

Vontobel Asset Management Fixed Income (US) LLC

Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Vontobel Asset Management Fixed Income (US) LLC (“VAMFIUS” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 415-7051. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Material Changes

This is the initial Form ADV Part 2A for VAMFIUS and therefore, there are no material changes to be reported.

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Item 4. Advisory Business

The Firm is based in New York City, NY and is a wholly owned subsidiary of Vontobel Holding AG (“Vontobel”), a globally operating financial firm based in Zurich, Switzerland and specializing in wealth and asset management for private clients and institutional investors. The Firm began operations in November 2017.

VAMFIUS currently provides research and investment advisory services, namely, fixed income management services, solely to Vontobel Asset Management AG (“VAMAG”), a wholly-owned subsidiary of Vontobel and the investment adviser for most of Vontobel’s European registered funds (e.g., SICAVs/UCITs, Swiss collective investment schemes, etc.) and non-U.S. institutional investors. Please refer to Item 8 for more information on the Firm’s investment strategies.

VAMFIUS’ has a management board that is responsible for the day to day management. The Management Board consists of Dominic Gaillard (chair), Enrico Friz and Charles Falck. At present, there are two investment professionals located in New York City who provide research and investment advisory services solely to Vontobel Asset Management AG (“VAMAG”), a wholly owned subsidiary of Vontobel and the investment adviser for most of Vontobel’s European registered funds and non-U.S. institutional investors.

VAMAG is exempt from SEC registration under the foreign private adviser exemption. However, it will be serving as a participating affiliate to VAMFIUS. VAMAG is authorized and regulated in Switzerland by the Swiss Financial Market Supervisory Authority (“FINMA”).

Item 5. Fees and Compensation

At present, the Firm will be compensated by VAMAG for its services and does not charge any fees or expenses directly to clients. Information on fees to be charged by VAMAG will be outlined in the relevant sub-advisory agreements or offering documents.

In the future, it is anticipated that VAMFIUS will enter into investment advisory agreements with U.S. clients. All fees and compensation to be received by VAMFIUS will be outlined in the relevant investment advisory agreements.

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

At present, VAMFIUS does not directly charge any client any performance based fees. In the future, it is anticipated that VAMFIUS will enter into investment advisory agreements with U.S. clients, or with pooled investment vehicles to be offered to U.S. investors. All fees and compensation, including performance based fees to be received by VAMFIUS will be outlined in the relevant investment advisory agreements and offering documents.

Item 7. Types of Clients

As noted previously, at present, VAMFIUS has only one client, VAMAG. VAMAG provides investment management services to non-U.S. institutional investors via separately managed accounts, and to UCITS and Swiss funds in Europe which are targeted toward non-U.S. investors. In the future, it is anticipated that VAMFIUS may provide investment advisory services directly to investors via separately managed accounts, or to pooled investment vehicles offered in the U.S. as private funds, or as investment companies registered under the Investment Company Act of 1940, as amended (“1940 Act”).

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

As mentioned previously, at present, VAMFIUS provides investment advisory services solely to VAMAG. VAMFIUS currently provides investment advisory services to VAMAG. For further discussion of the methods of analysis, investment strategies, and risk of loss associated with investments made by VAMAG, please consult the relevant fund’s offering documents.

Investment Strategies

It is anticipated that VAMFIUS will provide fixed income management services to U.S. based clients and investors similar to those provided by VAMAG outside of the U.S. To that end, the investment strategy pursued by VAMAG is best described as an active approach which may invest in, or otherwise obtain exposure to, debt instruments from the whole range of fixed income assets including high yield bonds, investment grade bonds, government bonds, asset-backed securities, Money Market Funds (MMFs) and other bonds (such as, for example, emerging market sovereign and corporate bonds or bank capital perpetual bonds), and others. For separately managed accounts, the investment strategy to be pursued and the instruments in which VAMFIUS may invest will be agreed to with each investor and documented in the investment advisory agreement. For pooled investment vehicles, the investment strategies to be pursued will be outlined in the relevant fund’s offering document.

Risk of Loss

The fixed income strategies pursued by VAMFIUS will be subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest.

The descriptions contained below are a brief overview of associated risks related to fixed income investing; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of VAMFIUS. Investors are advised to refer to the pertinent offering documents for a pooled vehicle, or investment advisory agreement for a more fulsome discussion of the associated risks for a particular strategy.

Credit Risk - Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of

concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that invest in lower quality bonds, including "high yield" securities.

Credit Spread Risk - Credit spread risk is the risk that credit spreads (*i.e.*, the difference in yield between securities that is due to differences in their credit quality) may increase when the market believes that bonds generally have a greater risk of default. Increasing credit spreads may reduce the market value of the portfolio's debt securities. Credit spreads often increase more for lower rated and unrated securities than for investment grade securities. In addition, when credit spreads increase, reductions in market value will generally be greater for longer-maturity securities.

Income Risk - The income earned from a portfolio may decline because of falling market interest rates. Also, if a portfolio invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the portfolio's income may decrease if short-term interest rates rise.

Interest Rate Risk - Interest rate risk is the risk that the value of a portfolio will decline because of rising interest rates. Debt securities held by a portfolio will fluctuate in value with changes in interest rates. In general, debt securities will increase in value when interest rates fall and decrease in value when interest rates rise. Longer term debt securities are generally more sensitive to interest rate changes, and thus entail greater interest rate risk. Rising interest rates also may lengthen the duration of debt securities with call features, since exercise of the call becomes less likely as interest rates rise, which in turn will make the securities more sensitive to changes in interest rates and result in even steeper price declines in the event of further interest rate increases. A portfolio may be subject to a greater risk of rising interest rates than would normally be the case due to the current period of historically low rates and the effect of potential government fiscal policy initiatives and resulting market reaction to those initiatives.

Prepayment Risk - During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing a portfolio to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

Extension Risk - During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future. Historical interest rate levels, however, are not necessarily predictive of future interest rate levels.

Inflation Risk - The value of assets or income from investments may be lower in the future as inflation decreases the value of money. As inflation increases, the value of a portfolio's assets can decline, as can the value of a portfolio's distributions.

Bond Market Liquidity Risk - Dealer inventories of bonds, which provide an indication of the ability of financial intermediaries to "make markets" in those bonds, are at or near historic lows in relation to market size. This reduction in market making capacity has the potential to decrease liquidity and increase price volatility and trading costs in the fixed income securities and/or markets, particularly

during periods of economic or market stress. In addition, recent federal banking regulations may cause certain dealers to reduce their inventories of bonds, which may further decrease an account's ability to buy or sell bonds. As a result of this decreased liquidity, an account may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance.

Call Risk - If an issuer calls higher-yielding debt instruments held by an account, performance could be adversely impacted.

Call Option Risk - For accounts that sell (write) options, the value of such call options sold (written) by an account will fluctuate. Additionally, the account may not participate in any appreciation of its portfolio as fully as it would if the account did not sell call options. In addition, an account that sells (writes) options will continue to bear the risk of declines in the value of its portfolio.

Valuation Risk - The debt securities in which a portfolio may invest typically are valued by a pricing service utilizing a range of market-based inputs and assumptions, including readily available market quotations obtained from broker-dealers making markets in such instruments, cash flows and transactions for comparable instruments. There is no assurance that a portfolio will be able to sell a security at the price established by the pricing service, which could result in a loss to the portfolio. Pricing services generally price debt securities assuming orderly transactions of an institutional "round lot" size, but some trades may occur in smaller, "odd lot" sizes, often at lower prices than institutional round lot trades. Different pricing services may incorporate different assumptions and inputs into their valuation methodologies, potentially resulting in different values for the same securities. As a result, if we were to change pricing services, or if our pricing service were to change its valuation methodology, there could be a material impact, either positive or negative, on the portfolio's value.

Loan Risk - The lack of an active trading market for certain loans may impair the ability of an account to realize the full value in the event of the need to sell a loan and make it difficult to value such loans. Portfolio transactions in loans may settle in as short as seven days but can typically take up to two to three weeks, and in some cases much longer. As a result of these extended settlement periods, an account may incur losses if it is required to sell other investments or temporarily borrow to meet its cash needs. The risks associated with unsecured loans, which are not backed by a security interest in any specific collateral, are higher than those for comparable loans that are secured by specific collateral. Interests in loans made to finance highly leveraged companies or transactions such as corporate acquisitions may be especially vulnerable to adverse changes in economic or market conditions. Additionally, loans may not be considered "securities" and, as a result, an account may not be entitled to rely on the anti-fraud protections of the securities laws.

Contingent Capital Security Risk - Contingent capital securities (sometimes referred to as "CoCos") are preferred securities, issued primarily by non-U.S. financial institutions, which have loss absorption mechanisms benefitting the issuer built into their terms. Upon the occurrence of specific triggers, CoCos may be subject to automatic conversion into the issuer's common stock, which likely will have declined in value and which will be subordinate to the issuer's other classes of securities, or to an automatic write-down of the principal amount of the securities, potentially to zero, which could result in the portfolio losing a portion or all of its investment in such securities. CoCos are often rated below investment grade and are subject to the risks of high yield securities.

Convertible Securities Risk - Convertible securities generally offer lower interest or dividend yields than non-convertible fixed-income securities of similar credit quality because of the potential for capital appreciation. The market values of convertible securities tend to decline as interest rates

increase and, conversely, to increase as interest rates decline. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before that company's common stockholders. Consequently, an issuer's convertible securities generally entail less risk than its common stock. However, convertible securities rank below debt obligations of the same issuer in order of preference or priority in the event of a liquidation or reorganization and are typically unrated or rated lower than such debt obligations. Different types or subsets of convertible securities may carry further risk of loss.

Dollar Roll Transaction Risk - In a dollar roll transaction, a portfolio sells mortgage-backed securities for delivery in the current month while contracting with the same party to repurchase similar securities at a future date. Because the portfolio gives up the right to receive principal and interest paid on the securities sold, a mortgage dollar roll transaction will diminish the investment performance of a portfolio unless the difference between the price received for the securities sold and the price to be paid for the securities to be purchased in the future, plus any fee income received, exceeds any income, principal payments, and appreciation on the securities sold as part of the mortgage dollar roll. Whether mortgage dollar rolls will benefit a portfolio may depend upon the adviser's ability to predict mortgage prepayments and interest rates. In addition, the use of mortgage dollar rolls by a portfolio increases the amount of the portfolio's assets that are subject to market risk, which could increase the volatility of the price of the portfolio's total value.

High Yield Securities Risk - High yield securities, which are rated below investment grade and commonly referred to as "junk" bonds, are high risk investments that may cause income and principal losses for an account. They generally have greater credit risk, are less liquid and have more volatile prices than investment grade securities.

Defaulted Bond Risk - Defaulted bonds are speculative and involve substantial risks in addition to the risks of investing in high yield securities that have not defaulted. An account generally will not receive interest payments on the defaulted bonds and there is a substantial risk that principal will not be repaid. In any reorganization or liquidation proceeding relating to a defaulted bond, the account may lose its entire investment.

Municipal Lease Obligations Risk - Participation interests in municipal leases pose special risks because many leases and contracts contain "non-appropriation" clauses that provide that the governmental issuer has no obligation to make future payments under the lease or contract unless money is appropriated for this purpose by the appropriate legislative body.

Insurance Risk - Many significant providers of insurance for municipal securities have recently incurred significant losses as a result of exposure to sub-prime mortgages and other lower credit quality investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. Such losses have reduced the insurers' capital and called into question their continued ability to perform their obligations under such insurance if they are called upon to do so in the future. The insurance feature of a municipal security is contingent on the ability of the insurer to fulfill its obligations. Therefore, insurance does not completely assure the full payment of principal and interest when due through the life of an insured obligation or the market value of the insured obligation.

Inverse Floaters Risk - The use of inverse floaters by an account creates effective leverage. Due to the leveraged nature of these investments, they will typically be more volatile and involve greater risk than the fixed rate municipal bonds underlying the inverse floaters. An investment in certain inverse floaters will involve the risk that the account could lose more than its original principal investment. Distributions on inverse floaters bear an inverse relationship to short-term municipal bond interest

rates. Thus, distributions paid to the account on its inverse floaters will be reduced or even eliminated as short-term municipal interest rates rise and will increase when short-term municipal interest rates fall. Inverse floaters generally will underperform the market for fixed rate municipal bonds in a rising interest rate environment.

Liquidity Risk - The portfolios may invest in lower-quality debt instruments. Lower-quality debt tends to be less liquid than higher-quality debt. If the economy experiences a sudden downturn, or if the debt markets for a particular security become distressed, a portfolio may have particular difficulty selling its assets in sufficient amounts, at reasonable prices and in a sufficiently timely manner. The secondary market for municipal bonds, and particularly for high-yield municipal bonds, tends to be less well developed and less liquid than many other securities markets. As a result, an account may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance. An account may invest a significant portion of its assets in unrated bonds. The market for these bonds may be less liquid than the market for rated bonds of comparable quality.

Municipal Bond Market Liquidity Risk - Inventories of municipal bonds held by brokers and dealers have decreased in recent years, lessening their ability to make a market in these securities. This reduction in market making capacity has the potential to decrease an account's ability to buy or sell bonds, and increase bond price volatility and trading costs, particularly during periods of economic or market stress. In addition, recent federal banking regulations may cause certain dealers to reduce their inventories of municipal bonds, which may further decrease an account's ability to buy or sell bonds. As a result, an account may be forced to accept a lower price to sell a security, to sell other securities to raise cash, or to give up an investment opportunity, any of which could have a negative effect on performance. If an account needed to sell large blocks of bonds to raise cash, those sales could further reduce the bonds' prices and hurt performance. Certain strategies invest a significant portion of the account's assets in unrated bonds. The market for these bonds may be less liquid than the market for rated bonds of comparable quality.

Preferred Securities Risk - Preferred securities generally are subordinated to bonds and other debt instruments in a company's capital structure and therefore subject to greater credit risk than those debt instruments. In addition, preferred securities are subject to other risks, such as having no or limited voting rights, having distributions deferred or skipped, having floating interest rates or dividends, which may result in a decline in value in a falling interest rate environment, having limited liquidity, changing tax treatments and possibly being issued by companies in heavily regulatory industries. Additional special risks include:

Limited voting rights. Generally, preferred security holders have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. In the case of certain preferred securities issued by trusts or special purpose entities, holders generally have no voting rights, except (i) if the issuer fails to pay dividends for a specified period of time or (ii) if a declaration of default occurs and is continuing. In such an event, preferred security holders generally would have the right to appoint and authorize a trustee to enforce the trust or special purpose entity's rights as a creditor under the agreement with its operating company.

Special redemption rights. In certain circumstances, an issuer of preferred securities may redeem the securities prior to their stated maturity date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws or by regulatory or

major corporate action. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by an account.

Payment deferral. Generally, preferred securities may be subject to provisions that allow an issuer, under certain conditions, to skip (“noncumulative” preferred securities) or defer (“cumulative” preferred securities) distributions without any adverse consequences to the issuer. Non-cumulative preferred securities can skip distributions indefinitely. Cumulative preferred securities typically contain provisions that allow an issuer, at its discretion, to defer distributions payments for up to 10 years. If an account owns a preferred security that is deferring its distribution, the account may be required to report income for tax purposes although it has not yet received such income. In addition, recent changes in bank regulations may increase the likelihood of issuers deferring or skipping distributions.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company’s capital structure and therefore are subject to greater credit risk than bonds and other debt instruments.

Floating Rate Payments. The dividend or interest rates on preferred securities may be floating, or convert from fixed to floating at a specified future time. The market value of floating rate securities may fall in a declining interest rate environment and may also fall in a rising interest rate environment if there is a lag between the rise in interest rates and the reset. This risk may also be present with respect to fixed rate securities that will convert to a floating rate at a future time. A secondary risk associated with declining interest rates is the risk that income earned by an account on floating rate securities may decline due to lower coupon payments on the floating-rate securities.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as U.S. government securities or common stock. Less liquid securities involve the risk that the securities will not be able to be sold at the time desired by an account or at prices approximating the values at which the account is carrying the securities on its books.

Financial services industry. The preferred securities market is comprised predominately of securities issued by companies in the financial services industry. Therefore, preferred securities present substantially increased risks at times of financial turmoil, which could affect financial services companies more than companies in other sectors and industries.

Tax risk. Accounts may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to recharacterization by the Internal Revenue Service.

Regulatory Risk. Issuers of preferred securities may be in industries that are heavily regulated and that may receive government funding. The value of preferred securities issued by these companies may be affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation, or reduced government funding.

Contingent capital securities, which are preferred securities, involve additional risks as set forth above under “Contingent Capital Security Risk.”

Mortgage/Asset-Backed Securities Risk - The value of a portfolio’s mortgage-related securities can fall if the owners of the underlying mortgages pay off their mortgages sooner than expected, which could happen when interest rates fall, or later than expected, which could happen when interest rates rise. With respect to asset-backed securities, the payment of interest and the repayment of principal

may be impacted by the cash flows generated by the assets backing the securities. The downturn in the housing market and the resulting recession in the United States negatively affected, and may continue to negatively affect, both the price and liquidity of some mortgage-related and asset-backed securities. The federal conservatorship of Fannie Mae and Freddie Mac and any changes in laws and regulations affecting the relationship between these agencies and the U.S. Government may adversely affect the agency mortgage market. If Fannie Mae and Freddie Mac were eliminated, or their structures were to change radically (i.e., limitation or removal of the guarantee obligation), or their market share reduced because of required price increases or lower limits on the loans they can guarantee, an account could be unable to acquire additional agency mortgage investments and an account's existing agency mortgage investments could be materially and adversely impacted.

Risks Related to Changes in Tax Laws - The value of an account's investments may be adversely affected by changes in tax rates and policies, which may be driven by unfavorable changes in tax laws or adverse interpretations by the Internal Revenue Service or state tax authorities, or by noncompliant conduct of a bond issuer. This risk is heightened for municipal bond strategies. Because interest income from municipal securities is normally not subject to regular federal income tax, the attractiveness of municipal securities in relation to other investment alternatives is affected by changes in federal income tax rates or changes in the tax-exempt status of interest income from municipal securities. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the demand for and supply, liquidity and marketability of municipal securities. This could in turn affect the account's value and ability to acquire and dispose of municipal securities at desirable yield and price levels. Proposals have been introduced in Congress to restrict or eliminate the federal income tax exemption for interest on municipal securities, and similar proposals may be introduced in the future. Proposed "flat tax" and "value added tax" proposals would also have the effect of eliminating the tax preference for municipal securities. Some of the proposals have applied to interest on municipal securities issued before the date of enactment, which would have adversely affected their value to a material degree. If such a proposal were enacted, the availability of municipal securities for investment by an account and the value of the account's portfolio would be adversely affected. All clients (especially tax-exempt or tax-deferred accounts) are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with engaging a manager and selecting a strategy (especially a municipal bond strategy).

Municipal Securities Risk - The values of municipal securities may be adversely affected by local political and economic conditions and developments. Adverse conditions in an industry significant to a local economy could have a correspondingly adverse effect on the financial condition of local issuers. Other factors that could affect municipal securities include a change in the local, state, or national economy, demographic factors, ecological or environmental concerns, statutory limitations on the issuer's ability to increase taxes, and other developments generally affecting the revenue of issuers (for example, legislation or court decisions reducing state aid to local governments or mandating additional services). A municipal bond strategy that is limited (exclusively or materially) to bonds from a particular state (plus U.S. territories (*e.g.*, Puerto Rico)) may be more susceptible to adverse economic, political or regulatory changes affecting municipal bond issuers in those states (plus U.S. territories (*e.g.*, Puerto Rico)). Certain such strategies may include exposure to Puerto Rico bonds, and municipal bond issuers in Puerto Rico have recently experienced financial difficulties and rating agency downgrades, which has caused the prices of such bonds to decline.

Zero Coupon Bonds Risk - As interest on zero coupon bonds is not paid on a current basis, the values of the bonds are subject to greater fluctuations than the value of bonds that distribute income regularly, and may be more speculative than such bonds.

Additional Regulatory Risk relating to Municipal Bonds – In addition to the various regulatory risks described herein, certain regulations and regulatory initiatives may present additional risks for municipal bonds, the municipal bond markets and municipal bond strategies. The Volcker Rule and the Risk Retention Rule, mandated by the Dodd-Frank Act, may have negative implications with respect to the ability of banks to sponsor TOB trusts and the current structure of TOBs (TOBs are primarily used by Funds and Institutional Separate Accounts). The treatment of municipal bonds under the liquidity coverage ratio (LCR) requirements of Basel III, the international standard for bank capital requirements, also raises risks. The failure to give banks appropriate credit for their municipal bond holdings under such LCR requirements may entail risks to the efficient function of the municipal market and the value of municipal bonds.

Non-U.S./Emerging Markets Risk - Non-U.S. issuers or U.S. issuers with significant non-U.S. operations may be subject to risks in addition to those of issuers located in or that principally operate in the United States as a result of, among other things, political, social and economic developments abroad and different legal, regulatory and tax environments. These additional risks may be heightened for securities of issuers located in, or with significant operations in, emerging market countries as such countries may have a higher degree of economic instability, unsettled securities laws and inconsistent regulatory systems.

Non-U.S. Government/Sovereign Debt Risk - Investment in the debt of non-U.S. governments can involve a high degree of risk. The governmental or non-U.S. sovereign issuer that controls the repayment of debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. An issuer's willingness or ability to repay the principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole and the political constraints to which a governmental entity may be subject. Governmental entities also may be dependent on expected disbursements from other governments, multilateral agencies and others abroad to reduce the principal and interest due on their debt.

International Investing Risk - Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in non-U.S. securities markets, and political and economic risks.

Currency Risk - Because the non-U.S. securities in which the portfolios invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the value of non-U.S. dollar denominated securities, the value of dividends and interest earned from such securities, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of a portfolio. Depositary receipts are also subject to currency risk.

Non-U.S. Securities Market Risk - Securities of many non-U.S. companies or U.S. companies with significant non-U.S. operations may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

Fixed Income Foreign Investment Risk - Investment in fixed income securities or financial instruments of foreign issuers involves increased risks due to adverse issuer, political, regulatory, currency, market or economic developments. These developments may impact the ability of a foreign debt issuer to make timely and ultimate payments on its debt obligations to the portfolio or impair the portfolio's ability to enforce its rights against the foreign debt issuer. Foreign investments may also be less liquid and more difficult to value than investments in U.S. issuers.

Political and Economic Risks - International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

The above risks may be heightened for securities of issuers located in emerging markets countries.

Additionally, a portfolio's income from non-U.S. issuers may be subject to non-U.S. withholding taxes. Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions may limit investment in certain countries or may increase the cost of such investments.

Recent Global Market Conditions - The global financial crisis, including the European sovereign debt crisis, resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Liquidity in some markets has decreased; the ability to obtain credit has become challenging worldwide; and the values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. These market conditions may continue to or possibly deteriorate further, and may add significantly to the risk of short-term volatility in accounts. Under such conditions, it may also become very difficult to execute portfolio transactions in affected markets. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibility that conditions in one country or region might impact issuers in a different country or region, sometimes adversely. In response to the crisis, the European Union, the U.S. and various governments, as well as the European Central Bank, the U.S. Federal Reserve and other central banks, took steps to support financial markets. Withdrawal of this support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding, could adversely impact the value and liquidity of certain securities. The severity or duration of these conditions may also be affected by policy changes made by governments or quasi-governmental organizations. Because the situation was widespread and largely unprecedented, and its effects continue to be felt in many markets, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces or to predict the duration of these market conditions, and therefore the effects of these potential events on an account is impossible to predict.

Currency Exchange Rates

Currency fluctuations may adversely affect the value of a client's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment.

Derivatives risks and volatility

The prices of derivative instruments, including futures, options and swap prices, can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts are

influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, amongst other things, interest rate fluctuations. The use of these techniques and instruments also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, (2) imperfect correlation between the price movements of the derivatives and price movements of related instruments, (3) the fact that skills needed to use these instruments are different from those needed to select the securities owned by the client, (4) the possible absence of a liquid market for any particular instrument at any particular time; which may result in possible impediments to effective portfolio management or the ability to meet redemption. The client may invest in certain derivative instruments, which may involve the assumption of obligations as well as rights and assets. Assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy. The client may from time to time utilize both exchange-traded and over-the-counter credit derivatives, such as credit default swaps as part of its investment policy and for hedging purposes. These instruments may be volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss that is high in proportion to the amount of the funds actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited. Furthermore, when used for hedging purposes there may be an imperfect correlation between these instruments and the investment or market sectors being hedged. Transactions in over-the-counter derivatives, such as credit derivatives, may involve additional risk as there is no exchange market on which to close out an open position.

Counterparty and Settlement

The client will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. In particular, it should be noted that transactions may not always be settled by delivery versus payment and this may expose the client to greater counterparty risk and potentially to loss in excess of the counterparty's obligations to the client.

Emerging Markets

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

Credit and Fixed Interest Securities

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds)

are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB- or equivalent.

Liquidity

In extreme market conditions it may be difficult for a client to realize an investment at short notice without suffering a discount to market value. In such circumstances the investor may suffer a delay in realizing his investment or may incur a dilution adjustment. Depending on the types of assets the clients invest in, there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

Item 9. Disciplinary Information

Neither VAMFIUS nor VAMAG have any disciplinary information to be disclosed.

Item 10. Other Financial Industry Activities and Affiliations

As mentioned previously, the Firm is a wholly owned subsidiary of Vontobel Holding AG, a globally operating financial firm based in Zurich, Switzerland and specializing in wealth and asset management for private clients and institutional investors as well as investment banking. The Firm will provide research to and advise VAMAG on fixed income instruments issued on U.S. markets.

VAMFIUS does not have any material business dealings with any of the other Vontobel entities.

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

VAMFIUS has adopted a Code of Ethics consisting of a Conflicts of Interest Policy, Insider Trading Policy, and Personal Securities Transactions policy which together, among other things, contain provisions designed to (i) prevent improper personal trading by employees; (ii) prevent improper use of material, non-public information about securities recommendations made by VAMFIUS or securities holdings of advisory clients and (iii) identify conflicts of interest, including monitoring of gifts and pay-to-play issues that could arise due to political donations by VAMFIUS or its personnel.

Personal Trading Policy and Procedures

VAMFIUS has policies and procedures reasonably designed to prevent its employees from misusing material nonpublic information (which may include information regarding VAMFIUS's clients) in their personal trades. VAMAG maintains a Restricted List of securities subject to sales or trading activity prohibitions which shall also apply to the Firm, and employees must request pre-approval to execute personal securities transactions. If a company is listed on the Restricted List, employees are generally prohibited from trading in that company's securities.

A copy of VAMFIUS's Code of Ethics shall be provided to any client or prospective client upon request.

Item 12. Brokerage Practices

Best Execution

VAMFIUS maintains a list of approved counterparties with whom orders are typically placed. Subject to the terms of the applicable investment management agreement, VAMFIUS has full discretion to choose a counterparty from the Firm's current list of approved counterparties for executing any order or orders, but in doing so shall assess and balance a range of all relevant factors, including those set out in its best execution policy which VAMFIUS considers (in its reasonable determination) relevant to achieving the best result for the clients.

On a semi-annual basis, the list of approved counterparties will be reviewed (ratings and other available financial data having been updated) by members of Risk, Compliance and Credit and, where appropriate, the list will be amended. Any amendments to the list will be reflected in the Firm's portfolio management system.

Subject to any specific instructions that the Firm may receive from a client, the factors that are considered in order to determine the manner in which an order will be executed are:

- Price
- Costs
- Size and nature of the order
- Speed
- Likelihood of execution and settlement
- together with any other consideration relevant to the execution of the order, such as availability of liquidity, the market impact of the order and, where relevant, the availability of appropriate credit lines.

In determining the relative importance of these factors the Firm will take into account the status as a client, together with the nature of the order, the characteristics of the financial instruments to which the order relates and the characteristics of the available execution venues. In the absence of specific instructions from a client, the Firm will exercise its discretion to determine which of these factors, or combination of them will be relevant to achieve best execution.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for clients. The next most importance factor is likely to be liquidity. However, in certain circumstances, for some client orders, financial instruments or markets, the Firm, at its absolute discretion, may decide that other factors may be more important in determining the best possible result in accordance with this policy.

The Firm is required to monitor the effectiveness of the order execution arrangements and assess on a regular basis whether the execution venues included in the 'Counterparty approved list' provide for the achievement of the best results for clients.

Where the Firm "executes" transactions on behalf of a client it will monitor the result of transactions against the result that could be obtained in the market and keep itself aware of developments in the market place that may impact the results obtained. In the event that the Firm identifies any deficiencies it will make appropriate changes to this Policy.

Allocation and Aggregation

Investment opportunities will be allocated on a basis believed to be fair and equitable; no portfolio will receive preferential treatment over any other. The portfolio management team will take steps to

ensure that no Client portfolio will be systematically disadvantaged by the aggregation, placement, or allocation of trades.

The Firm's policy is to aggregate portfolio transactions where possible and when advantageous to all clients involved. In these instances clients participating in any aggregated transactions will participate at the average price per security. Where aggregation does occur and the aggregated order is partially executed then the Firm must allocate the trades in accordance with its Trade Allocation policy.

The Firm will allocate trades with consideration to the prime determinants of market and credit exposure, cash availability and asset class/sector exposure and liquidity, and with regard to the suitability of such investments to each portfolio. In determining the suitability of each trade to a portfolio, consideration will be given to a number of factors, the most important being the portfolio's investment objectives and strategies, existing portfolio composition and cash levels.

Where an investment opportunity is suitable for two or more portfolios, the Portfolio Managers will allocate such trades equitably in order to ensure that portfolios have equal access to the same quality and quantity of investment opportunities, and in determining such allocations will consider a variety of factors and principles, including, but not limited to, the following:

- Legal and regulatory restrictions affecting the participation rates for any portfolios managed;
- The need within a particular portfolio for liquidity;
- Other investment opportunities that may be available to a portfolio;
- Anticipated volatility associated with the investment in respect of each portfolio's investment strategy and objectives;
- Each portfolio's own investment restrictions;
- Where allocation of an investment opportunity would be insufficient to make up a meaningful portion of an individual portfolio;
- The avoidance of odd lots relative to the size of the portfolio's participation in the investment opportunity that could cause liquidity concerns in the future;
- The avoidance of excessive transaction costs relative to the size of the portfolio's participation in the investment opportunity;
- The need to rebalance positions held by any portfolio in an investment due to capital infusions or withdrawals.

Transactions are allocated promptly, usually on the trade date, and no reallocations are permitted from one account to another except where the original allocation was done in error.

Cross Trading

Where appropriate, a bond or other instrument may be bought on behalf of one client's portfolio from another client's portfolio and the trading bid/offer spread thereby largely eliminated. The relevant Portfolio Manager must be able to present the rationale for the transaction to Legal and Compliance in writing.

Trade Errors

The Firm endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. VAMFIUS's general policy is to seek to investigate and resolve trade errors in a timely manner. The Firm's clients will not bear any loss arising from such an error and will retain any gains.

Soft Dollars/Client Commission Usage

The Firm has not entered into any soft dollar or client commission sharing agreements. However, VAMFIUS may receive research from the counterparties with which it executes as part of the relationship, but the Firm does not request, nor “pay up” to obtain research from the counterparties.

Item 13. Review of Accounts

As mentioned previously, at present the only client of the Firm is VAMAG and therefore all account reviews are currently performed there. In the future, VAMFIUS will review all client accounts on an ongoing basis and will provide client reporting as agreed via the investment advisory agreement or in the relevant fund’s offering documents.

Item 14. Client Referrals and Other Compensation

VAMFIUS does not receive any compensation from anyone other than VAMAG with regard to the services provided to clients. Similarly, the Firm has not engaged any third parties to solicit clients or investors. VAMAG has entered into solicitation arrangements for clients and investors with third parties, but those arrangements are not targeted toward U.S. investors.

Item 15. Custody

At present, the Firm does not have any clients for which it would be deemed to have custody. However, in future, the Firm will not take or maintain physical custody of any client cash or securities and conducts all business operations such that client cash and securities are preserved in the safekeeping of qualified custodians.

Item 16. Investment Discretion

At present, VAMFIUS does exercise investment discretion with regard to the services provided to VAMAG. The client portfolios are managed on a joint basis by portfolio managers in both the U.S. and Switzerland and investment decisions are made centrally by the team. Once approved, trades may be executed by either team. However, it is anticipated in the future that the Firm will exercise full investment discretion over any clients, subject to any restrictions or obligations outlined in the relevant investment advisory agreement or fund’s offering documents.

Item 17. Voting Client Securities

At present the Firm does not undertake proxy voting activities on behalf of VAMAG.

Item 18. Financial Information

VAMFIUS has never filed for bankruptcy and is not aware of any financial condition that is likely to impair its ability to provide services to clients.