

# Part 2A of Form ADV

THE BROCHURE

JULY 19, 2021

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This brochure provides information about the qualifications and business practices of BlueBay Asset Management LLP ("BlueBay"). If you have any questions about the contents of this brochure, please contact Luis Michael on +44 20 7389 4021 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)

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## Material Changes

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE OR ACCOUNT DOCUMENT IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE OR ACCOUNT DOCUMENT.

The below is a list of material changes since the last update of the BlueBay Asset Management LLP ('BBAM LLP') brochure, dated 31st October 2020.

- Effective November 1, 2021, RBC Global Asset (U.S.) Inc. ("RBC GAM-US") and BlueBay Asset Management USA LLC ("BlueBay USA") will consolidate the businesses' U.S. legal entity structures, with BlueBay USA merging with and into RBC GAM-US. RBC GAM-US and BlueBay USA will combine their respective U.S. fixed income teams into a single multi-disciplinary team in order to further streamline the investment solution and service offering to its U.S. clients. The combined fixed income team will share advisory services including, but not limited to, research and execution with BlueBay Asset Management, LLP, ("BBAM") a London-based SEC registered investment adviser and subsidiary of RBC. The combined entity will also share non-advisory services with BBAM such as accounting, marketing and client service.

## Item 4 - Advisory Business

The BlueBay business ("BlueBay") was founded in the UK in 2001. BlueBay was initially established to capitalize on strong growth trends in European corporate and global emerging debt markets. In November 2006, BlueBay was admitted to the official list of the UK Listing Authority and began trading on the London Stock Exchange. In December 2010, BlueBay was acquired by the Royal Bank of Canada ("RBC"); however, the firm remains substantially operationally independent. In April 2012 the investment management business of BlueBay was converted into an English limited liability partnership. Today it is a specialist fixed income manager which provides asset management services to institutional investors and third-party distributors.

BlueBay Asset Management LLP is a limited liability partnership established under the laws of England and Wales, Partnership Registration No. OC370085. It has been registered as an Investment Advisor with the US Securities and Exchange Commission ("SEC") since 25 September 2002 (SEC number 801-61494 and CRD number 122793). BlueBay Asset Management LLP also became a member of the National Futures Association ("NFA") and was registered as a Commodity Trading Advisor and Commodity Pool Operator with the Commodities Futures Trading Commission ("CFTC") on 25 January 2013 (NFA ID 0344858). It is also authorised and regulated by the UK Financial Conduct Authority ("FCA"), registration number 571599.

BlueBay is based in London with offices in Japan (BlueBay Asset Management International Limited); Stamford, CT, USA (BlueBay Asset Management USA LLC); Luxembourg, Germany, Italy (BlueBay Funds Management Company S.A.); Zürich (BlueBay Asset Management AG) and Australia (BlueBay Asset Management LLP).

A structure chart detailing the corporate group is provided on page 6.

- BlueBay Asset Management LLP (the "LLP"):

The principal activity of the LLP is the provision of investment management and advisory services to institutions.

The LLP is a limited liability partnership which was incorporated on 23 November 2011 under the name BBAML LLP. On the 2 April 2012 it changed its name to BlueBay Asset Management LLP. The LLP is a subsidiary of Royal Bank of Canada. The LLP was authorised and regulated by the Financial Conduct Authority (FCA) from 2 April 2012. The LLP is also registered with the US Securities and Exchange Commission (SEC), the US Commodities Futures Trading Commission (CFTC) and is a member of the US National Futures Association (NFA).

- BlueBay Asset Management LLP's Australia Branch

BlueBay Asset Management LLP has a presence in Australia and is registered as a Foreign Company with the Australian Securities and Investments Commission ("ASIC"). Activities undertaken in this jurisdiction consist solely of the distribution of BlueBay funds and strategies.

- BlueBay Asset Management (Services) Ltd ("BBAM Services")

The principal activity of BBAM Services is to be the Corporate Member of the LLP. BBAM Services also holds the lease on the offices in London and all rights to the BlueBay trading name, including all trademark registrations.

- BlueBay Asset Management Corporation Ltd ("BBAM Corp")

BBAM Corp serves as the employing entity of personnel acting on behalf of the LLP, and as a Group services company – owning assets used by the LLP and entering certain Group service and infrastructure contracts.

- BlueBay Asset Management International Limited ("BBAMIL")

BBAMIL is a UK limited Company, which is registered as a foreign company with a Branch office in Tokyo, Japan and is regulated by the Japanese Financial Services Authority. It is the holding company for the BlueBay Group's overseas entities.

- BlueBay Funds Management Company S.A. (“the ManCo”)

The ManCo is the Management Company for all of BlueBay’s Luxembourg based fund structures and is authorised and regulated by the Commission de Surveillance du Secteur Financier (“CSSF”) in Luxembourg.

- BlueBay Funds Management Company S.A.’s Milan Branch

BlueBay Funds Management Company S.A. has a presence in Italy and is authorised by the Bank of Italy and registered with CONSOB. Activities undertaken in this jurisdiction consist solely of the distribution of BlueBay funds and strategies.

- BlueBay Funds Management Company S.A.’s Munich Branch

BlueBay Funds Management Company S.A. has a presence in Germany and is authorised by the German Federal Financial Supervisory Authority, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). Activities undertaken in this jurisdiction consist solely of the distribution of BlueBay funds and strategies.

- BlueBay Asset Management USA LLC (“BBAM USA”)

BBAM USA provides marketing, client services, portfolio management, trading and analysis of investments. It is regulated as an Investment Advisor by the Securities and Exchange Commission (SEC) in the US and is registered as an Introducing Broker with the Commodity Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”), both in the US.

- BlueBay Asset Management AG (“BBAM AG”)

BBAM AG provides sales and client services for Switzerland and has a Distributor Licence with the Swiss Financial Market Supervisor Authority (“FINMA”).

Effective November 1, 2021, RBC Global Asset Management (U.S.) Inc. (“RBC GAM-US”) and BlueBay Asset Management USA LLC (“BlueBay USA”) will consolidate the businesses’ U.S. legal entity structures, with BlueBay USA merging with and into RBC GAM-US. RBC GAM-US and BlueBay USA will combine their respective U.S. fixed income teams into a single multi-disciplinary team in order to further streamline the investment solution and service offering to its U.S. clients. The combined fixed income team will share advisory services including, but not limited to, research and execution with BlueBay Asset Management, LLP, (“BBAM”) a London-based SEC registered investment adviser and subsidiary of RBC. The combined entity will also share non-advisory services with BBAM such as accounting, marketing and client service.

As of May 2020, BlueBay began providing investment advisory services primarily focused on senior secured term loan and revolving investments to a variety of institutional clients through pooled investment vehicles in the form of collateralized loan obligations (“CLOs”), herein referred to as the “CLO Clients”.

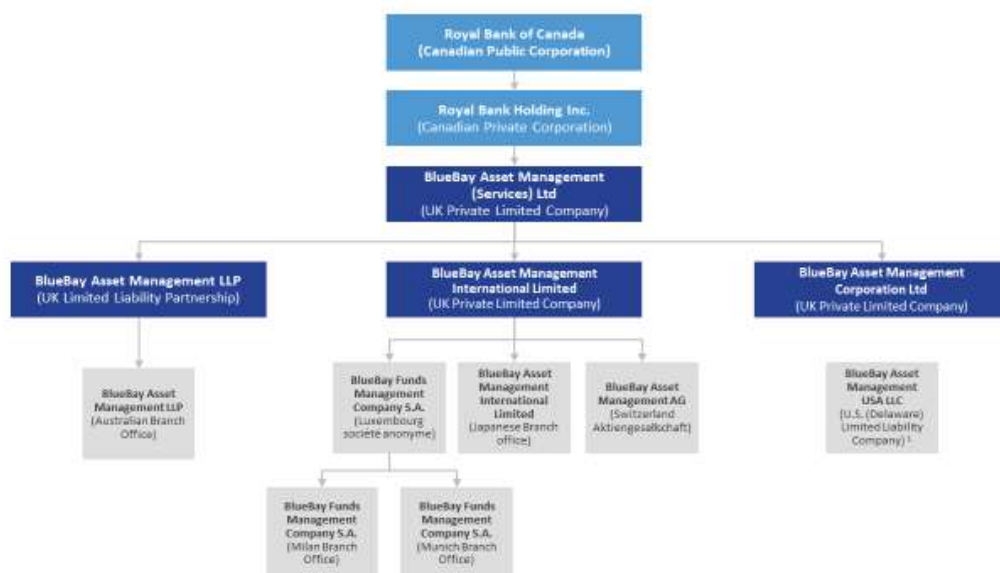
The CLO Clients are organized to be excluded from the definition of “investment company” and therefore are not required to register under the Investment Company Act of 1940 and the securities or interests of such CLOs are exempt from registration under the Securities Act of 1933. Each CLO issuer is expected to be a non-U.S. entity that issues various tranches of senior and mezzanine notes (“Senior Notes”) and subordinated nonrated residual notes (commonly referred to as “Equity”, and, together with the Senior Notes, the “Notes”) pursuant to the terms and conditions of an indenture (“Indenture”). The Senior Notes issued by each CLO are secured by a portfolio consisting primarily of leveraged loans selected and managed by the Advisor.

The documentation governing each CLO Client relationship, which may include prospectuses, offering circulars, private placement memoranda, management agreements, Indentures, subscription agreements and other documents governing the CLO Client relationship, including any agreements with CLO Clients and/or investors (collectively, “Client Documentation”) contains, among other things, detailed specifications and requirements regarding the types of investments and overall composition of a CLO Client portfolio (such as diversity, ratings, concentration, etc.), and the Advisor’s role and authority. Except in the case of an SMA, generally, investment guidelines for CLO Clients are not tailored to the individual needs of any particular investor or CLO debt investor (“Note Holder”). Often, certain Note Holders can be expected to influence investment criteria or portfolio guidelines. Also, the Advisor expects to enter into side letter agreements or other similar separate agreements with certain Note Holders that have the effect of establishing rights under or altering or supplementing the terms of a CLO’s governing documents (with respect to each such Note Holder, such side letter is part of the Client Documentation). Entities affiliated with BlueBay (“Advisor Related Parties”) have in the past, and may in the future, provide financing warehouses for CLOs to accumulate loans intended to be transferred to a CLO prior to its offering to investors.



## BlueBay Group Organisation Chart as at 31 October 2020

### BlueBay Group Entity Structure



Notes: 1 Prior to November 2016, BlueBay Asset Management USA LLC ("BBAM USA") was owned by BlueBay Asset Management International Limited. Following Royal Bank of Canada's implementation of Section 165 of U.S Dodd Frank Act, BBAM USA was transferred to RBC USA HoldCo Corporation

Data source: BlueBay, effective 16 June 2020.

Notes: 1 Prior to November 2016, BlueBay Asset Management USA LLC ("BBAM USA") was owned by BlueBay Asset Management International Limited. Following Royal Bank of Canada's implementation of Section 165 of U.S Dodd Frank Act, BBAM USA was transferred to RBC USA HoldCo Corporation.

As of October 31, 2020 BlueBay managed approximately US\$67 billion on a discretionary basis only.

## Investment Management and Advisory Services

BlueBay provides asset management services to institutional investors. Our approach is characterised by a belief in the value of active management, a strong investment process, the generation of attractive risk-adjusted returns and an emphasis on capital preservation for all our investment strategies. BlueBay manages a range of long-only and alternative absolute-return style portfolios across the following sub-asset classes of global developed and emerging markets fixed income:

- Investment grade debt
- Leveraged Finance
- Emerging market debt
- Convertible bonds
- Multi-asset credit
- Structured Credit

## Investment Restrictions

Clients may impose reasonable restrictions on the management of their separate accounts, including by restricting particular securities or types of investments, provided that BlueBay accepts such restrictions. Any such restrictions will be reflected in the investment guidelines or other documentation applicable to the Advisory Account (“refers collectively to accounts that are discretionarily advised and accounts that are advice only”).

Absent specific instructions to the contrary, certain types of account limitations requested by clients, for example prohibiting investments in particular industries or limiting investments to those in certain socially responsible categories, may be defined or identified by reference to information provided by a third-party service provider selected by BlueBay. BlueBay will apply such restrictions based on its internal policies and the policies and methodologies of the service provider. The methodology used by BlueBay or these service providers to analyse companies may change without notice to clients.

Where BlueBay is the investment adviser to a pooled investment vehicle, investment objectives, guidelines and any investment restrictions are not tailored to the needs of individual investors in those vehicles, but rather apply to the vehicle and are described in the prospectus or other relevant offering document for the vehicle.

BlueBay may establish internal guidelines, restrictions or policies beyond those imposed by Advisory Accounts.



## Item 5 - Fees and Compensation

### Pooled Investment Vehicle Fees

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

- An annual management fee of up to 2% of the net asset value is payable and these fees will be payable monthly or quarterly in arrears; and
- A performance fee, which is based upon the performance of the relevant share class, may be payable 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.

Certain investors that are invested in pooled investment vehicles may pay higher or lower fees or may be subject to higher or lower incentive allocations than similarly situated investors that are invested in the same pooled investment vehicle. Amounts may vary as a result of negotiations, discussions and/or factors that may include the particular circumstances of the investor, the size and scope of the overall relationship, whether the investor has a multi-strategy, multi-asset class or multi-product investment program with BlueBay, or as may be otherwise agreed with specific investors.

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

### Segregated Account Fees

BlueBay provides investment management services to several segregated accounts (subject to an agreed and executed investment management agreement). Segregated accounts may be managed 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'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 or unusual reporting or administrative requirements or unique characteristics; the size and scope of the overall client relationship, additional or differing levels of servicing, or as may be otherwise agreed with specific clients. A client may therefore pay more or less than the fees set forth in this Brochure, or more or less than similar clients or clients invested in similar strategies.

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

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

### Fees for Services to Portfolio Companies

BlueBay, RBC, their respective Affiliates, and their respective officers and directors may (subject to any limitations in an Advisory Account's constitutional documentation) provide Advisory Accounts with services (including but not limited to services that incur deal fees, sponsor fees, monitoring fees, transaction fees or other fees for services) and may charge Advisory Accounts therefor, provided that BlueBay in its reasonable discretion believes in good faith that any such person can provide such services at a reasonable cost as would be the case if unaffiliated third parties were to provide such services. BlueBay and RBC, and any of their respective Affiliates, officers and directors may also provide certain services to Portfolio Companies, in which case any fees received will not be shared with the Advisory Accounts, provided that BlueBay believes that such services can be provided at a reasonable cost as it relates to the value provided to such Portfolio Company.

## Compensation Received by BlueBay

Compensation received by BlueBay and its affiliates related to various services provided by the Advisory Accounts, including separate accounts and accounts that are pooled investment vehicles, will generally be retained by BlueBay and its affiliates. Except to the extent required by applicable law or expressly agreed to by BlueBay, BlueBay is not required to offset such compensation against fee and expenses a client or Advisory Account may otherwise owe BlueBay and its affiliates. In certain circumstances, clients may negotiate for certain of the fees charged in respect of Advisory Accounts to be credited against the fees BlueBay charges such clients in respect of other Advisory Accounts in which they invest, or which are managed on behalf of such clients.

## Transaction Charges

BlueBay clients will pay brokerage commissions, mark-ups, mark-downs and other commission equivalents as well as spreads and/or transaction costs related to transactions effected for their Advisory Accounts to executing broker-dealers. As described in Item 12, Brokerage Practices, BlueBay will affect these transactions subject to its obligation to seek best execution. The different types of transaction charges include:

- Commissions: the amount charged by a broker for purchasing or selling securities, real estate or other investments as an agent for the client, which is disclosed on the client's trade confirmations or otherwise.
- Commission equivalents: an amount charged by a dealer for purchasing or selling securities or other investments in certain riskless principal transactions. Riskless principal transactions refer to transactions in which a dealer, after having received an order from a client to buy a particular security, purchases such security from another person to offset a contemporaneous sale to the client or, after having received an order from a client to sell a particular security, sells such security to another person to offset a contemporaneous purchase from the client.
- Mark-ups: the price charged to a client, less the prevailing market price, which is included in the price of the security
- Mark-downs: the prevailing market price, less the amount a dealer pays to purchase the security from the client, which is included in the price of the security.
- Spreads: the difference between the current purchase and bid price (that is, the price someone is willing to pay) and the current ask or offer price (that is, the price at which someone is willing to sell), which is reflected in the price of the security. The difference or spread narrows or widens in response to the supply and demand levels of the security.

## Custody, Administration and Other Fees

Administration fees and all other fees charged by service providers providing services relating to Advisory Accounts are levied by the custodian, the administrator or other service providers for the Advisory Account and are generally not included in the advisory fees payable to BlueBay. An Advisory Account (and fund investors indirectly) will generally bear such expenses unless provided otherwise in the applicable governing documents.

Other expenses charged to Advisory Accounts may amongst others include:

- investment-related expenses, including research, expenses relating to sourcing, identifying, evaluating, valuing, structuring, purchasing, monitoring, servicing investments and potential investments (including first or business class airfare, first class lodging and ground transportation, such as a black car service; entertainment including high value spectator and participatory sporting and cultural events);
- expenses related to hedging, including currency, interest rate and/or other hedging strategies;
- legal, tax and accounting expenses, including expenses for preparation of annual audited financial statements, tax return preparation, routine tax and legal advice, and legal costs and expenses associated with indemnity, litigation, claims, and settlements;
- professional fees (including, without limitation, fees and expenses of consultants, finders and experts);
- fees and expenses of directors, trustees, or independent general partners;
- technology expenses, including news and quotation services;
- insurance premiums (which insurance may cover numerous Advisory Accounts, in which case each participating Advisory Account is responsible for a share of the premiums);
- expenses related to compliance by an Advisory Account with any applicable law, rule or directive or any other regulatory requirement, or compliance with the foregoing requirements by BlueBay or its affiliates to the extent such compliance relates to an Advisory Account's activities;
- any other reasonable expenses that may be authorised by the applicable governing documents or that may be reasonably necessary or appropriate in connection with managing an Advisory Account.

## Selection of Service Providers

BlueBay, on behalf of Advisory Accounts and their portfolio companies (if any), expects to engage service providers (including attorneys and consultants) that may also provide services to BlueBay and other clients managed by other parts of the RBC Group and its clients. BlueBay intends to select these service providers based on several factors, including expertise and experience, knowledge of related or similar products, quality of service, reputation in the marketplace, relationships with BlueBay and its affiliates and price. These service providers may have business, financial or other relationships with BlueBay (including its personnel) and its affiliates, which may or may not influence BlueBay's selection of these service providers for Advisory Accounts or their portfolio companies. In such circumstances, there may be a conflict of interest between BlueBay, its affiliates, and the Advisory Accounts (or their portfolio companies) if the Advisory Accounts (or their portfolio companies) determine not to engage or continue to engage these service providers. Notwithstanding the foregoing, the selection of service providers will be conducted in accordance with BlueBay's fiduciary obligations to Advisory Accounts.

The service providers selected by BlueBay may charge different rates to different recipients based on the specific services provided, the personnel providing the services or other factors. As a result, the rates paid with respect to these service providers by Advisory Accounts or their portfolio companies, on the one hand, may be more or less favourable than the rates paid by BlueBay or and affiliate, on the other hand. In addition, the rates paid by BlueBay or the Advisory Accounts or their portfolio companies, on the one hand, may be more or less favourable than the rates paid by other parts of the RBC Group or clients managed by other parts of RBC, on the other hand. BlueBay and its affiliate's clients and the RBC Group may hold investments in companies that provide services to portfolio companies generally, and, subject to applicable law, BlueBay may refer or introduce such companies' services to portfolio companies that have issued securities that are held in Advisory Accounts.

## Allocation of Expenses and Broken-Deal Expenses

Multiple Advisory Accounts may participate in a particular investment or incur other expenses applicable in connection with their operation or management, or otherwise may be subject to costs or expenses that are allocable to more than one Advisory Account (which may include, without limitation, research expenses, technology expenses, expenses relating to participation in bondholder groups, restructurings, and class action and other litigation, and insurance premiums).

BlueBay may allocate investment related and other expenses on a pro rata or different basis. Certain Advisory Accounts are, by their terms or by determination of BlueBay, which may be made on a case-by case basis, not responsible for their share of such expenses, and, in addition, BlueBay has agreed with certain Advisory Accounts to cap the amount of expenses (or the amount of certain types of expenses) borne by such Advisory Accounts, which may result in such Advisory Accounts not bearing the full share of expenses they would otherwise have borne as described above. As a result, certain Advisory Accounts may be responsible for bearing a different or greater amount of expenses, while other Advisory Accounts may not bear any, or do not bear their full share, of such expenses.

Advisory Accounts will incur expenses with respect to the consideration and pursuit of transactions that are not ultimately consummated ("broken-deal expenses"). Examples of broken-deal expenses include (i) research costs, (ii) fees and expenses of legal, financial, accounting, consulting or other advisers (including BlueBay or its affiliates) in connection with conducting due diligence or otherwise pursuing a particular non-consummated transaction, (iii) fees and expenses in connection with arranging financing for a particular non-consummated transaction, (iv) travel costs, (v) deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, a particular non-consummated transaction and (vi) other expenses incurred in connection with activities related to a particular non-consummated transaction.

BlueBay has adopted a policy relating to the allocation of broken-deal expenses among Advisory Accounts and other potential investors. Pursuant to the policy, broken-deal expenses generally will be allocated among Advisory Accounts in the manner that BlueBay determines to be fair and equitable, which may be pro rata or on a different basis.

## Inducements/Non-Major Monetary Benefits

In connection with services provided by BlueBay to Advisory Accounts, from time to time, BlueBay may receive from or provide to third parties, minor non-monetary benefits permitted under applicable law, including (i) information or documentation relating to financial instruments or investment services; (ii) issuer-commissioned research coverage; (iii) participation in conferences, seminars

or training events on the benefits and features of specific financial instruments or investment services; (iv) hospitality of a de minimis value during meetings or those events specified in iii above; (v) connected research on an issuer in the context of an issuer capital

raising; (vi) research provided for a trial period; and (vii) such other services and/or benefits that can be considered minor non-monetary benefits under applicable law from time to time. From time to time, BlueBay and its personnel may receive the benefit of “friends and family” and similar discounts from portfolio companies of Advisory Accounts under which such portfolio companies make their goods and/or services available at reduced rates. Because many portfolio companies typically offer such discounts to customers other than BlueBay and other such persons as part of their standard commercial practices to expand their respective customer bases, BlueBay and its personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

## CLOs

BlueBay serves as collateral manager for certain CLOs and earns management fees which are determined mainly by the assets under management of each CLO and are based on the initial capitalization of the CLOs. The management fees consist of senior management fees and subordinated management fees. The senior management fee has a higher priority in a CLO payment waterfall whereas the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. Also, for us to earn our subordinated management fee, over-collateralization and interest coverage tests must be passing on the relevant determination date for all senior CLO note holders.

It should be noted that detailed disclosure about the fees and other expenses applicable to an investment in a BlueBay CLO is provided in the relevant confidential offering documents which are provided to prospective investors. Those operative documents should be carefully reviewed prior to making an investment. A further summary of the potential fees that BlueBay may earn is set out below.

The senior collateral management fee, which is generally payable each year (calculated on the basis of a 360-day year and the actual number of days elapsed in such Due Period) of the Aggregate Collateral Balance measured as of the first day of such Due Period (or if such day is not a Business Day, the next day which is a Business Day) relating to the applicable Payment Date, as determined by the Collateral Administrator, which collateral management fee will be payable senior to the Notes, but subordinated to certain fees and expenses of the Issuer in accordance with the Priorities of Payment (such fee, the "Senior Collateral Management Fee").

The subordinated collateral management fee, generally payable each year (calculated on the basis of a 360-day year and the actual number of days elapsed in such Due Period) of the Aggregate Collateral Balance measured as of the first day of such Due Period (or if such day is not a 310 Business Day, the next day which is a Business Day), as determined by the Collateral Administrator, which collateral management fee will be payable senior to the payments on the Subordinated Notes, but subordinated to the Rated Notes in accordance with the Priorities of Payment (such fee, the "Subordinated Collateral Management Fee").

In addition to the Senior Collateral Management Fee and the Subordinated Collateral Management Fee, BlueBay may also receive an incentive collateral management fee on each Payment Date on which the Incentive Collateral Management Fee IRR Threshold has been met or surpassed. On each such Payment Date, a percentage of any Interest Proceeds, Principal Proceeds and Collateral Enhancement Obligation Proceeds (after any payment required to satisfy the Incentive Collateral Management Fee IRR Threshold) that would otherwise be available to distribute to the Subordinated Noteholders in accordance with the Priorities of Payment, will be applied to pay the Incentive Collateral Management Fee as of such Payment Date. BlueBay may, at its sole discretion designate, waive or reinvest all or a part of the Incentive Collateral Management Fee in additional Collateral Debt Obligations.

The Incentive Collateral Management Fee IRR Threshold will vary between CLOs. BlueBay may, by giving notice to each of the Issuer, the Trustee and the Collateral Administrator, elect to increase the Incentive Collateral Management Fee IRR Threshold.

If amounts distributable on any Payment Date in accordance with the Priorities of Payment are insufficient to pay the Collateral Management Fees in full, then a portion of the applicable Collateral Management Fee equal to the shortfall will be deferred and will be payable on subsequent Payment Dates on which funds are available therefor according to the Priorities of Payment.

## Expenses

In addition to the fees described above, CLO Clients often bear (or reimburse BlueBay, as the case may be) the costs and expenses described below, to the extent permitted under Client Documentation. In respect of CLOs, expenses may include:

- legal advisers, consultants, rating agencies, accountants, brokers and other professionals retained by the Issuer or the Collateral Manager (on behalf of the Issuer);
- asset pricing and asset rating services, compliance services and software, and accounting, programming and data entry services directly related to the management of the Collateral;
- any: (A) irrecoverable VAT in respect of any of the expenses described paragraphs (a) to (b) above, paragraphs (d) to (v) below or any other expenses that the Collateral Manager is permitted to be reimbursed for; (B) stamp duty and any similar transfer taxes; (C) regulatory and governmental charges (including any pecuniary sanctions

arising under Article 32 of the Securitisation Regulation in relation to a failure to meet the EU Disclosure Requirements); and (D) insurance premiums;

- any and all costs and expenses incurred in connection with the acquisition, disposition of investments on behalf of the Issuer (whether or not actually consummated) and management thereof, including attorneys' fees and disbursements;
- preparing reports to the Issuer, the Collateral Administrator and the holders of the Notes;
- reasonable travel expenses (including without limitation airfare, meals, lodging and other transportation) undertaken in connection with the performance by the Collateral Manager of its duties pursuant to the Transaction Documents (including for the avoidance of doubt, travel expenses incurred in connection with the attendance of the Collateral Manager's officers and employees at any bank or due diligence meetings), for the avoidance of doubt and in each case, whether or not an acquisition or disposition of investments is actually consummated as a result of such outgoings;
- expenses and costs in connection with communications or meetings with any investors or potential investors (including, for the avoidance of doubt expenses and costs in connection with any investor conferences);
- any broker or brokers in consideration of brokerage services provided to the Collateral Manager in connection with the sale or purchase of any Collateral Debt Obligation, Equity Security, Eligible Investment, or other assets received in respect thereof;
- bookkeeping, accounting or recordkeeping services obtained or maintained with respect to the Issuer (including those services rendered at the behest of the Collateral Manager);
- software programs licensed from a third party and used by the Collateral Manager in connection with servicing the Collateral;
- fees and expenses incurred in obtaining the Market Value of Collateral Debt Obligations (including without limitation fees payable to any nationally recognised pricing service);
- audits incurred in connection with any consolidation review;
- any fees, expenses or other amounts payable to the Rating Agencies, the Collateral Administrator, the Trustee or any independent certified public accountants of international reputation appointed by the 312 Issuer;
- any fees or expenses incurred in connection with any default, restructuring or enforcement of any Collateral Debt Obligation;
- the fees and expenses of any legal advisers, consultants, or other professionals retained by the Issuer or the Collateral Manager on behalf of the Issuer in connection with the Collateral Manager's obligations under the Transaction Documents and the services provided by the Collateral Manager pursuant to the Collateral Management Agreement including legal due diligence and documentation reviews and other reviews in connection with such transactions, whether proposed transactions or transactions which are, in fact, consummated;
- expenses related to compliance-related matters and regulatory filings relating to the Issuer's activities;
- expenses and premiums related to the acquisition of professional liability insurance coverage for the benefit of the Issuer and its directors, where premiums and other such amounts have been paid by the Collateral Manager on behalf of the Issuer or the its directors;
- any other reasonable fees and expenses associated with the Issuer's investment activities and operations, including brokerage commissions, custodial fees, bank service fees, withholding and transfer fees, clearing and settlement fees, research costs and the Issuer's pro rata share of licensing fees for any software for record keeping;
- the reasonable costs and expenses in relation to the provision of any information required by the relevant authorities in connection with CRA3, the Dodd-Frank Act, the Securitisation Regulation and/or FATCA;
- the fees, costs and expenses incurred in assisting the Issuer with its compliance with the Securitisation Regulation and its own fees, costs and expenses related to compliance;
- the fees, costs and expenses incurred by the Collateral Manager in connection with satisfying the requirements of the Securitisation Regulation (including any expenses incurred by the Collateral Manager as a result of entering into amendments to the Transaction Documents which are required to ensure compliance with the Securitisation Regulation), in each case as applicable to the Issuer only, including any costs or fees related to additional due diligence or reporting requirements; and as otherwise agreed upon by the parties to the Collateral Management Agreement.

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

BlueBay manages long-only and alternative investment strategies for all Advisory Accounts. BlueBay offers a variety of fee schedules for its investment products. For the long-only and alternative fund structures this may include both Management Fees and Performance Fees, where appropriate. BlueBay manages all portfolios side-by-side which may give rise to certain conflicts of interest; however, BlueBay has a fiduciary duty to treat all of its clients fairly.

Performance-based compensation arrangements for Advisory Accounts may vary among clients and investment strategies BlueBay receives performance-based fees at varying levels depending on the investment vehicle & strategy. The existence of such fees may create a conflict of interest in that BlueBay may be encouraged to take greater risks in performance-based fee accounts in pursuit of higher returns; Further, the simultaneous management of Advisory Accounts that bear performance-based compensation and Advisory Accounts that only bear an asset-based fee, or that bear performance-based compensation that is calculated in a different manner, creates a conflict of interest as the portfolio manager has an incentive to favour Advisory Accounts with the potential to bear greater fees when allocating resources, services, functions or investment opportunities among Advisory Accounts. BlueBay has a fiduciary duty to treat all of its clients fairly and the risks taken are monitored to ensure they are appropriate for the targeted level of return. To address these types of conflicts, BlueBay has adopted policies and procedures under which allocation decisions may not be influenced by compensation arrangements and investment opportunities will be allocated in a manner that BlueBay believes is consistent with its obligations and fiduciary duties as an investment adviser. Notwithstanding BlueBay's allocation policies, the availability, amount, timing, structuring or terms of investments available to particular Advisory Accounts, including Advisory Accounts engaging in the same or similar strategies, may differ.

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

BlueBay 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. 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 has developed allocation policies and procedures that provide that personnel making portfolio decisions for Advisory Accounts will make purchase and sale decisions for, and allocate investment opportunities among, Advisory Accounts consistent with BlueBay's fiduciary obligations.

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 list. In addition, the fact that certain personnel of BlueBay are dedicated to one or more Advisory Accounts or clients may be a factor in determining the allocation of opportunities sourced by such personnel. Investment opportunities sourced by one portfolio management team may not be made available to Advisory Accounts managed by other portfolio management teams.

BlueBay may, from time to time, develop and implement new trading strategies or seek to participate in new trading strategies and investment opportunities. These strategies and opportunities may not be employed in all Advisory Accounts or employed pro rata among Advisory Accounts where they are used, even if the strategy or opportunity is consistent with the objectives of such accounts. Further, a trading strategy employed for one Advisory Account that is similar to, or the same as, that of another Advisory Account may be implemented differently.

In certain cases, one or more funds or other Advisory Accounts are intended to be BlueBay's primary investment vehicles focused on, or receive priority with respect to, a strategy or type of investment (as determined in BlueBay's discretion) as compared to other funds or Advisory Accounts. In such cases, such other funds or Advisory Accounts may not have access to such strategy or type of investment or may have more limited access than would otherwise be the case. Participation by such Accounts in such transactions may reduce or eliminate the availability of investment opportunities to, or otherwise adversely affect, Advisory Accounts.

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. Notwithstanding BlueBay's allocation policies, the availability, amount, timing, structuring or terms of investments



available to particular Advisory Accounts, including Advisory Accounts engaging in the same or similar strategies, may differ.

## IPO/New Issue Allocation

Allocation of initial public offerings or new issues (“IPO/New Issue”) will be affected 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”. 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 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 (including Advisory Accounts in which BlueBay, RBC and personnel of BlueBay have interests). 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 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 give advice 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.

## Advisory and Discretionary Accounts

BlueBay may provide services whereby it advises Advisory only Accounts on purchasing, selling, holding, valuing, or exercising rights with respect to particular investments, but does not have discretion to execute purchases or sales on behalf of the Advisory only Accounts. BlueBay may advise with respect to the same or similar securities in Discretionary and Advisory only Accounts. There may be timing differences related to the transmission of advice to Advisory only Account clients for consideration and a determination of whether to act on the advice. As a result, BlueBay may execute trades in investments for Discretionary Advisory Accounts in advance of BlueBay communicating with Advisory only Account clients about those investments. As a result, particularly with large orders or where the investments are scarce or thinly traded, Advisory only Accounts may receive allocations or prices that are less favourable than those obtained for Discretionary Advisory Accounts.

## Co-Investment Opportunities

There may be cases in which one or more Advisory Accounts are intended to be BlueBay’s primary investment vehicles focused on, or that receive priority with respect to, a particular strategy or type of investment, and such Advisory Accounts may have specific guidelines with respect to receiving Co-investment Opportunities, which will result in certain Advisory Accounts, other Accounts or other persons receiving allocations to, or rights to invest in, Co-investment Opportunities that are not available to Advisory Accounts generally.

BlueBay’s Co-Investment Practices take into consideration the particulars of each participating account’s investment program, among other factors. Co-Investment Opportunities are generally made available when BlueBay determines that while it is in the best interests of the Advisory Accounts to acquire the full amount of a particular investment (as opposed to not making the investment), the Advisory Accounts interests are better served, due for instance to diversification, portfolio management, leverage management, investment profile, risk tolerance or other exposure guidelines or limitations, cash flow or other considerations, for Advisory Accounts to acquire or otherwise hold less economic exposure to the investment than the full amount.

Generally, BlueBay has broad discretion in determining to whom and in what relative amounts to allocate Co-Investment Opportunities. Factors BlueBay may take into account include, but are not limited to, whether BlueBay believes the



potential recipient is able to execute a transaction quickly or is willing to bear expenses associated with a potential transaction that is not consummated, and whether the potential recipient is expected to provide expertise or other advantages in connection with a particular investment.

Co-Investment Opportunities may or may not give preference to investors in the applicable Advisory Accounts, or investors that have made commitments over a certain threshold as opposed to other investors, and Co-Investment Opportunities may be provided in connection with a commitment to an Advisory Account. No Advisory Account or other person (including Advisory Accounts that are similarly situated to Advisory Accounts or other persons receiving Co-Investment Opportunities) will have any right to any Co-Investment Opportunity unless such person has entered into an agreement with respect thereto.

Co-Investment Opportunities may be provided on a case-by case basis as they arise or in the form of priority rights with respect to future Co-Investment Opportunities. BlueBay may or may not receive fees or other compensation in connection with Co-Investment Opportunities. Co-Investment Opportunities may be acquired at the same time and on the same terms as the Advisory Accounts making the primary investment, or at different times or on different terms, including in a subsequent sale by one or more of such Advisory Accounts to the participants in a Co-Investment Opportunity.

## CLOs

BlueBay may receive performance-based compensation from eligible CLO Clients, as set forth in the relevant Client Documentation. Additionally, BBAM LLP and Advisor Related Parties have other pecuniary interests in CLO Clients, such as personal or proprietary investments. Each of these arrangements create a variety of risks and conflicts, including, but not limited to, those described below. In the case of CLOs, performance-based fees are generally paid as a percentage of available cash flow, not appreciation of assets, and only after Equity holders have achieved a specified IRR (not the appreciation of portfolio assets) consistent with the terms of the Indenture.

The receipt of performance-based compensation, and the presence of different pecuniary interests in CLO Client accounts, creates a potential conflict of interest between BBAM LLPs interest to generate revenue for itself, and its personnel and affiliates, and the interests of CLO Clients and investors (including Note Holders). Specifically, performance-based fee arrangements and ownership of pecuniary interests create an incentive for BBAM LLP to make investments that are considered riskier or more speculative than those that would be otherwise recommended under a different fee arrangement. In most cases, the payment of performance-based compensation is dependent on portfolio performance creating an incentive for BBAM LLP to make decisions that may conflict with the interests of some investors or Note Holders or any class thereof. For example, the performance-based fee structure could create an incentive for the collateral manager to take greater risks or otherwise manage the CLO portfolio in a manner which seeks to maximize IRR for Equity holders relative to investors holding Notes with higher creditworthiness like Senior Notes. Focusing on increasing yield could contribute to a decline in the creditworthiness of the portfolio and could result in potential defaults or volatility. However, Client Documentation typically contains specific investment guidelines and restrictions that constrain BBAM LLP's discretion to select speculative investments. This is particularly relevant with respect to CLOs where the Indentures limit the portfolios to certain types of investments, as well as diversification, credit quality and concentration by industry and issuer.

## Item 7 – Types of Clients

BlueBay 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

All pooled investment vehicles have minimum investment requirements, and these are noted in the applicable prospectus or offering memorandum. Segregated accounts typically have a minimum of US\$100 million (or equivalent) 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.

BBAM LLP also advises the CLO Clients. Investors in the CLO Clients may include high net worth individuals, banks, insurance companies, family offices, endowments, pensions, and other institutional investors. Investors in CLOs are qualified institutional investors. Minimum investment amounts for CLOs are set forth in the Client Documentation.

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

### METHODS OF ANALYSIS

BlueBay seeks to provide asset management services characterised by an active management style, a solid investment process, a focus on capital preservation and the generation of attractive risk-adjusted returns for all investment strategies. Certain Advisory Accounts that are funds offered by BlueBay have set guidelines which are published and available for review. BlueBay monitors each respective guideline and limit imposed as part of our management of these Advisory Accounts.

BlueBay 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. BlueBay monitors each mandate's respective guidelines and limits as part of our management of the account.

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

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

Finally, credit analysis is the fundamental aspect of the BlueBay'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 BlueBay's credit expertise and proprietary research.

Advisory Account clients and investors in pooled investment vehicles should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment, which clients and investors should be prepared to bear. The investment performance and the success of any investment strategy or investment can never be predicted or guaranteed, and the value of a client's or an investor's investments will fluctuate due to market conditions and other factors. The investment decisions made, and the actions taken for Advisory Accounts will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value.

### INVESTMENT STRATEGIES

BlueBay manages a wide range of long-only and alternative specialist fixed income portfolios that focus on the following sub-asset classes of fixed income:

#### Convertible bonds

BlueBay's Global Convertible Bond Strategy is managed by a team of dedicated portfolio managers and investment analysts, and also draws upon BlueBay's other specialist teams, which combined provide BlueBay's proprietary convertible bond analysis.

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

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

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

## Leveraged Finance

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

- Stage 1 – Idea Sourcing & Preliminary Screening
- Stage 2 – Credit Analysis
- Stage 3 – Valuation: Relative Value & Absolute Risk-Return
- Stage 4 – Portfolio Construction
- Stage 5 – Ongoing Monitoring and Engagement

## Emerging Market Debt

BlueBay's Emerging Market Debt strategy is managed by a large and integrated team of dedicated portfolio managers, sovereign and corporate credit strategists and traders.

The investment process for BlueBay's Emerging Market Debt strategies balances top-down themes with bottom-up conviction ideas to form a strategic, best ideas portfolio. All of EM strategies follow largely the same investment process. We adopt a team approach to investing in which all investment decisions are taken in accordance with our investment process. Our process combines four stages:

### Stage 1 – Fundamental Scoring

- Fundamental scoring at individual country and company level across an array of factors
- Dynamic process; scores constantly revisited
- ESG view formally integrated into fundamental score

### Stage 2 – ESG & Political Analysis

A formal issuer ESG evaluation is conducted for each issuer within our investment universe. There are two important ESG metrics resulting from the process for each issuer:

- Fundamental ESG Rating: indicates our absolute view of the ESG risks/opportunities faced by the issuer.
- Investment ESG Score: reflects a relative view on the extent to which the ESG factors are considered relevant to valuations, which is a security/instrument specific assessment. As it relates to a specific instrument/security decision, there may be multiple Investment ESG Scores for a single issuer.
- Significant emphasis put on assessment of the political backdrop
- "Pre-mortem" stress testing into key risk events

### Stage 3 – Subjective Assessment

- Significant amount of due diligence carried out either on-the-ground or virtually
- Shared trips across sovereign and corporate specialist
- "Mosaic theory" approach to research

### Stage 4 – Sovereign & Corporate Conviction Scores

- [-3,+3] scoring output
- Scores aggregated and logged in proprietary system, Alpha Decision Tool (ADT)
- Culture of accountability & transparency

The portfolio construction of the investment process involves blending our macro views and our country/sector/issuer calls in order to create a strategic, best ideas portfolio. Risk management is evaluated at every stage of the process.

## Investment Grade Debt

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

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

- Stage 1 – Research Input

- Stage 2 – Idea Generation
- Stage 3 – Decision Outputs
- Stage 4 – Portfolio Construction
- Stage 5 – Risk Management

### Multi-asset credit

BlueBay's multi-asset credit strategies are managed by the members of the Multi-Asset Decision Group (MADG) who are experienced investment professionals and senior decision makers 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's investment process. 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 Hedging Decisions
- 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.

### Structured Credit

BlueBay's Structured Credit investment philosophy is predicated on four main pillars analysing in detail the structure and all potential catalysts

- Structure deep dive looking at structural flexibility, tests / triggers, cash flow projections, optionality, tranche NAVs and capital structure optimisation
- Manager / originator analysis focusing on asset writing / sourcing capabilities, workout experience on stressed or defaulted assets, transaction overlap and reinvestment trading capability
- Portfolio deconstruction in depth analysis of prepayment speeds and seasonality, historical defaults and stressed assets, thorough credit analysis on the collateral pool, diversity and concentration, ratio of high-risk assets
- Macro & other parameters relative value and outright screening of assets, premium / discount of manager and liquidity, secondary versus primary yields, view on collateral pool asset class, supply / demand technical, risk flags in the market

### CLOs

For the CLO Clients, BBAM LLP invests primarily in a diversified pool of senior secured term loans and revolver loans for non-investment grade companies with typically between \$40 million and \$1 billion in earnings before interest, taxes, depreciation, and amortization ("EBITDA"). The minimum tranche size typically considered for investment is greater than \$150 million, with certain exceptions, in an attempt to maintain adequate liquidity. BBAM LLP employs a comprehensive framework to analyse each credit and debt structure. In selecting individual securities, BBAM LLP's analysis typically includes the following categories, where applicable:

- Top Down Analysis: macroeconomic environment, industry cyclicality & volatility, competitive framework, third-party diligence and loan market conditions.
- Bottoms Up Analysis: strength of products & services, company / sponsor strategy, industry position, barriers to entry, long-term prospects, peer comparisons and management track record.

- Quantitative Analysis: financial performance & health, project cash flows, plans to de-lever, ability to meet obligations & repay debt, collateral valuation, downside analysis and recovery analysis.
- Instrument Analysis: seniority, covenant analysis, liquidity and collateral valuation.
- Ratings: BBAM LLP utilizes a proprietary ratings model that replicates rating agency methodologies to form its own opinion of the probability of loss. BBAM LLP may also utilize total return swaps in connection with bank loans, typically 1 to 3 years in duration.

## RISK OF LOSS

### GROUP RISK MANAGEMENT

Risk management at BlueBay is used to:

- Identify and define ownership of risks;
- Quantify the acceptable level of risks using Risk Appetite statement;
- Mitigate and manage the identified risks within the context of the overall risk appetite, and
- Provide ongoing monitoring of the identified risks for escalation as needed throughout the year.

Risk management is the responsibility of all staff and it is part of their daily activities. This is achieved through a strong risk governance framework that embeds a strong risk-based culture within BlueBay, independent reporting and robust systems and controls, which are regularly reviewed by staff responsible for risk monitoring and external reviews by independent third parties.

### RISK SOURCES

BlueBay is exposed to four primary Risk Sources:

- Business Risk, which are internal or external risks related to the planning and execution of BlueBay's business strategy; reputational risk and systemic risk to the business
- 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; fund liquidity, market risk, counterparty risk and Environmental, Social and Governance (ESG) risk of the investment management processes.
- Group Financial Risk, which are risks from FX fluctuations, counterparty failures or liquidity affecting BlueBay Group directly.
- Operational Risk, which are risks related to people, processes, systems, cyber / information security and external events;

### RISK CATEGORIES AND GROUP RISK REGISTER

Risks identified within a Risk Source are known as Risk Categories and each Risk Category is assigned clear ownership and a risk appetite statement.

The repository of the Risk Categories along with its definitions, appetite statements and thresholds are known as the Group Risk Register

### RISK APPETITE STATEMENT (RAS)

BlueBay's risk tolerance is expressed through a Risk Appetite statement and defines the types and degree of risk that BlueBay is willing to accept in order to execute its business strategy. This RAS is used in the Group Risk Register and the Internal Capital Adequacy Assessment Process (ICAAP) report. The Group Risk Register and the ICAAP report are reviewed and approved annually by the LLP Board.

The Risk Appetite Statement provides practical guidance to key stakeholders about the level of acceptable risk for each Risk Category within the four Risk Sources (Business, Investment, Group Financial and Operational). It also determines the framework of controls and oversight required to ensure risk exposures remain within the acceptable levels.

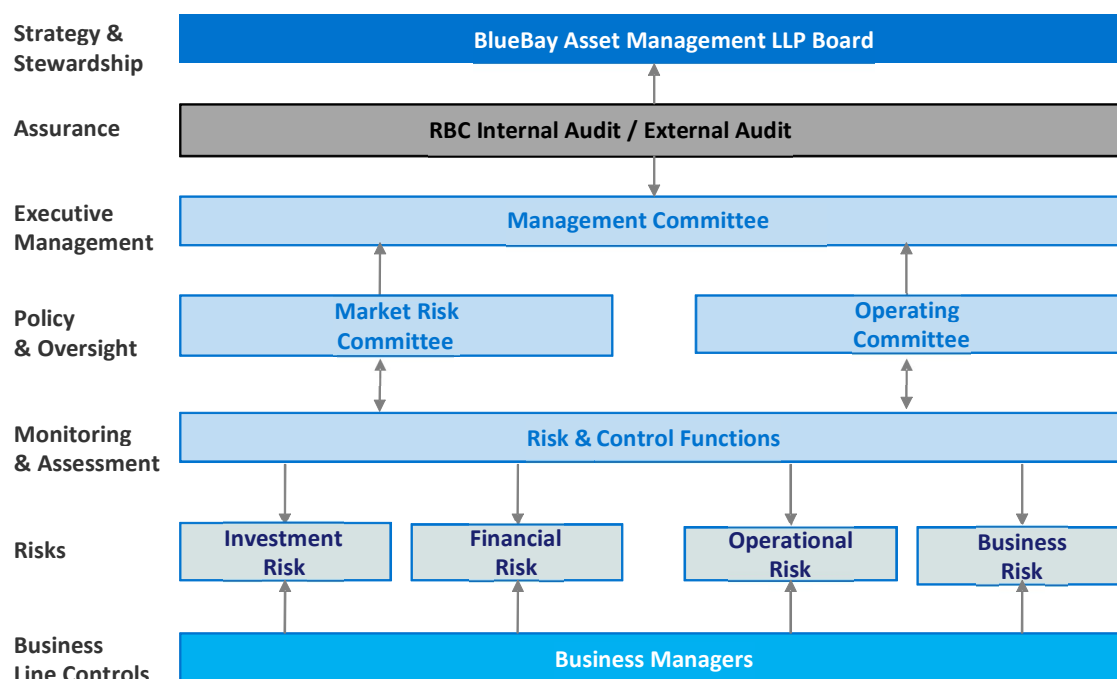
The Risk Appetite of each Risk Category is monitored using a series of key risk measurements (metrics), internal events and risk & control findings to derive whether the risk category is within the defined tolerance level (threshold) of the appetite statement. The status of the risk appetite for all the Risk Categories is regularly reviewed by the Operating Committee and quarterly by the LLP Board.

The Group is committed to the continual enhancement of its control environment and key indicators will evolve and refined over time as trends become apparent.

Note – the Risk Appetite statement for the reputational risk category within the Business Risk Source is aligned to RBC’s reputational risk framework.

## RISK GOVERNANCE

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



### The Board

The Board of BlueBay Asset Management LLP (“the Board”) has responsibility for setting the risk management and internal control policies for BlueBay. It is responsible for reviewing the adequacy and effectiveness of the internal controls and risk management processes. In order to identify risks and potential control weaknesses the Board draws upon the Group Risk Register which it reviews on a quarterly basis. In addition, to assist in these responsibilities the Board agrees an internal audit program with RBC Internal Audit Department to review the processes and controls in place. The Board also reviews the scope and nature of the external audits and reviews the findings.

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

The Board is comprised of Non-Executive and Executive Board Members; including two Independent Non-Executive Board Members

### **Management Committee**

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

The Management Committee is chaired by the CEO and the Terms of Reference of the Management Committee details the membership.

### **Operating Committee**

The purpose of the Operating Committee is to set policy and provide oversight over the following Risk Sources - Business Risks, Group's Financial Risks and Operational Risks, review the effectiveness of BlueBay's control environment and to enhance staff awareness of the risks and mitigating policies and procedures.

The Operating Committee is chaired by the COO-CRO and the Terms of Reference of the Operating Committee details the membership.

### **Market Risk Committee**

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

The Market Risk Committee is chaired by the Head of Investment Risk and Performance - Attribution and the Terms of Reference of the Market Risk Committee detail the membership.

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

## **RISK MONITORING**

Risk management is the responsibility of all staff within each department performing various activities to ensure risks are effectively managed and mitigated.

BlueBay relies on three layers of controls, oversight and assurance (the "three lines of defence" model) for risk management and monitoring.

Embedded within the first line of defence are the processes and procedures implemented in each department, which are overseen by Business Managers. These vary depending on the specific function and include reviews, approval signoffs, maintenance of checklists / evidences and enforcement of BlueBay's policies.

The control functions set the framework for effective risk management and provide oversight and monitoring; and independent (internal and external) auditors assure the effectiveness of risk management, controls and governance. The control functions consist of Compliance, Legal and Governance, Risk and Performance, Technology and Operational Risk and HR functions.

The Compliance function undertakes a risk-based monitoring and testing programme to determine whether controls are operating effectively, and legal and regulatory requirements have been complied with. Monitoring activities are determined by a risk-based plan depending on the assessment of the regulatory risk in each area. As applicable, the Compliance function provides reports of its findings to the Board, the Management Committee, the Operating Committee and the Board of Directors of the funds managed by the firm.

BlueBay's Investment Risk and Performance Function along with the Technology and Operational Risk function are tasked with the independent monitoring of all risks, with a reporting line to the COO-CRO. On an annual basis, a formal review is undertaken of the risks facing the business and the controls that mitigate those risks. This risks and controls assessment are reviewed by the relevant Risk Owners and by the Board. This enables the reinforcement of risk culture throughout the organisation. The status of the risks is reported to the LLP Board periodically.



Additionally, departments such as Investment Control, Finance, Operations and Project Management Office also provide independent reviews and challenges as part of their day-to-day activities.

Incidents that may result in adverse reputational, financial or other outcomes for BlueBay are escalated to the Technology and Operational Risk function and recorded in the Operational Risk System. Incidents are addressed in accordance to the 'Incident Management Policy'.

## 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 reports their findings to the 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"). The external auditor provides an independent opinion in the ISAE 3402 report on the design and effectiveness of the control environment for the Investment Management processes.

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 Operating Committee monitors the status of open issues and ensures timely completion.

## RISK MEASUREMENT AND MITIGATION

### Identify

Risks are identified by senior management and business managers. Each risk is defined as a Risk Category and is recorded in the Group Risk Register within one of the four Risk Sources (Business, Investment, Group Financial and Operational Risk).

Yearly, the Technology and Operational Risk along with the business areas conduct a formal risk and controls assessment and the output is centrally captured into the Group Risk Register. Risk Categories identified may either be an inherent risk to the business or have led to material losses in the past, or they may be potential concerns. A series of key risk indicators ("KRIs") are developed / established for each risk category to identify how the risk impacting the risk appetite statement.

### 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 net risk has been reviewed to ensure that it is within the acceptable threshold defined by BlueBay's Risk Appetite. Initiatives have been put in place or reviewed with the intention of achieving the Target Risk Score. The objective of the Target Risk Score is to either maintain the Net Risk Score or reduce the Net Risk Score further

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				

### Monitoring Risk Thresholds

Key Risk Indicators along with ongoing assessment of issues raised by business areas and audits are used to monitor the defined thresholds of each Risk Category to measure against the appetite statements.

### REPORTING

The status of the Risk Category threshold monitoring is reported to the Operating Committee and on a quarterly basis to the Board. The Internal and External Audits control assurance reporting allows control owners to verify that their controls have been working effectively and have managed the risks appropriately.

BlueBay uses an operational risk management system called Archer to help manage and report its risks. This system has an incident database where all incidents are recorded as per the Incident Management Policy. This allows incidents to be analysed for trends and monitor the remedial actions. The Technology and Operational Risk function is responsible for ensuring incidents are recorded, mitigating actions are agreed and tracked for resolution. Key incidents are reviewed by the Operating 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 Board.

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

### MANAGING RISK SOURCES

#### Business Risks

Business Risks consists of Risk Categories that cover the overall business strategy, the execution of the strategic plan across BlueBay, the systemic issues that affect the Asset Management / Financial Sector and reputational risk of BlueBay.

BlueBay ensures there is a defined strategy that is approved by the Board. To achieve this strategy and address systemic risk, BlueBay has put in place appropriate governance, legal structure, culture, skill, processes and systems.

The management of reputational risk is an integral component of BlueBay's risk management approach. Since risk to BlueBay's reputation can flow from any of the Risk Categories, hence, an effective management of all of Risk Categories will

minimise BlueBay reputation risk. Note – the reputational Risk Category appetite statement is aligned to RBC’s reputational risk framework.

### **Investment Risks**

Investment Risk consists of Performance Risk, Market Risk, Counter Party Risk, Liquidity Risk and Environmental, Social & Governance (ESG) Investment Risks

#### *Performance Risk*

BlueBay mitigates its 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.

Investment Control team performs pre-trade checks wherever possible 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 restrictions 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 using the Daily Guideline report and the weekly MRC pack. The Risk Team can instruct portfolio managers to reduce exposures if these are deemed excessive or inappropriate considering 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 by MRC. Exposure to counterparties is monitored daily using the counterparty risk report and is subject to internal limits.

Bilateral OTC derivatives are transacted under ISDA agreements with bilateral CSA. 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 GMRAs.

Custodians and sub-custodians are reviewed annually as part of the Annual Sub-Custody review

Minimum cash amounts in all BlueBay funds are monitored daily using the Daily cash report. All investment positions are classified in terms of liquidity by the Risk Team at least once a month and reported in the Monthly liquidity report

New investment products are subject to an internal approval process to ensure all infrastructure departments can handle them appropriately.

Investment Risk from seed investments is covered by the monitoring described under Investment Risk.

#### *Market Risk*

The measures used by BlueBay to monitor market risk are:

Value at Risk (VAR) and/or ex-ante Tracking Error. VAR is calculated by way of Monte Carlo simulation, using 99% confidence level on one-month horizon for BlueBay funds and 95% confidence level on one day horizon for alternative funds, over 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 MRC.

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, notional for CDS or FX forwards 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.

Drawdown. A stop-loss protocol supervised by the Market Risk Committee ensures fund losses are managed in an appropriate manner.

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

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 Market Risk Committee and reviewed at its weekly meeting.

#### Counterparty Risk

The Market Risk Committee approves all counterparty relationships. The Risk Team maintains a list of approved counterparties, which is reviewed at least annually as part of the Annual Counterparty review by the MRC

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

Counterparty tier	Cash instrument		Derivatives				Cash management	
	DvP	Loans	Listed derivatives	OTC cleared	OTC bilateral	Repo	Reverse/tri-party repo	Overnight depo
Tier 1	✓	✓ <sup>1</sup>	✓	✓	✓	✓	✓	✓
Tier 2	US\$100m gross notional limit	✓ <sup>1</sup>	✓ <sup>1</sup>	✓ <sup>1</sup>	✗	✗	✗	✗
Tier 3	US\$10m gross notional limit	✗	✗	✗	✗	✗	✗	✗

<sup>1</sup> 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 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 MRC may approve exceptions.

Counterparty exposures are monitored daily by the risk team. 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

BlueBay uses a proprietary liquidity model in order to calculate liquidity scores for Funds’ holdings. The model aims to dynamically assess – for any size – the time to liquidate of an asset based on observable and quantifiable parameters such as bid-ask spreads, credit spread, trade size, amount outstanding or number of market makers as well as qualitative inputs.

The Time to Liquidate refers to the sale of a Position in normal market conditions without material transaction cost. Based on the modelled Time to Liquidate, the Positions are then classified into different liquidity buckets.

The four liquidity buckets are:

Daily Liquidity: assumes instruments can be liquidated within 1 day;

Weekly liquidity: assumes instruments can be liquidated between 2 & 5 days;

Monthly liquidity: assumes instruments can be liquidated between 1 week and 1 month;

Over 1-month liquidity: instruments requiring over 1 month to be liquidated / assumed illiquid

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.

To ensure funds can meet their redemptions within their liquidity terms, 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 is reviewed quarterly by the Market Risk Committee.

BlueBay also ensures funds' exposure to illiquid assets is consistent with the liquidity terms of the funds by monitoring the limits on Limited Liquidity Assets in daily funds, having an exit strategy of defaulted assets in the funds and via early engagement and oversight from the Market Risk Committee on asset restructuring process and desks' exit strategy.

#### *ESG Investment Risks*

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 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.

BlueBay's Environmental, Social and Governance Investment Risk policy is available on the firm's 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 anti-personnel landmines. This process is implemented internally by our Compliance team.

#### **Group Financial Risks**

BlueBay Group is exposed to the following categories of financial risk:

##### *Group's Liquidity Risk*

BlueBay's payment obligation risk is mitigated by the fact that BlueBay has no debt. BlueBay monitors its cash position daily, with a formal analysis prepared on a weekly basis. The cash flow forecast for a period of 3 months is computed and circulated to Executive Management as part of the monthly financial position. Any dividends paid to RBC considers both the regulatory and liquidity requirements.

##### *Group's Credit Risk*

The main credit risk at corporate level relates to the fee income receivable. BlueBay monitors the aged receivable to ensure that there is no indication of any debtor defaulting and that all clients settle in a timely manner. The aged receivable is also monitored as part of liquidity management. Similarly, BlueBay seeks to ensure that all its clients settle fee income in a timely manner. This is monitored through the aged debtors report.

For cash deposits, BlueBay maintains banking relationships with multiple Tier 1 institutions and shall periodically monitor the credit rating of these institutions. All cash deposits of greater than £50m (allowing for short term liabilities and regulatory

restriction) are deposited with RBC Europe Limited. Short term liabilities are defined as liabilities falling due in less than 3 months.

#### *Group's FX Risk*

Once the Management and Performance Fees are recognised, BlueBay hedges its Foreign Exchange Risk (FX) on the receivables. All cash receipts in foreign currencies are converted into the functional currency of the legal entity, after considering any payables due.

To reduce the impact of currency volatility on future income, BlueBay hedges a percentage of the future fee income as instructed by the CIO.

#### **Operational Risks**

Operational Risks are loss or business disruption from inadequate internal processes, people, and systems of the company or used by the company or from external events (including legal, regulatory and cyber risks). BlueBay has aligned its Operational Risks categories to RBC Group's Operational Risk Categories and descriptions. The following are the Operational Risk Categories:

1. Business Continuity & Resilience Risk
2. Finance Risk
3. Fraud Risk
4. Information (Data) Management Risk
5. Insurance Risk
6. Legal & Fiduciary Risk
7. People Risk
8. Processing and execution Risk
9. Product & Instruments Risk
10. Project Risk
11. Regulatory Compliance Risk (Includes AML & Privacy)
12. Safety & Physical Security Risk
13. Suitability Risk
14. Tax Risk
15. Technology Risk
16. Information and Cyber Security Risk
17. Third Party & Outsourcing Risk

These Operational Risks are managed and mitigated by means of a defined risk governance framework giving clear reporting lines, a comprehensive structure of internal controls with appropriate monitoring and oversight, and suitably trained and qualified staff/ teams to execute the processes effectively and minimum the risk of loss and business disruption.

#### *Risks That Apply Specifically to Fixed Income Investment*

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

- **Issuer/Credit Risk.** There is a possibility that issuers of securities in which we invest may default on the payment of interest or principal on the securities when due, which could cause loss of money.
- **Investment Grade Rated Securities Risk.** BlueBay's portfolios may invest in investment grade rated securities. Investment grade rated securities are assigned credit ratings by ratings agencies on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to time, such assigned ratings of the securities and ratings may be subsequently downgraded if economic circumstances impact the relevant bond issues.
- **Interest Rate Risk.** Yields and values of portfolios will fluctuate as the general level of nominal interest rates change. During periods when interest rates are low, portfolio yields may also be low and when interest rates

increase, the value of fixed income securities held by the portfolios are likely to decrease.

- **High Yield Securities Risk.** High yield securities, which are non-investment grade fixed income securities and unrated securities of comparable credit quality (commonly known as “junk bonds”), are considered speculative and have a higher risk of issuer inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to factors such as specific corporate developments, interest rate sensitivity, negative perceptions of the junk bond market generally and less secondary market liquidity.
- **Credit Spread Risk.** BlueBay’s portfolios’ investments may be adversely affected if any of the issuers it is invested in are subject to an actual or perceived deterioration to their credit quality. Any actual or perceived deterioration may lead to an increase in the credit spreads and a decline in the price of the issuer’s securities.
- **Convertible Securities Risk.** Market values of convertible securities depend on a number of factors including equity and credit risk, volatility risk, interest rate risk, amongst others. A convertible security’s market value, however, tends to rise when the market price of the common stock of the issuing company rises. If the value of the underlying common stock or the level of the index involved in the convertible component is below the exercise price of the warrant or option at maturity, the convertible security will maintain its value, while the warrant or option itself will have no value.
- **Sovereign Debt Risk.** BlueBay’s portfolios may invest in sovereign debt securities. These securities are issued or guaranteed by foreign governmental entities. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity’s debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.
- **Loan Risk.** BlueBay’s portfolios may invest in loans including loans that are rated below investment grade or the unrated equivalent. Like other high yield, corporate debt instruments, such loans are subject to an increased risk of default in the payment of principal and interest as well as the other risks described under “Interest Rate Risk,” “Issuer/Credit Risk,” and “High Yield Securities Risk.” Although certain loans are secured by collateral, we could experience delays or limitations in realizing on such collateral or have its interest subordinated to other indebtedness of the obligor. Loans are vulnerable to market sentiment such that economic conditions or other events may reduce the demand for loans and cause their value to decline rapidly and unpredictably. Loans that are deemed to be liquid at the time of purchase may become illiquid. No active trading market may exist for some of the loans and certain loans may be subject to restrictions on resale. The inability to dispose of loans in a timely fashion could result in losses. Some loans that we invest in may have a more limited secondary market and therefore liquidity risk is more pronounced than those that invest primarily in other types of fixed income instruments or equity securities. Typically, loans are not registered securities and are not listed on any national securities exchange. Consequently, there may be less public information available about these types of investments and the market for certain loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. As a result, we may be more dependent upon the analytical ability of the advisor.
- **Dilution from Subsequent Closings.** Investors subscribing for interests at subsequent closings of Advisory Accounts that are pooled investment vehicles generally will participate in existing investments, diluting the interest of existing investors therein.
- **Assignments and Participations.** Assignments and participations are typically sold strictly without recourse to the selling institution thereof, and the selling institution will generally make no representations or warranties about the underlying loans.
- **Commodity Exposure Risks.** Exposure to the commodities markets may result in greater volatility than investments in traditional securities due to changes in overall market movements, commodity index volatility, changes in interest rates, factors affecting a particular industry or commodity, as well as changes in value, supply and demand and governmental regulatory policies.
- **Corporate Debt Securities Risks.** Corporate debt securities are subject to the risk of the issuer’s inability to meet principal and interest payments on the obligation and may also be subject to price volatility
- **Credit Ratings.** An Advisory Account may use credit ratings to evaluate securities even though such credit

ratings might not fully reflect the true risks of an investment.

- **Exchange-Traded Notes.** Exchange-traded notes are subject to credit risk, do not make periodic interest payments, and may impose fees and expenses on the Advisory Account.
- **Fixed Income Securities Risks.** Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.
- **Floating and Variable Rate Obligations Risks.** There may be a lag between an actual change in the underlying interest rate benchmark and the reset time for an interest payment with respect to instruments with a floating and/or variable rate obligation, which could harm or benefit the Advisory Account, depending on the interest rate environment or other circumstances.
- **Inflation Protected Securities Risks.** Investments in inflation protected securities involve risks including an inability to accurately measure the rate of inflation and declining prices due to market deflation.
- **Limited Amortization Requirements.** Senior secured debt will typically have limited mandatory amortization and interim repayment requirements, which may increase the risk that a company will not be able to repay or refinance the senior debt.
- **Mezzanine Debt Risks.** An Advisory Account holding mezzanine debt will have lower priority than senior creditors, trade creditors and employees and will have substantially less influence over a company's affairs than that of senior creditors, especially during periods of financial distress or following insolvency.
- **Mortgage-Backed and/or Other Asset-Backed Securities Risks.** Mortgage-related and other asset backed securities are subject to certain risks, such as "extension risk," "prepayment risk," and, for securities offered by non-governmental issuers, the failure of private insurers to meet their obligations and unexpectedly high rates of default on the mortgages backing the securities.
- **Municipal Securities Risks.** Municipal securities risks include credit/default risk, interest rate risk, potential changes in tax rates, the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities, and the possibility of future legislative changes which could affect the market for and value of municipal securities.
- **Second Lien Loan Risks.** Second lien loans generally are subject to similar risks as those associated with investments in senior loans, and additional risks that the borrower may be unable to meet scheduled payments, price volatility, illiquidity, and the inability of the originators to sell participations in such loans
- **Other Debt Instruments - CBOs and CLOs Risks.** Advisory Accounts may directly or indirectly invest in other investment grade or other debt instruments of companies or other entities not affiliated with countries or governments, including but not limited to, senior and subordinated corporate debt; investment grade equity tranches of collateralized mortgage obligations; preferred stock; corporate securities; and bank debt. As with other investments made by an Advisory Account, there may not be a liquid market for these debt instruments, which may limit the Advisory Account's ability to sell these debt instruments or to obtain the desired price. Advisory Accounts may also invest in collateralized bond obligations ("CBOs") and collateralized loan obligations ("CLOs"), and other similar securities which may be fixed pools or may be "market value" or managed pools of collateral, including commercial loans, high yield and investment grade debt, structured securities and derivative instruments relating to debt. Depending upon the tranche of a CBO or CLO in which an Advisory Account invests, the returns may be extremely sensitive to the rate of defaults in the collateral pool, and redemptions by more senior tranches could result in an elimination, deferral or reduction in the funds available to make interest or principal payments to the tranches held by Advisory Accounts. In addition, there can be no assurance that a liquid market will exist in any CBO or CLO when an Advisory Account seeks to sell its interest therein. Also, it is possible that an Advisory Account's investment in a CBO or CLO will be subject to certain contractual limitations on transfer. Further, a CBO or CLO may be difficult to value given current market conditions.
- **Difficulty in Valuing Fund Investments.** Valuation of loans may be difficult because there generally will be no established market for loan interests.
- **Illiquidity of Investments.** Loans will generally be long-term and highly illiquid
- **Reliance on Company Management.** The success or failure of loan will depend to a significant extent on the



portfolio company's management team.

- **Derivatives Risk.** Derivatives may be riskier than other types of investments and could result in losses that significantly exceed BlueBay's portfolios' original investments. Many derivatives create leverage thereby causing Advisory Accounts to be more volatile than they would have been if they had not used derivatives. Derivatives may also expose BlueBay portfolios to counterparty risk (the risk that the derivative counterparty will not fulfil its contractual obligations), including the credit risk of the derivative counterparty.

#### **A novel coronavirus (SARS-CoV-2) and related respiratory disease (coronavirus disease (COVID-19))**

COVID-19 recently emerged in China and has spread to many countries throughout the world, including the UK and other European countries to the extent that the World Health Organisation declared that the outbreak constituted a pandemic. This pandemic of the novel coronavirus has led (and may continue to lead) to disruptions in the economies or regions or nations where the novel coronavirus has arisen (including China, the USA, Europe and the UK) and may in the future arise. The pandemic has seen a series of lockdowns imposed on a number of regions and countries which include restrictions on commercial activity and travel. Such actions are creating disruption in global supply chains and adversely impacting a number of industries including, transportation, hospitality and entertainment. It is not possible to establish the length or effects of such lockdowns on the relevant economies and the effects thereof. It is impossible to determine the scope of this outbreak and any future outbreaks or their impact on the Notes. This pandemic and any future outbreaks could have an adverse impact on the global economy in general, including volatility in or disruption of the credit markets which could have a material adverse impact on the creditworthiness of the Obligors in respect of the Collateral Debt Obligations, the ability of the Issuer to acquire and sell Collateral Debt Obligations and the secondary trading market for the Notes. In addition, there can be no assurance that, as a result of deterioration of the creditworthiness of the Obligors and/or the impact on the economies affected by the novel coronavirus, a rating (including any proposed Initial Rating assigned to any Class of Rated Notes and/or the ratings applicable to Collateral Obligations, such ratings being downgraded prior to the Issue Date) assigned to any of Class of the Rated Notes will remain for any given period of time and, such rating may be downgraded at any time by the Rating Agencies, the impact of which includes, but is not limited to, the designation of an Effective Date Rating Event.

#### **Illiquidity in respect of collateralised debt obligations**

In previous years, events in the collateralised debt obligation (including CLO), leveraged finance and fixed income markets have resulted in substantial fluctuations in prices for leveraged loans and high yield securities and limited liquidity for such instruments. No assurance can be made that conditions giving rise to similar price fluctuations and limited liquidity may not emerge following the Issue Date. During periods of limited liquidity and higher price volatility, the Issuer's ability to acquire or dispose of Collateral Debt Obligations at a price and time that the Issuer deems advantageous may be impaired. As a result, in periods of rising market prices, the Issuer may be unable to participate in price increases fully to the extent that it is unable to acquire desired positions quickly; and the Issuer's inability to dispose fully and promptly of positions in declining markets may exacerbate losses suffered by the Issuer when Collateral Debt Obligations are sold.

#### **European Union and Euro Zone Risk**

Investors should carefully consider how changes to the Euro zone may affect their investment in the Notes. Since the global economic crisis, the deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries, has continued to pose risk. This situation has also raised uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Euro zone.

As a result of the credit crisis in Europe, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to Euro zone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Euro zone countries to establish a permanent stability mechanism, the European Stability Mechanism (the "ESM"), which was activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to Euro zone countries from 1 July 2013 onwards.

Despite this and other measures, concerns persist regarding the growing risk that other Euro zone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Cyprus, Greece, Italy, Ireland, Spain and Portugal, together with the risk that some countries could leave the Euro zone (either voluntarily or involuntarily including as a result of an electoral decision to leave the European Union), and that the impact of these events on Europe and the global financial system could be severe which could have a negative impact on the Collateral.

Furthermore, concerns that the Euro zone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. The departure or risk of departure from the Euro by one or more Euro zone countries and/or the abandonment of the Euro as a currency could have major negative effects on the Collateral (including the risks of currency losses arising out of redenomination and related haircuts on any affected assets), the Issuer and the Notes. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro- denominated obligations (including the Notes) would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

### *Referendum on the UK's EU Membership*

On 31 January 2020 the UK formally withdrew from the EU following which, and in accordance with the European Union (Withdrawal Agreement) Act 2020 (the "Withdrawal Act"), the UK has entered into a transition period which will last until 31 December 2020. The Withdrawal Act has transposed existing EU rules and regulations on to the UK domestic statute book and therefore such EU rules and regulations will continue to apply in the UK during the transition period whilst negotiations with respect to a future relationship between the EU and the UK take place.

It remains uncertain to what extent the UK and EU will be able to finalise negotiation of a future trading relationship ahead of 31 December 2020. The transition period may be extended once by up to two years. Investors should be aware that the Issuer's risk profile may be materially affected by this uncertainty which might also have an adverse impact on the Portfolio and the Issuer's business, financial condition, results of operations and prospects and could therefore also be materially detrimental to Advisory Accounts. Specifically in relation to CLO Noteholders, any such potential adverse economic conditions may also affect the ability of the Obligors to make payment under the Collateral Debt Obligations which in turn may adversely affect the ability of the Issuer to pay interest and repay principal to the Noteholders.

### **Applicability of EU law in the UK**

It is at present unclear what type of relationship between the UK and the EU will be established following the transition period, or what would be the content of such a relationship. It is possible that a new relationship would preserve the applicability of certain EU rules (or equivalent rules) in the UK. At this time it is not possible to state with any certainty to what extent that might be so

Upon any agreement on (and the terms of) any future UK-EU relationship, EU law may cease to apply in the UK. However, many EU laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Over the years, English law has been devised to function in conjunction with EU law (in particular, laws relating to financial markets, financial services, prudential and conduct regulation of financial institutions, financial collateral, settlement finality and market infrastructure). As a result, depending on the terms of any future agreement, substantial amendments to English law may occur.

Consequently, English law may change and it is impossible at this time to predict entirely the effect on Advisory Accounts the consequences on issuer's business, financial condition, results of operations or prospects. Such changes could be materially detrimental to Advisory Accounts.

### **Regulatory Risk**

Currently, under the EU single market directives, mutual access rights to markets and market infrastructure exist across the EU and the mutual recognition of insolvency, bank recovery and resolution regimes applies. In addition, regulated entities licensed or authorised in one jurisdiction in the European Economic Area ("EEA") may operate on a cross-border basis in other EEA countries in reliance on passporting rights and without the need for a separate licence or authorisation. There is uncertainty as to whether, following the settlement of a future relationship between the UK and the EU or the EEA (whatever the form thereof), a passporting regime (or similar regime in its effect) will apply (if at all). Depending on the terms of any future replacement relationship, it is likely that, UK regulated entities may lose the right to passport their services to EEA countries, and EEA entities may lose the right to reciprocal passporting into the UK. Also, UK entities may no longer have access rights to market infrastructure across the EU and the recognition of insolvency, bank recovery and resolution regimes across the EU may no longer be mutual.

There can be no assurance that the terms of the UK's future trading agreement will include arrangements for the continuation of a passporting regime (or similar regime in its effect) or mutual access rights to market infrastructure and recognition of insolvency, bank recovery and resolution regimes. Such uncertainty could adversely impact BlueBay and BlueBay Advisory Accounts and the ability of third parties to provide services to BlueBay and BlueBay Advisory Accounts and could be materially detrimental to Advisory Accounts.

### Ratings actions

Following the result of the Referendum, S&P and Fitch have each downgraded the UK's sovereign credit rating and each of S&P, Fitch and Moody's has placed such rating on negative outlook, suggesting possible further negative rating action.

The credit rating of a country affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Accordingly, the recent downgrades of the UK's sovereign credit rating and any further downgrade action may trigger downgrades in respect of parties to the Transaction Documents. If a counterparty no longer satisfies the relevant Rating Requirement, the Transaction Documents may require that such counterparty be replaced with an entity that satisfies the relevant Rating Requirement. If rating downgrades are widespread, it may become difficult or impossible to replace counterparties with entities that satisfy the relevant Rating Requirement.

In relation to BlueBay CLOs, while the extent and impact of these issues are unknown, investors should be aware that they could have an adverse impact on the Issuer, its service providers, the payment of interest and repayment of principal on the Notes and therefore, the Noteholders.

## Item 9 – Disciplinary Information

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

Furthermore, BlueBay is not currently subject to any threatened or pending litigation that may affect a client's decision to invest with the firm. BlueBay is a direct subsidiary of Royal Bank of Canada, 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 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 invests for its clients and may affect transactions with those clients. RBC group entities may act in a variety of roles including those of proprietary trader, broker, underwriter, agent or lender in connection with transactions in which BlueBay's clients have an interest and will receive remuneration or other benefits in connection with these roles.

Effective November 1, 2021, RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US") and BlueBay Asset Management USA LLC ("BlueBay USA") will consolidate the businesses' U.S. legal entity structures, with BlueBay USA merging with and into RBC GAM-US. RBC GAM-US and BlueBay USA will combine their respective U.S. fixed income teams into a single multi-disciplinary team in order to further streamline the investment solution and service offering to its U.S. clients. The combined fixed income team will share advisory services including, but not limited to, research and execution with BlueBay Asset Management, LLP, ("BBAM") a London-based SEC registered investment adviser and subsidiary of RBC. The combined entity will also share non-advisory services with BBAM such as accounting, marketing and client service.

BlueBay 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;
- Order Allocation Policy requiring that trades are allocated reasonably in the best interests of all the affected clients;
- Information barriers between BlueBay and RBC designed to ensure that information is not improperly shared;
- The observance of a BlueBay Code of Ethics and the RBC Code of Conduct; and
- The policy that BlueBay does not invest in RBC shares on behalf of its clients.
- In particular, BlueBay Asset Management LLP serves as sub-advisor to RBC Funds Trust and is currently managing a number of segregated mandates. In addition, RBC entities may recommend BlueBay's services to their clients and may be compensated for such introduction.

Furthermore, BlueBay Asset Management (Services) Ltd is the parent company of an independent asset management group as set out in Item 1.

### Conflicts Relating to Regulatory Restrictions Applicable to RBC

From time to time, the activities of Advisory Accounts may be restricted because of regulatory or other requirements applicable to RBC and/or its internal policies designed to comply with, limit the applicability of, or otherwise relate to such requirements.

### 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 25 September 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.
- BlueBay Asset Management International Limited has been regulated by the Japan Financial Services Agency as an Investment Advisor since November 2005 and a Discretionary Investment Manager since May 2010.
- BlueBay Asset Management AG has been authorised by the Swiss Financial Market Supervisory Authority (FINMA) as a Distributor of Collective Investment Schemes since 21 October 2014.

- BlueBay Funds Management Company S.A. is regulated by the Luxembourg Commission de Surveillance du Secteur Financier and is registered on the official list of Luxembourg management companies governed by Chapter 15 of the Law of 2010.
- 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 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 BlueBay's 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 BlueBay employees and partners to:

- Act with integrity, competence, diligence, respect and in an ethical manner with clients, prospective clients and all other persons with whom they deal in the course of their business activities;
- Place the interests of clients above their own personal interests;
- Use reasonable care and exercise independent and objective professional judgment when carrying out their duties for clients and prospective clients and with persons with whom they interact in the course of carrying out their duties;
- Promote the integrity of and uphold the laws and rules governing capital markets and the investment management profession;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals with whom they interact; and
- Ensure that all verbal and written business communications 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. 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 and certain of the restrictions apply to persons connected to BlueBay partners and employees.

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's Code of Ethics policy is available upon request at the discretion of BlueBay and can be requested by e-mailing [compliance@bluebay.com](mailto:compliance@bluebay.com).

### Personal Account Dealing

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

BlueBay'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 uses an online application, to manage all personal account dealing activity. Covered Persons are subject to holding periods for securities held in their personal trading 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 is complete and accurate.

Any partner or employee of BlueBay covered by the Code who fails 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. The Personal Trading Policy may be made available to a BlueBay Client or prospective client upon request at BlueBay's absolute discretion.

#### **Royal Bank of Canada securities**

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

#### **Gifts and Entertainment**

From time to time, partners and employees of BlueBay may give or 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 or receipt of gifts, entertainment, meals and conferences to or from 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 and other fiduciaries are subject to additional restrictions.

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.

#### **Cross Transactions**

BlueBay may (but is under no obligation or other duty to) cause Advisory Accounts to engage in cross transaction. Cross transactions will typically occur when one Advisory Account determines to sell an interest in an asset at the same time that another Advisory Account wishes to purchase an interest in the same asset. Cross transactions will occur in accordance with BlueBay's policies in relation to the same.

Cross transactions may also occur in connection with the offering of Co-Investment Opportunities to an Advisory Account following the acquisition of an investment by another Advisory Account. In these cases, the Advisory Account that is offered the Co-Investment Opportunity may purchase a portion of the investment acquired by another Advisory Account. The price at which an Advisory Account acquires an investment in connection with a Co-Investment Opportunity may be based upon cost and may or may not include an interest component or may reflect adjustments to the value of the investment following acquisition by the selling Advisory Account.

#### **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.

Alternatively, in situations in which an Advisory Account holds a more senior position in the capital structure of an issuer experiencing financial or other difficulties as compared to positions held by other, BlueBay may determine not to pursue actions and remedies that may be available to the Advisory Account or particular terms that might be unfavourable to the Accounts holding the less senior position.

As a result of the various conflicts and related issues described above and the fact that conflicts will not necessarily be resolved in favour of the interests of particular Advisory Accounts, Advisory Accounts could sustain losses during periods in which BlueBay's affiliates and certain Advisory Accounts achieve profits generally or with respect to particular holdings in the same issuer, or could achieve lower profits or higher losses than would have been the case had the conflicts described above not existed.

#### **Potential Conflicts Relating to Follow-On Investments**

From time to time, BlueBay may provide opportunities to Advisory Accounts to make investments in companies in which certain Advisory Accounts have already invested. Such follow-on investments can create conflicts of interest, such as the determination of the terms of the new investment and the allocation of such opportunities among Advisory Accounts. Follow-on investment opportunities may be available to Advisory Accounts with no existing investment in the issuer, resulting in the assets of an Advisory Account potentially providing value to, or otherwise supporting the investments of, other Advisory Accounts.

#### **Side Letters**

BlueBay acting in its capacity as Investment Adviser to BlueBay-sponsored investment vehicles advised by it may enter into or may advise the entering into of side letters or other similar agreements with investors in connection with their admission to such BlueBay-sponsored investment vehicles without the approval of any other investor. The side letters or other similar agreements have the effect of establishing rights under, altering or supplementing the terms of the governing documents of such applicable BlueBay sponsored investment vehicle with respect to one or more such investors in a manner more favourable to such investors than those applicable to other investors. Any rights established, or any terms of the governing documents of such applicable BlueBay-sponsored investment vehicle altered or supplemented in a side letter or other similar agreement with an investor will govern solely with respect to such investor notwithstanding any other provision of the governing documents of such applicable BlueBay-sponsored investment vehicle related thereto. Such rights or terms in any such side letter may include, without limitation, (i) fee and other economic arrangements with respect to such investor; (ii) excuse or exclusion rights applicable to particular investments or terms relating to withdrawal rights from the investment vehicle, including without limitation, as a result of an investor's specific policies; (iii) additional or modified reporting obligations of the applicable general partner; (iv) undertakings with regard to voting obligations; (v) prior consent of the general partner to transfers; (vi) special rights with respect to co-investment allocation and participation; (vii) rights or terms necessary in light of particular legal, regulatory or policy characteristics of an investor; (viii) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (ix) additional obligations and restrictions of the applicable general partner with respect to the structuring of any particular investment in light of the legal, tax and regulatory considerations of particular investors; (x) agreements to assist with the taking or defending of tax positions and (xi) certain obligations and restrictions on the applicable general partner with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms.

#### **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.

#### **Conflicts of Interest Arising From BlueBay and/or RBC Policies, Regulatory Restrictions and Other Factors That May Affect Advisory Accounts**

BlueBay may restrict its investment decisions and activities on behalf of an Advisory Account in various circumstances, including as a result of applicable regulatory requirements, information held by BlueBay, its affiliates, in particular RBC, RBC's roles in connection with other clients and in the capital markets (including in connection with advice it may give to such clients or commercial arrangements or transactions that may be undertaken by such clients or by RBC) and RBC's internal policies and/or potential reputational risk in connection with Accounts (including Advisory Accounts). BlueBay might not engage in transactions or other activities for, enforce certain rights in favour of, or recommend transactions or activities to, an Advisory Account due to RBC's activities outside the Advisory Account and regulatory requirements, policies and reputational risk assessments.

In addition, BlueBay may restrict, limit or reduce the amount of an Advisory Account's investment, or restrict the type of governance or voting rights it acquires or exercises, where Advisory Accounts (potentially together with RBC and other Accounts) exceed a certain ownership interest, or possess certain degrees of voting or control or have other interests. For example, such limitations may exist if a position or transaction could require a filing or a license or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligations for, or impose regulatory restrictions on, RBC, including BlueBay, or on other Advisory Accounts, or where exceeding a threshold is prohibited or may result in regulatory or other restrictions. In certain cases, restrictions and limitations will be applied to avoid approaching such threshold. Circumstances in which such restrictions or limitations may arise include, without limitation: (i) a prohibition against owning more than a certain percentage of an issuer's securities; (ii) a "poison pill" that could have a dilutive impact on the holdings of the Accounts should a threshold be exceeded; (iii) provisions that would cause RBC to be considered an "interested stockholder" of an issuer; (iv) provisions that may cause RBC to be considered an "affiliate" or "control person" of the issuer; and (v) the imposition by an issuer (through charter amendment, contract or otherwise) or governmental, regulatory or self-regulatory organization (through law, rule, regulation, interpretation or other guidance) of other restrictions or limitations.

BlueBay may also reduce a particular Advisory Account's interest in, or restrict certain Advisory Accounts from participating in, an investment opportunity that has limited availability or where RBC has determined to cap its aggregate investment in consideration of certain regulatory or other requirements so that other Advisory Accounts that pursue similar investment strategies may be able to acquire an interest in the investment opportunity. BlueBay may determine not to engage in certain transactions or activities which may be beneficial to Advisory Accounts because engaging in such transactions or activities in compliance with applicable law would result in significant cost to, or administrative burden on, BlueBay or create the potential risk of trade or other errors.

Furthermore, BlueBay operates a program reasonably designed to ensure compliance generally with economic and trade sanctions-related obligations applicable directly to its activities (although such obligations are not necessarily the same obligations that an Advisory Account may be subject to). Such economic and trade sanctions may prohibit, among other things, transactions with and the provision of services to, directly or indirectly, certain countries, territories, entities and individuals. These economic and trade sanctions, and the application by BlueBay of its compliance program in respect thereof, may restrict or limit an Advisory Account's investment activities.

#### **Advisory Account Expenses**

An Advisory Account will pay and bear all operating expenses related to its operations. The amount of these Advisory Account expenses will be substantial and will reduce the actual returns realized by investors on their investment (and may, in certain circumstances, reduce the amount of capital available to be deployed by an Advisory Account in investments). Operating expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of expenses ultimately called or called at any one time may exceed expectations. As described further in the Governing Documents for each Advisory Account, operating expenses encompass a broad swath of expenses and include all expenses of operating the Advisory Account. Expenses to be borne

by the General Partner of certain Advisory Accounts (or BlueBay) are only limited to those items specifically identified in the Governing Documents (such as rent for office space, office furniture and salaries of its employees), and all other operating expenses will be borne by the investors. From time to time, BlueBay and its affiliates will be required to decide whether costs and expenses are to be borne by the Advisory Account, on the one hand, or the general partner, BlueBay or its affiliates, on the other, and/or whether certain costs and expenses should be allocated between or among multiple Advisory Accounts. BlueBay will make such judgments notwithstanding its interest in the outcome, but investors should be aware that these judgments are subjective in nature and pose the potential for a conflict of interest.

#### Other Conflicts of Interest

BlueBay may from time to time purchase or sell on behalf of client's securities or other investment products in which BlueBay, its affiliates or other related parties have a financial or other material interest or a relationship of any other description which may give rise to a potential conflict with BlueBay's duty to its clients. BlueBay may on occasion trade in investments issued by its clients. In all such cases BlueBay will ensure that such transactions are affected on terms that are not materially less favourable to clients than if the potential conflict had not existed. BlueBay addresses these, and other potential conflicts of interest, in its Conflicts of Interest policy which sets out possible scenarios in which conflicts of interest may arise, as well as how they are managed and mitigated by BlueBay.

BlueBay manages both long-only and alternative portfolios, in the form of funds and segregated accounts. BlueBay offers a variety of fee schedules for its investment products which may include both performance and management fees, where appropriate.

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

BlueBay continues to operate a discretionary deferred bonus arrangement for all employees awarded bonuses over a certain threshold. Under this arrangement, qualifying bonus awards are made in the form of conditional investments in Advisory Accounts managed by BlueBay which vest at the end of a three-year period. Unvested bonus awards will typically be forfeited by a departing employee.

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

- RBC Capital Markets, an affiliate of RBC and BlueBay, was 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. We do not have any minimum trading threshold to transact with RBC Capital Markets.
- RBC and its affiliates are included on BlueBay's restricted list. We may not purchase or hold any paper issued by these entities in our portfolios.
- We may purchase primary market securities underwritten and/or syndicated by an affiliate of RBC, as long as the purchase is in compliance with BlueBay's order execution, relevant US regulations and conflict of interest policies.

## Item 12 - Brokerage Practices

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

BlueBay places orders for the execution of transactions for Advisory Accounts according to its best execution policies and procedures. Subject to any specific instructions that BlueBay accepts from clients, BlueBay 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.

Traders are 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 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.

BlueBay manages portfolios of investments on a discretionary basis for its clients, making and giving effect to decisions to deal using two methods. First, 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. Secondly, 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".

### Directed Brokerage

As mentioned above BlueBay generally has the discretionary authority to determine and direct execution of portfolio transactions for discretionary investments made by BlueBay on an Advisory Account's behalf without prior consultation with the Advisory Account on a transaction-by-transaction basis. Advisory Accounts may limit BlueBay's discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements.

Where an Advisory Account directs or limits the use of a particular broker-dealer, it is possible that BlueBay may be unable to achieve the most favourable execution 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 to use particular broker-dealers may, in certain circumstances, be made after BlueBay 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.

Execution factors and criteria

When giving effect to decisions to deal on behalf of clients, the exact nature of the best possible result will be determined by 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.

Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances BlueBay may appropriately determine that other factors are more important than price. BlueBay determines the relative importance of the various factors by using its 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 has made a decision to deal, the trader decides whether to place the order with a Broker or to execute the transaction directly on an execution venue. This decision is made having regard to the relative importance of the execution factors for the

instrument or product in question. For some instruments or products, there is no choice. So, for example, when trading “over the counter” derivatives, the transaction will always be affected by way of direct execution with a Counterparty.

### Order placement with Brokers

Each BlueBay portfolio manager and trader specialises the developed and emerging market strategies managed by BlueBay. The core senior portfolio managers for each of the strategies have focused on their asset class for more than 10 years, gaining insight and experience under a variety of market conditions. BlueBay has dedicated execution traders for each sub-asset class, providing in-depth knowledge of the instruments and products traded and the Brokers/Counterparties with which it is best to trade.

Where BlueBay places an order with a Broker for execution, BlueBay is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order (for example, BlueBay 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’s obligation is therefore to ensure that the Brokers included in the BlueBay 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 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 executes the majority of its trades with the Counterparties listed in the BlueBay Approved Broker/Counterparty List rather than on an exchange or other trading system.

The traders have built relationships with the Counterparties with which BlueBay trades, enabling them to ascertain which organisation is likely to provide the product or instrument required in a way that allows BlueBay to satisfy the Best Execution Obligation owed to its clients. Typically, the traders approach a range of Counterparties to obtain the best price available for a security.

However, it may not be advantageous for BlueBay 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’s clients as a result of informing the market of BlueBay’s trading intentions. At all times the traders use their professional judgement 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 Market Risk Committee within BlueBay has authority to approve new counterparties. On the basis of the completed initial approval form, Credit Default Swap spread level, 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.

### The Selection of Trading Counterparties

As mentioned above, the BlueBay 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 reviews the Credit Default Swap spreads, 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 or equity price 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 and Reference data with details of any market information that may affect BlueBay's decision to do business with the firm. The Market Risk Committee reviews the recent performance of equity and credit default swaps of the counterparty 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. We do not have any minimum trading threshold to transact with RBC Capital Markets.

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

### **Research and Soft Dollar Benefits**

The European Union's Markets in Financial Instruments Directive II ("MiFID II") restricts European Union domiciled investment advisers from receiving research and other materials that do not qualify as "acceptable minor nonmonetary benefits" from broker-dealers unless the research or materials are paid for by the investment advisers from their own resources or from research payment accounts funded by and with the agreement of their clients. BlueBay is subject to MiFID II and pays for the research and other materials (other than "acceptable minor non-monetary benefits") that BlueBay uses from BlueBay's own resources to the extent required by MiFID II.

### **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 Order Execution policy is available upon request.

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

Access to primary and secondary market sources is achieved directly via 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. Compliance also monitors trades on an ongoing basis to determine whether best execution was obtained.

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

BlueBay seeks to execute orders for its clients fairly and equitably over time and as such BlueBay has an Order Aggregations and Allocation policy to achieve this end.

Pursuant to BlueBay'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 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 Portfolio Manager is responsible for the allocation of trades across clients. Generally, the Portfolio Manager will allocate trades across similar mandates to bring the holding in each account to a similar percentage of the value of the portfolio.

Allocations must reasonably be in the best interests of all the affected clients, and the Portfolio Manager will take into account factors impacting the allocation, including:

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

#### **Cross Transactions**

BlueBay may from time to time effect "cross transactions" between two BlueBay clients, in which one client will purchase securities held by another client. Cross transactions may benefit advisory clients because they can avoid certain



transaction fees but 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. Cross transactions will be effected in accordance with fiduciary requirements and applicable law and BlueBay complies with the conditions and/or constraints on cross transactions under ERISA and the Investment Company Act of 1940 each of which impose conditions and/or constraints on cross transactions.

### **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 policies concerning the misuse of material non-public information. According 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 a Market Abuse Policy, which establishes procedures reasonably designed to prevent the misuse of material non-public information by BlueBay and its personnel. Under the Market Abuse 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**

BlueBay has a clearly defined Incident Management Policy to ensure that events that may lead to monetary loss, reputational or regulatory/legal impact and/or negative disruption to the firm, its clients or its stakeholders are managed and appropriate action is taken.

BlueBay's systems, policies and procedures are designed to ensure that we are able to offer our clients a high standard of service in all areas of our business. However, should an incident occur, action would immediately be taken in accordance to the Incident Management Policy to bring the portfolio back in line with its investment guidelines and to ensure that client interests are best managed at all times.

BlueBay will notify relevant stakeholders of any operational/trade incident which resulted in a financial impact to the Fund the occurrence of which BlueBay or the Fund is required to notify investors in accordance with the requirements of the Investment Management Agreement, UCITS rules, the laws and regulations of Luxembourg and/or the laws and regulations of the United Kingdom including, but not limited to, the UK FCA's principle of "treating customers fairly". The resolution of an incident may involve BlueBay compensating either the fund or client to the extent applicable.

Reported incidents are reviewed by the Technology and Operational Risk team, who independently considers all actions and enhancements in order to mitigate the risk of reoccurrence. Incidents are reported to relevant stakeholders and to the Operating Committee which is chaired by the COO-CRO. The Operating Committee provides oversight of the actions taken and agreed. This rigorous review enables us to continually improve our processes.



## Item 13 - Review of Accounts

### **Segregated Accounts**

BlueBay has a dedicated Client Relationship Management team made up of experienced Client Directors. Each client account is allocated a Client Director who is the primary point of contact for all client enquiries, reporting and regular reviews of the client's portfolio. Client review meetings are conducted by the Client Director with the primary responsibility for the client and attended by the portfolio manager.

Portfolio management teams 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 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 Team.

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

The Chief Investment Officer and the portfolio managers review the performance and risk of all BlueBay Advisory Accounts on an on-going basis. In addition, the Market Risk Committee, which is chaired by the Head of Investment Performance and 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, meets regularly and amongst other things, performs an ongoing review and oversight of investment risks and performance for all accounts managed by BlueBay.

### **BlueBay Advisory Accounts**

Underlying investors invested in various BlueBay Advisory Accounts receive a fund factsheet (including performance and risk statistics, portfolio characteristics, market commentary and fund facts) on a monthly basis upon request. Statements of investor holdings in the BlueBay Advisory Accounts are produced by the respective fund administrator on a monthly basis; investors also receive audited annual financial statements and unaudited semi-annual financial statements for the BlueBay Advisory Account in which they are invested. All reporting is provided by email.

### **CLO Clients**

BlueBay periodically reviews CLO Client portfolios to monitor performance and compliance with investment guidelines and discusses prospective investments and credit, industry and economic news and trends at a frequency that is in accordance with its internal policies and procedures. BlueBay delivers periodic reports and other information to CLO Clients as negotiated and set forth in Client Documentation or as otherwise required by law.

## Item 14 - Client Referrals and Other Compensation

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

## Item 15 - Custody

BlueBay does not accept custody of client funds or securities. All clients' accounts are held in custody by unaffiliated or affiliated broker/dealers, banks or other institutions approved to provide custodian services. BlueBay does 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.

For CLOs Clients, BlueBay is not deemed, under federal securities laws, to have custody of the assets of its CLOs by virtue of its status as investment collateral manager. BlueBay does not have actual physical custody of any CLO Client assets; the CLOs' assets are held in the custody of their respective unaffiliated trustees; and BlueBay has no ability to deduct fees or expenses from the CLO Clients.

## Item 16 - Investment Discretion

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

BlueBay manages portfolios of investments on a discretionary basis for its clients, making and giving effect to decisions to deal using two methods. First, 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. Secondly, 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 has Risk Control framework designed and managed by the Market Risk Committee which amongst other things assesses and monitors that each Advisory Account is managed according to its disclosed and agreement risk profile.

In general, BlueBay has full discretion to buy and sell investments on behalf of the CLO Clients, including authority to make decisions with respect to amount, price and counterparties (pursuant to, and subject to the terms and conditions set forth in, the Client Documentation). BlueBay provides investment advice to each CLO Client and not individually to Note Holders.

## Item 17 - Voting Client Securities

### **BlueBay's Proxy Voting Policy**

BlueBay has a fiduciary duty to act in the best interests of its clients and manages clients' assets with the objective of achieving the greatest possible return consistent with their investment objectives.

BlueBay, on behalf of itself and other entities within the BlueBay group (including BlueBay Funds Management Company S.A.), has established a series of principles to be applied when exercising voting rights attached to client securities within managed portfolios. In reaching a recommendation as to how a proxy should be voted, BlueBay must act prudently and in the best interests of the affected clients and will ensure that voting rights are exercised in accordance with the portfolio's objectives and investment policies.

BlueBay may depart from the principles to avoid voting decisions that may be contrary to clients' best interests in particular cases. BlueBay may also choose not to vote where voting may be detrimental to the best interests of our clients, such as due to high administrative costs associated with voting or share blocking requirements that "lock up" securities, which would limit liquidity or access to market opportunities.

### **Receipt and notification of proxy rights**

BlueBay's Operations Department alerts BlueBay Compliance through the Order Management System as soon as practicable after receiving copies of any proxy solicitations, proxy statements or related materials relating to any security within a managed portfolio. Operations then promptly submit such materials to the relevant member(s) of the BlueBay portfolio management team.

### **Persons authorised to exercise voting rights**

The relevant members of BlueBay's portfolio management team will be responsible for recommending how proxies relating to securities held by clients in managed portfolios should be voted. The relevant personnel will consider each exercise of rights on the basis noted above and in particular taking into consideration the best interests of clients, with voting on specific events or issues such as board appointments, mergers/acquisition activity, board remuneration and changes to capital structure being considered on a case by case basis. Once a recommendation on how to vote has been determined, the recommendation will be communicated to Operations to handle the voting process.

### **Class actions and similar matters**

With respect to shareholder class action litigation and similar matters, BlueBay's separate account clients are encouraged to contact their custodians and ensure that they receive notices and are aware of the participation and filing. BlueBay generally will not make any filings in connection with any shareholder class action lawsuits and similar involving securities held or that were held in separate accounts for clients and will not be required to notify custodians or clients of shareholder class action lawsuits and similar matters. BlueBay will not be responsible for any failure to make such filings or, if it determines to make such filings in its sole discretion, to make such filings in a timely manner.

### **Management of Conflicts of Interest**

When evaluating any given proxy, the portfolio management team will consider whether or not BlueBay has a potential conflict relating to the security being voted, such as if a BlueBay Portfolio Manager were to sit on the Board of Directors of the company. Any such conflict of interest will be notified to the BlueBay Compliance team. If Compliance deems the conflict to be material, Compliance will determine whether the vote proposed by the Portfolio Manager is in the best interests of all clients. If Compliance cannot conclusively determine that the vote is in the best interest of the affected client, Compliance will seek the advice of an independent third-party service to provide the proxy voting recommendation.

### **Details and records**

BlueBay keeps a record of all past proxy voting decisions for a period of six years. Details of actions taken pursuant to this policy are available to investors by request in writing to BlueBay at the following address: Compliance Department, BlueBay Asset Management LLP, 77 Grosvenor Street, London, W1K 3JR, United Kingdom.

## Item 18 - Financial Information

BlueBay has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts. BlueBay do not require or solicit pre-payment of fees. We have no financial commitments that affect our contractual commitments to clients.

## Item 19 - Requirements for State Registered Advisers

BlueBay Asset Management LLP is not a state registered adviser.