporting requirements with new segregated account clients prior to investment. BlueBay does this so that from the outset, reporting requirements and expectations of timelines are stated and agreed between both parties.

### BlueBay Pooled 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 5-15 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.

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



#### **Item 14 - Client Referrals and Other Compensation**

BlueBay USA has not entered into compensation arrangements in connection with its sub-advisory relationship with BlueBay LLP with any third parties.



### **Item 15 - Custody**

Neither BlueBay LLP nor BlueBay USA accept custody of BlueBay LLP client funds or securities. All BlueBay LLP clients' accounts are held in custody by unaffiliated broker/dealers, banks or other institutions approved to provide custodian services. Neither BlueBay LLP nor BlueBay USA 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 BlueBay.

#### **Item 16 - Investment Discretion**

BlueBay LLP maintains investment discretion over all of its clients' accounts. BlueBay LLP has the authority to determine, without obtaining specific client consent, the amount and price of securities bought and sold the preferred broker-dealers through which BlueBay affects trades, and the commission rate charge for trades. In those instances where BlueBay USA acts in the capacity as a sub-advisor for BlueBay LLP, such investment discretion would extend to BlueBay USA. The Market Risk Committee is responsible for the approval of new and existing counterparties made available to all BlueBay LLP funds, both mutual and segregated.

Limitations may be imposed as a result of the requirement to comply with client investment guidelines and restrictions that are detailed in the investment management agreement.

## **Item 17 - Voting Client Securities**

BlueBay LLP's policy is to vote client proxies in the interest of maximising shareholder value. BlueBay LLP vote's client proxies in a way that BlueBay believes is consistent with its fiduciary duty and will cause securities to increase the most or decline the least in value. BlueBay LLP's clients do not direct BlueBay's proxy votes. Consideration will be given to both the short-term and long-term implications of the proposal to be voted on when considering the optimal vote. BlueBay USA does not engage in proxy voting.

BlueBay has currently identified no conflicts of interest between its client interests and BlueBay's own within BlueBay's proxy voting process. Nevertheless, if BlueBay determines that it is facing a material conflict of interest in voting a client proxy, BlueBay's procedures provide for its 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 BlueBay's expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

BlueBay's complete proxy voting policy and procedures are memorialised in writing and are available to clients upon request. In addition, BlueBay's complete proxy voting record is available only to BlueBay's clients.

### **Item 18 - Financial Information**

Neither BlueBay LLP nor BlueBay USA have ever filed for bankruptcy. BlueBay USA is not aware of any financial condition that is expected to affect its ability to sub-advise BlueBay LLP in its management of client accounts. BlueBay does not require, nor does it solicit pre-payment of fees. BlueBay USA have no financial commitments that affect our contractual commitments to BlueBay LLP or their clients for which BlueBay USA may act as a sub-advisor.

## Part 2B of Form ADV Brochure Supplement

October 31, 2018

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This brochure supplement provides information about Tom Kreuzer, Andrzej Skiba, Lydia Chaumont and Danielle Hootnick. It supplements our accompanying Form ADV Firm Brochure. Please contact BlueBay USA's Chief Compliance Officer, Andrew Cunningham, at +1-203-541-4348 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.

## Biographical Information

Tom Kreuzer	
<b>Educational Background and Business Experience</b>	Tom joined BlueBay in July 2002 and is a Portfolio Manager and Co-Head of Global Leveraged Finance Long-Only Strategies 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.
<b>Disciplinary Information</b>	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.
<b>Other Business Activities</b>	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.
<b>Additional Compensation</b>	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.
<b>Supervision</b>	Tom reports into the Management Committee of BlueBay LLP as well as reporting to the Board members of BlueBay USA. Tom has supervision of the High Yield team in the Stamford office.
<b>Age</b>	41

Andrzej Skiba	
<b>Educational Background and Business Experience</b>	Andrzej joined BlueBay in February 2005 and is BlueBay's Head of US Credit. Andrzej manages BlueBay's Developed Market Team in Stamford, Connecticut. Andrzej is a portfolio manager with respect to the Global High Yield strategy, taking overall responsibility for the portfolio. Andrzej acts as lead manager for Global Investment Grade credit portfolios and as a portfolio manager with respect to the Absolute Return Bond Strategy. 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 charter holder.
<b>Disciplinary Information</b>	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.
<b>Other Business Activities</b>	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.
<b>Additional Compensation</b>	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.
<b>Supervision</b>	Andrzej reports into the Management Committee of BlueBay LLP as well as to the Board of BlueBay USA. Andrzej has supervision of the Investment Grade team in the Stamford office.
<b>Age</b>	39

Danielle Hootnick	
<b>Educational Background and Business Experience</b>	Danielle joined BlueBay in February 2012 and is based in BlueBay USA's branch office in Chicago, Illinois. She has over 17 years' industry experience and is responsible for driving the strategy and direction of BlueBay's private markets alternatives business. On 1 December 2015, Danielle was appointed to the BlueBay USA Board as a Head of Business Development – Private Funds. Prior to joining BlueBay, Danielle was Head of Marketing and Investor Relations at FirstMark Capital, a New York City-based venture capital firm with more than \$2 billion in capital commitments. Previously, she was a senior marketing professional at American Express in New York and started her career as a strategy consultant at The Parthenon Group in Boston, Massachusetts and San Francisco, California. Danielle holds an MBA from Harvard Business School and a BA in Psychology from Harvard College.
<b>Disciplinary Information</b>	Danielle has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Danielle or of BlueBay USA.
<b>Other Business Activities</b>	Danielle is not engaged in any other investment-related business and does not receive compensation in connection with any business activity outside of BlueBay USA.
<b>Additional Compensation</b>	Danielle does not receive economic benefits from any person or entity other than BlueBay USA in connection with the provision of investment advice to clients.
<b>Supervision</b>	Danielle reports into the Management Committee of BlueBay LLP as well as to the Board of BlueBay USA. Danielle has supervision of the Alternatives Business Development team in the Stamford office.
<b>Age</b>	41

Lydia Chaumont	
<b>Educational Background and Business Experience</b>	Lydia joined BlueBay in July 2013 and is based London, UK. Lydia is as an Institutional Portfolio Manager within the Convertible Bond Team. Lydia previously worked for Credit Suisse where she spent three years covering both institutional and hedge fund clients for convertibles. Prior to that, she was Head of International Development at Acropole AM and spent nine years at Citigroup both in London and Paris, initially as Director of Convertible Bond Sales and latterly as Head of Equity Execution. Lydia started her career at Credit Suisse First Boston on the sell-side. She holds a BA (Hons) in German from Bristol University.
<b>Disciplinary Information</b>	Lydia has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Lydia or of BlueBay USA.
<b>Other Business Activities</b>	Lydia is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of BlueBay USA.
<b>Additional Compensation</b>	Lydia does not receive economic benefits from any person or entity other than BlueBay USA in connection with the provision of investment advice to clients.
<b>Supervision</b>	Lydia reports into the Management Committee of BlueBay LLP as well as to the Board of BlueBay USA. Lydia has supervision of the Client Portfolio and Relationship Management team in London, UK.
<b>Age</b>	49