

## BlueBay Conflicts of Interest Policy

<b>Relevant Rules:</b>	FCA Principle 6; Principle 8; SYSC 10; Compliance Rule and Code of Ethics Rule
<b>Rules Summary:</b>	A Firm must identify, record and prevent or manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

Policy Owner	Version #	Date of Last Review	Date of Next Review
Compliance Team	1	December 2017	December 2018

### 1. Introduction

BlueBay is required by its global regulators to:

- Identify conflicts of interest;
- Prevent or manage conflicts of interest;
- Record conflicts of interest; and
- Implement a conflicts of interest policy.

Covered Persons have an important role to play in the identification and management of conflicts of interest. This policy sets out the requirements of BlueBay and Covered Persons with regard to conflicts.

### 2. Identification of Conflicts

In relation to the investment services provided by BlueBay, conflicts of interest may arise, for example, where:

- BlueBay undertakes fund management activities for other clients;
- BlueBay acts as agent for a client in relation to trades in which it is also acting as agent for the account of other clients;
- A director, employee or Partner of BlueBay is a director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of a client;
- A director, Partner or employee of BlueBay is a director of a fund which is managed by BlueBay;
- A trade is effected in securities in respect of which a director, Partner or employee of BlueBay, is contemporaneously trading and has either a long or short position;
- BlueBay may match an order of its client with an order for another client for which it is acting as agent;

- BlueBay's interests conflict with the interests of RBC, its shareholder or any affiliated companies;
- BlueBay Partners and employees have personal relationships or family connections with other BlueBay Partners and employees which may lead to a potential conflict; and
- A trade is effected in securities issued by a client of BlueBay.

It is important to note that a conflict of interest may arise even where no improper or unethical behaviour occurs.

If a potential conflict of interest is identified, BlueBay must determine if the conflict may entail a material risk of damage to the interests of a client, or a group of clients. This is likely to occur if BlueBay or a Covered Person:

- Is likely to make a financial gain, or avoid a financial loss to the detriment of a client;
- Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- Has a financial or other incentive to favour the interest of one client or group of clients over the interests of another client;
- Carries on or has a significant interest in the same business as the client; and
- Receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

If employees identify a potential conflict of interest they must disclose the details to Compliance.

### **3. Prevention and Management of Conflicts**

BlueBay is required to prevent or manage conflicts of interest fairly, both between itself and its clients, and between one client and another client. BlueBay has arrangements in place to prevent and manage conflicts. Examples include:

- Governance arrangements including but not limited to BlueBay's Conflicts of interest Committee;
- Embedding of FCA Treating Customers Fairly principles throughout BlueBay's culture, policies and procedures (as detailed in the Treating Customers Fairly Policy);
- Clearly defined and documented reporting lines and responsibilities;
- Segregation of duties to avoid conflicts wherever possible;
- Alignment of firm, Partner and employee interests with client interests through linking of remuneration to client portfolio performance;
- Portfolio risk management arrangements to monitor levels of risk taking;
- Reporting to senior management of action taken to manage actual conflicts arising and to minimise the risk of recurrence of the conflict;

- Contractual obligation on all Partners and employees to comply with Compliance and HR policies designed to mitigate conflicts and to report conflicts arising;
- Training on regulations, and the policies implemented to promote compliance with those regulations; and
- Recording of potential and actual conflicts and regular review of the effectiveness of BlueBay's management of conflicts.

#### **4. Conflicts Arising from Acting for Multiple Clients**

BlueBay has put in place policies to manage Conflicts that may arise when trading for multiple clients, including its:

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

BlueBay receives management fees for some accounts based upon assets under management and for other accounts based upon its performance in managing the accounts.

While BlueBay may benefit more from above average performance in the performance fee accounts as compared with accounts for which it receives asset based fees, its procedures require the fair and equitable allocation of securities among these accounts.

BlueBay enters into "side letters" with certain investors in the BlueBay funds. Material terms are disclosed to investors in accordance with applicable regulation.

#### **5. Conflicts between Clients and Partners or Employees**

BlueBay policies to prevent or manage these conflicts include:

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

#### **6. Conflicts Arising from Transacting with Affiliates**

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 be used, where permitted by regulation and the client's contract, to effect transactions with those clients. RBC group entities may act in a variety of roles including those of proprietary trader, broker, underwriter, agent or lender in connection with transactions in which BlueBay's clients have an interest and will receive remuneration or other benefits in connection with these roles.

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;
- Information barriers between BlueBay and RBC designed to ensure that information is not improperly shared among these companies and their Partners and employees;
- The observance of code of ethics and RBC Code of Conduct; and
- BlueBay does not invest in RBC shares on behalf of its clients.

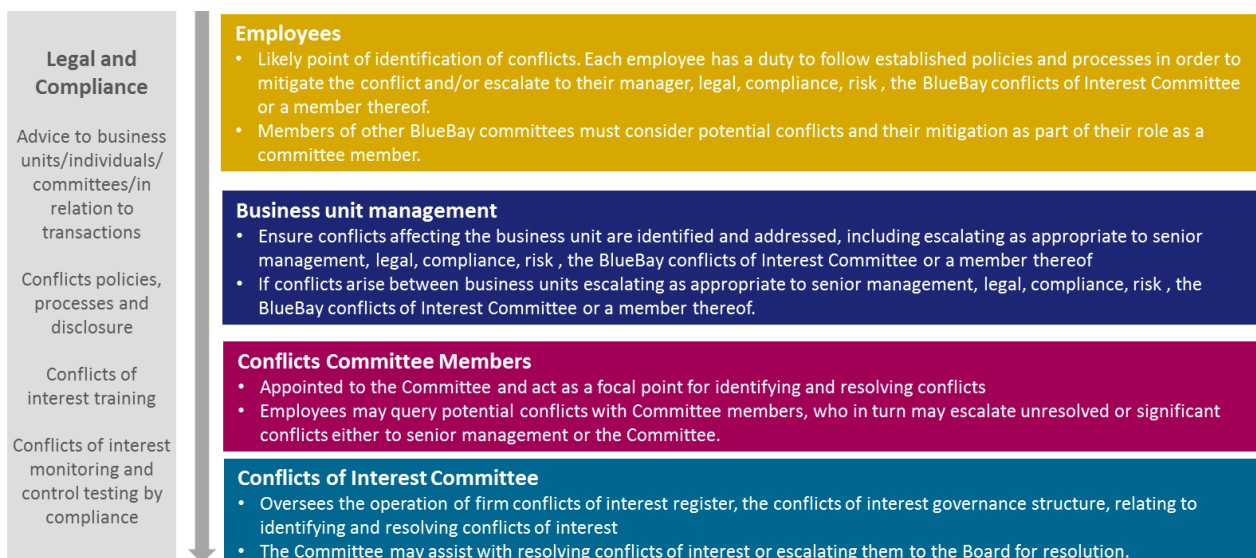
## **7. Reporting and Disclosure of Conflicts**

Any potential conflict of interest that arises in a specific situation or transaction must be disclosed to Compliance and resolved and the action to be taken approved before anyone in BlueBay takes any action. Conflicts of interest may not always be evident, and employees should consult with senior management if they are uncertain about any situation and whether a potential conflict of interest may exist.

On disclosure, Compliance will review the circumstances of the potential conflict and will determine whether an actual conflict exists and if so whether there are any reasonable steps that can be taken to manage the conflict. Where a conflict of interest is identified then any action proposed must be approved by a member of the Conflicts of Interest Committee or the Compliance Officer.

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

BlueBay's conflicts escalation framework is illustrated below.



## 8. Record Keeping

BlueBay must monitor and keep a record of situations where conflicts of interest arise and it is for the Compliance Team to maintain these records (the “**Conflicts Register**”). The Compliance Team is in charge of dealing with the conflict of interest that may arise in accordance with FCA and SEC Rules as appropriate.

A record of the Conflicts Register will be maintained by the Compliance Team and it will contain the nature and form of the evidence obtained (for identification purposes) together with a copy of the evidence. If no evidence is copied and recorded in the Conflicts Register then sufficient details, instructions and general information will be recorded to enable BlueBay to obtain a copy of the evidence if necessary and when required.

This record will be maintained by the Compliance Team and updated on an ongoing basis and will be kept for seven years.

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