

BlueBay Asset Management LLP  
*RTS 28 Qualitative Assessment of Execution (year ending 31<sup>st</sup> December 2017)*

April 2018

### Explanatory statement

BlueBay has in place an Order Execution Policy (“the Policy”) which is available [here](#). The Policy is updated at least annually. The Policy applies equally to each of BlueBay’s clients, all of whom have been categorised as Professional. BlueBay does not have direct market access and cancelled its only agreement in relation to the same in the first quarter of 2018. This assessment is applicable to each class of financial instruments referred to in BlueBay’s RTS 28 “Top Five” report. The Order Execution Policy is one element of BlueBay’s overall framework for the delivery of best execution to its clients. BlueBay’s best execution framework is illustrated below:

Best Execution							
<b>Order Execution Policy</b>  BlueBay’s overarching policy framework for achieving best execution	<b>Procedures</b>  Desk-based guides detailing methods for achieving best execution, on a per financial instrument class basis.	<b>Training</b>  Conflicts of interest training  One-to-one training between each Execution Trader and Compliance on the regulatory requirements surrounding best execution	<b>Monitoring/ Surveillance</b>  T+1 exception-based review of Transaction Cost Analysis (TCA) data  Periodic (i.e. weekly, monthly quarterly) review of best execution factors (e.g. gifts & entertainment, settlements, etc).	<b>Testing</b>  Point-in-time review of BlueBay’s best execution framework or an element of it. i.e. counterparty order execution policy reviews.	<b>Trade Execution Oversight Committee (TEOC)</b>  Forum for the analysis , review and challenge of BlueBay’s best execution framework and reporting	<b>Reporting</b>  Internal, client, and regulatory reporting, as required by policy, contract, or regulation.	<b>Disclosure</b>  Investment Management Agreement, Prospectus, Form ADV, Top 5 Venue Reporting and qualitative assessment (RTS 28).

### **An explanation of the relative importance BlueBay gives to execution factors**

The relative importance of each of these factors within BlueBay's dealing process will vary depending upon a number of criteria, namely:

1. The investment intent of the investment manager who created the order;
2. The characteristics of financial instruments that are the subject of that order; and
3. The characteristics of the execution venues to which that order can be directed.

Each client order that is transacted by a BlueBay trader is inherently unique in its characteristics and market conditions are never constant. The relative importance of the execution factors is therefore variable. However, the particular combination of total consideration (price of the instrument and costs of execution, both implicit and explicit) and size are usually the most relevant factors when setting BlueBay's execution strategy. The relative weighting attached to size and liquidity is explained further below.

For large orders, or illiquid instruments, BlueBay may approach fewer brokers, in order to avoid detrimental market impact. Similarly, the desire for anonymity, market events, axes received from counterparties, a lack of liquidity, or 'challenging' liquidity, in the market may impact the number of brokers approached.

Where an instrument is less liquid, then likelihood of execution becomes a more important consideration. Another factor relevant to best execution is counterparty risk, particularly in the case of instruments which are not settled by delivery versus payment. Under this scenario, BlueBay's assessment of credit risk may impact BlueBay's selection of counterparty and the dominant execution factor.

Both client-specific and regulatory guidelines (for example, UCITS), and other regulatory restrictions may also limit counterparty exposure and can be a determinant factor in the execution strategy.

### **A description of close links and conflicts of interests**

BlueBay is a subsidiary of the Royal Bank of Canada ("RBC"), a global financial services company with a number of affiliated entities. RBC group entities may have both direct, and indirect, interests in the financial instruments and markets in which BlueBay invests for its clients, and may 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's Order Execution Policy requires 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.

#### **Specific arrangements with execution venues regarding payments**

BlueBay does not receive payments, discounts, rebates or non-monetary benefits in its trading arrangements.

#### **An explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy**

BlueBay's list of permitted execution venues is subject to initial approval and periodic monitoring. The initial assessment and periodic monitoring in relation to venues for direct execution (including over-the-counter (OTC) transactions) includes, but is not limited to:

- An assessment of credit worthiness and financial stability;
- Review of the performance of execution services provided by the venue;
- The venue's ability to trade effectively on our clients' behalf;
- Breadth of market coverage or niche liquidity provider; and
- Willingness to put balance sheet at risk for non-centrally cleared OTC trades.

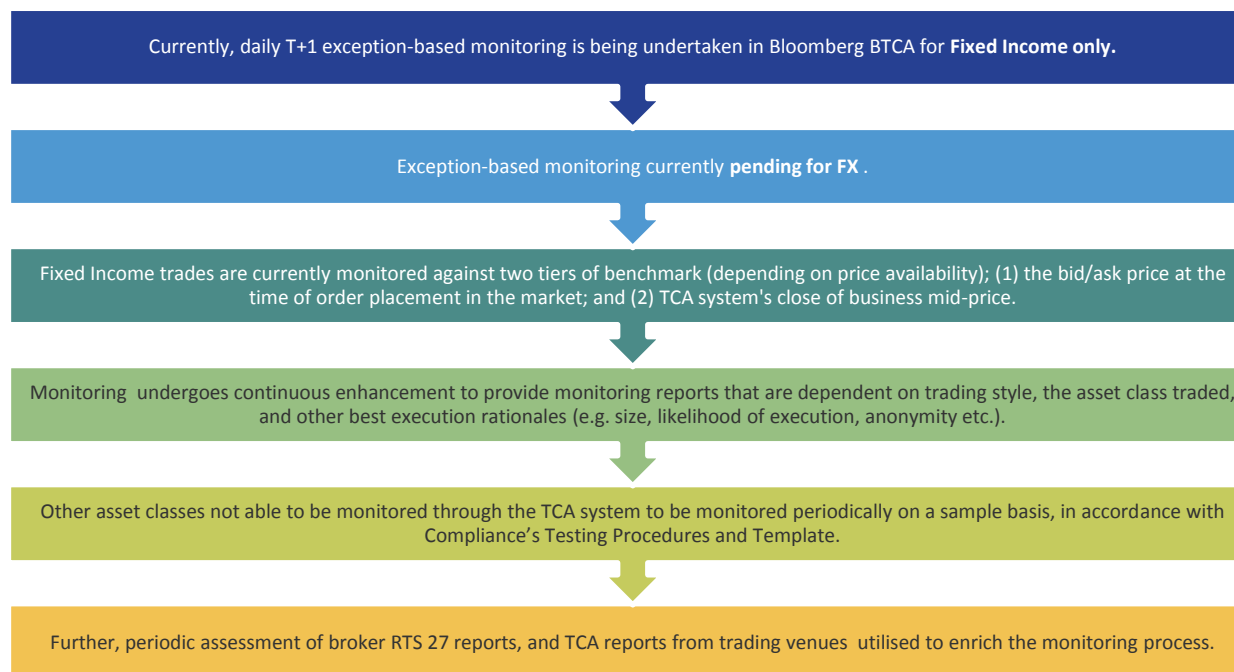
When selecting third-party brokers for order placement or transmission, relevant considerations may include:

- Accurate and timely execution, settlement, clearance and error/dispute resolution processes;
- Reputation, financial strength and stability;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Willingness and ability to locate and/or commit capital to complete trades;
- Execution of an ISDA Master Agreement with the firm's clients;
- Access to underwritten offerings and secondary markets;
- Ongoing reliability;
- Overall costs of a trade including commissions, mark-ups, markdowns or spreads;
- Nature of the security and the available market makers;
- Execution at a desired time for the transaction;
- Size of the trade and ability to fill trades in staged orders;

- Anonymity of trading activity;
- Market intelligence regarding trading activity; and
- Licensed, as required, to execute the type of transaction.

### The use of data or tools relating to the quality of execution

BlueBay uses an independent transaction cost analysis (“TCA”) provider to assist with its detailed monitoring of the quality of execution obtained by its traders in the dealing of bonds. TCA output is one of a number of factors considered by BlueBay’s Trade Execution Oversight Committee in its quarterly assessment of BlueBay’s best execution performance. An explanation of how TCA is used for bonds is provided below:



It is important to note that transaction cost analysis is only one of a number of factors that BlueBay uses to assess best execution. Other measures that are referenced on either an ongoing basis or periodically include but are not limited to:

Trading volumes vs gifts and entertainment given and received	Review of best execution training data	Review of any changes in execution practice qualifying as a material change.	Number of counterparties added or removed during the period.
Venue assessment, broken down by Regulated Market, (RM), Multilateral Trading Facility (MTF), and Organised Trading Facility (OTF)	Venue analysis by volume	Periodic order execution policy review of top ranked counterparties	Execution and broker quote analysis (e.g. execution with first-, second-, third-placed brokers per order)
Broker confirmation rate performance	Broker settlement rate performance	Analysis of RTS 27 submissions from our execution venues, and RTS 28 submissions (if applicable).	Trader by trader TCA asset class assessment
Analysis of trade related incidents	Analysis of order routing (i.e. voice vs electronic (including auto execution)	Trader intent analysis i.e. anonymity, speed, price etc.	Review of peer costs and charges, per the Packaged Retail and Insurance-based Investment Products (PRIIPS) Regulation.

### Conclusion

It is the assessment of BlueBay’s Trade Execution Oversight Committee that BlueBay took all sufficient steps to seek to achieve best execution for BlueBay’s clients.

## Disclaimer

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