



**RBC Global  
Asset Management**



Advisory Brochure

Part 2A of Form ADV

**RBC Global Asset Management (UK) Limited**

October 2013

This brochure provides information about the qualifications and business practices of RBC Global Asset Management (UK) Limited. ("RBC GAM-UK"). If you have any questions about the contents of this brochure, please contact us at +44 (0) 20 7653 4000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. RBC GAM-UK is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

**RBC Global Asset Management (UK) Limited**

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## Item 2 - Material Changes

RBC GAM-UK filed an initial Brochure in connection with its registration with the SEC as an investment adviser, effective as of September 11, 2013. This other-than-annual amendment provides updates and clarifying changes regarding our affiliates, as well as our operations, investment strategies and brokerage practices.

In the future, this Item will be used to provide our clients with a summary of new and updated information. We will inform you of the revision(s) based on the nature of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year, October 31. We will provide you with other interim disclosures regarding material changes as necessary.

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## Item 4 - Advisory Business

### Firm Overview

RBC Global Asset Management (UK) Limited was formed in October 1998 under the laws of the United Kingdom (“U.K.”) and is a wholly owned direct subsidiary of Royal Bank of Canada Holdings (U.K.) Limited, a company formed in the U.K., which is an indirect, wholly-owned subsidiary of the Royal Bank of Canada (“RBC”). RBC is publicly held and traded on the New York Stock Exchange and Toronto Stock Exchange.

RBC GAM-UK is also a part of the RBC Global Asset Management (“RBC GAM”), the asset management division of RBC, which includes RBC GAM-UK, RBC Global Asset Management Inc., RBC Global Asset Management (U.S.) Inc., RBC Alternative Asset Management Inc., and BlueBay Asset Management LLP, which are separate but affiliated corporate entities.

RBC GAM operates as a global firm and leverages the talent and investment capabilities across RBC GAM to create solutions for its clients. We are providing this Brochure to persons who receive or who may receive investment advisory services from RBC GAM-UK in order to ensure compliance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

### Who regulates us?

The Financial Conduct Authority (“FCA”) is the independent body that regulates financial services in the U.K.

RBC GAM-UK is authorized and regulated by the FCA pursuant to the U.K. Financial Services and Markets Act 2000 (“FSMA”) and is authorised and regulated to carry on investment management business in the U.K.

Additionally, RBC GAM-UK is registered as an Investment Advisor with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Advisers Act.

Such registrations in no way imply that either the SEC or the FCA has reviewed or approved the investment services described in this Brochure.

### Advisory Services

RBC GAM-UK seeks to develop a full understanding of each client’s investment needs and concerns and meet those needs with equity and fixed income solutions. These are available to a broad range of institutional clients through the following vehicles:

- Institutional separate accounts (“Separate Accounts”)
- Open-ended investment companies (“Funds”)
- Other pooled vehicles (such as private funds, collective trusts, and comingled funds).

## **DISCRETIONARY INVESTMENT MANAGEMENT**

RBC GAM-UK provides discretionary and non-discretionary investment management solutions to clients in the form of Separate Accounts. Fees and services for each arrangement are individually negotiated. Separate Account clients may impose restrictions on investing in certain securities or types of securities if those restrictions are consistent with the strategy’s investment style and process. These restrictions are specified in each client’s written investment policy or other governing document. RBC GAM-UK assesses each portfolio’s compliance with the client’s investment policy or other offering document through automated and manual reviews. The fees and services for each arrangement are generally based upon a percentage of assets under management. For additional information on fees, refer to Item 5.

## NON-DISCRETIONARY ADVISORY SERVICES

RBC GAM-UK may provide non-discretionary investment advisory services (such as asset allocation, advice, equity and fixed income research and recommendations for a variety of investment styles) to clients, including model portfolios. The fees and services for each such arrangement are generally based upon a percentage of assets under management. For additional information on fees, refer to Item 5.

### Assets Under Management for U.S. Clients

Discretionary	\$0	0
Non-Discretionary	\$0	0
Total	\$0	0

As of August 31, 2013, RBC GAM-UK managed approximately \$5.2 billion (USD) for non-U.S. clients.

## Item 5 - Fees and Compensation

### Details of Fees

While fees may be individually negotiated, clients will generally pay a percentage on assets under management. Fees and services may be negotiated based on factors such as client type, asset class, specific investment strategy utilized, whether a pre-existing relationship is present, portfolio complexity, account size or other special circumstances or requirements. However, in certain limited circumstances, for eligible clients and certain strategies, fixed or performance-based fees may also be negotiated, and related accounts may be aggregated for fee calculation purposes. Some clients may pay higher or lower fees than other clients. Payment of fees may be made by direct payment or invoicing, in accordance with client preference.

### Billing Periods

RBC GAM-UK advisory fees are generally payable quarterly (in advance or arrears) or at such times as may be agreed upon by the parties involved, based upon a percentage of the market value of assets in the account on the date of valuation, the average of the market value of the assets in the account during the billing period, or the calendar quarter-end market value. For accounts that pay in advance, if a client terminates their investment advisory contract with RBC GAM-UK prior to quarter-end the advisory fee will be pro-rated based on the portion of the quarter the account was open, and any unused portion of any fees paid in advance will be returned to the client.

### Valuation/Calculation

Valuations of account assets are determined in accordance with RBC GAM-UK valuation procedures, which generally rely on third-party pricing services, but may permit the use of other valuation methodologies in certain circumstances. Our valuation may differ from valuations reflected on a client's custodial statement. In certain limited circumstances, and only upon request of the client, RBC GAM-UK may rely on the valuations determined by the client's custodian. Since such valuations may differ, the client may pay more or less in fees depending on the valuation methodology utilized.

### Other Fees and Expenses

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by other managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes,

wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, exchange traded funds, and other pooled investment vehicles may also charge internal management fees, which are disclosed in the prospectus or other offering document relating to the fund.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

RBC GAM-UK may manage multiple accounts for multiple clients with different mandates and different fee structures. The investment objectives, strategies, time horizons, tax considerations, and other investment considerations specific to a particular client account may differ from other accounts.

RBC GAM-UK generally receives an asset-based fee; however, in certain limited cases, and at the request of the client, we may enter into performance-based fee arrangements with qualified clients for our advisory services.

In measuring clients' assets for the calculation of performance-based fees, RBC GAM-UK shall include realized and unrealized capital gains and losses. Performance-based fees may create an incentive for RBC GAM-UK to make investments that are riskier or more speculative than would be the case if a performance-based fee was not charged. Performance-based fees may create an incentive to favor performance-based fee paying accounts over non performance-based fee accounts in the allocation of investment opportunities. In these instances, our compensation may be greater than it would otherwise have been, as the fee will be based on account performance instead of, or in addition to, a percentage on assets under management.

RBC GAM-UK has procedures that are reasonably designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. The inherent conflicts of interest of managing accounts with both types of fee structures are mitigated by the firm's trade allocation policies that ensure all trades are allocated in a fair and consistent manner. Refer to Item 12 for more information on allocation of investment opportunities.

## **Item 7 - Types of Clients**

We provide portfolio management services to predominantly institutional clients, which may include corporations, public and private pension plans, governments, insurance entities, charitable institutions, foundations, endowments, and pooled investment vehicles such as registered mutual funds, foreign funds such as UCITS funds.

RBC GAM-UK provides equity and fixed income investment management solutions.

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

In providing investment management services to discretionary clients and recommendations to non-discretionary clients, individual portfolio managers may emphasize one method of security analysis over another. The primary methods of analyses we employ are fundamental analysis (i.e., the analysis and interpretation of basic company, industry and country data) and quantitative analysis (i.e., the analysis and interpretation of numerical, measurable characteristics). The investment team at RBC GAM-UK is responsible for researching investment opportunities, and implementing its findings and views on specific issuers in the management of clients' portfolios. Part of this review includes developing independent measures of absolute and benchmark relative risk, creating and aggregating performance attribution analysis and reporting performance and risk profiles through formal investment scorecards.

**Investment Strategies**

We employ various investment strategies through our investment mandates and based on the objectives and strategies of the clients involved. Client portfolios with similar investment mandates, strategies and guidelines are generally managed similarly. A description of our significant investment strategies is provided below, although we may offer other investment management capabilities.

**Emerging Markets Bond**

This strategy invests primarily in US dollar denominated government debt securities of emerging market countries, and may also invest in emerging market corporate bonds and government debt securities of developed countries. The strategy may also from time to time invest in instruments denominated in the local currencies of various emerging market countries. The strategy focuses on countries demonstrating improving fiscal, balance of payments and business-friendly trends, coupled with positive public policy momentum. The strategy employs a value-focused philosophy for emerging market corporate bonds, striving to invest in quality companies having stable to improving credit profiles which are undervalued given current market sentiment. The portfolio management team conducts detailed company credit and industry analysis to identify investment opportunities offering high probabilities of superior rates of return while simultaneously minimizing default prospects.

**European Equity**

This strategy provides exposure to growth opportunities in the European economy and diversification benefits beyond North America. The strategy invests primarily in equity securities of European companies and may also invest in high-quality debt securities issued or guaranteed by European governments and other countries or international agencies. The investment process is primarily based on fundamental research, although quantitative and technical factors are also considered. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

**Emerging Markets Equity**

This strategy invests primarily in equity securities of companies located or active in emerging markets. The strategy's investment process is primarily based on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

**Emerging Markets Dividend**

This strategy invests primarily in equity securities of companies located or active in emerging markets with above average dividend yields. The investment process is primarily based on fundamental research, although quantitative and technical factors are also considered. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

**Emerging Markets Small-Cap Equity**

This strategy invests primarily in equity securities of small-cap companies located or active in emerging markets. The investment process is primarily based on fundamental research, although quantitative and technical factors are also considered. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

**Material Risks**

All investments carry a certain amount of risk and you may lose money by investing in any of our strategies. We cannot guarantee that any strategy will achieve its investment objectives. Below is a summary of certain risks that may be associated with our strategies. This is not a complete list of all the risks you might incur when investing with us and we recommend that you consult your own legal, financial and tax advisers before deciding whether or not to invest. For more information on the potential risks please refer to the Risk Disclosure Appendix.

- *Management risk:* Our judgements about the fundamental value of securities or other factors showing the attractiveness of investments acquired for a portfolio may prove to be incorrect. In addition, our judgements about asset allocations, exposure to foreign currencies and other macro-economic factors may prove to be incorrect.
- *Risk of loss:* Investing in securities involves risk of loss that you should be prepared to bear. The investment decisions that we make for you are subject to various market, currency, economic, political and business risks, and our investment decisions based on such factors will not always be profitable.
- *Investment risk:* We do not guarantee that your portfolio will achieve its investment objectives, performance expectations, risk and return targets.
- *Diversification and liquidity risk:* Unless we and you otherwise agree, we will not be responsible for your overall diversification, asset allocation or liquidity needs.
- *Tax risk:* You should consult your tax adviser regarding the tax consequences of your investments. RBC GAM-UK is not a tax adviser.
- *Equity risk:* There are various risks associated with investing in equities including:
  - The stock markets where a portfolio is invested may go down.
  - An adverse event, such as a poor earnings report, a negative press comment, may depress the value of a company's shares.
  - Smaller companies may have less diversified product or service offerings and less market liquidity, which may increase price volatility.
- *Fixed-income risk:* Such risks include:
  - Interest rate risk: If interest rates rise the prices of fixed income securities in the portfolio may fall and the longer the maturity of a fixed income security the greater its sensitivity to changes in interest rates.
  - Credit risk: The issuer may default on its obligation to pay principal or interest, may have its credit rating downgraded by a rating agency or may be perceived by the market to be less creditworthy. Lower rated bonds are more likely to be subject to an issuer's default than investment grade (higher rated) bonds. Lower rated bonds may have less liquidity and be more difficult to value in declining markets.
  - Prepayment risk: If interest rates fall the issuer of a security may exercise its right to prepay principal earlier than scheduled forcing the investor to reinvest in lower yielding securities.
- *Emerging market risk:* Risks associated with investing in foreign and emerging markets include:
  - Vulnerability to economic downturns and instability due to undiversified economies, trade imbalances, inadequate infrastructure, heavy debt loads and dependence on foreign capital inflows, governmental corruption and economic mismanagement and difficulty in delivering economic reforms.
  - Adverse government intervention: Nationalization, punitive taxation policies, currency devaluations, asset transfer restrictions, restrictions on investment by non-citizens, excessive laws and regulations.
  - Political and social instability, war and civil unrest.
  - Less liquid and efficient securities markets: higher transaction costs, settlement delays, poor and unreliable publicly available information, non-uniform reporting and accounting standards, pricing difficulties and less effective supervision.



- *Derivatives risk:* The use of derivatives involves risks that are different from the risks involved from directly investing in securities. The primary risks of loss associated with derivatives are:
  - (i) Market risk – the risk that the market value of the investment will decline
  - (ii) Credit risk – the risk that the counterparty to the transaction will default on its obligations
  - (iii) Liquidity risk – the risk that the instrument will not be readily marketable
  - (iv) Valuation risk – the risk that the instrument may have only one pricing source. Investments in derivatives include the risk that changes in the value of a derivative may not correlate with the underlying asset, rate, index or market.
    - Gains or losses involving some options, futures and other derivatives may be substantial
    - While some derivative strategies can reduce the risk of loss, the use of derivatives can also reduce the opportunity for gain or result in losses by offsetting favourable price movements in other investments
    - Derivatives may create leverage and may pose the risk of losing more than the amount invested.
- *Foreign Currency Risk:* the risk that foreign currency rate fluctuations cause the value of securities denominated in such foreign currencies (or other instruments through which the portfolio could have exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time.
- Investments in pooled investment funds: Certain strategies may invest in one or more pooled investment funds managed by our affiliates or by unaffiliated third party managers including mutual funds, exchange-traded funds (ETF), collective investment funds, private funds, offshore funds, real estate funds, etc.
  - A fund's investment will be made in accordance with the fund's offering documents, e.g., prospectus, offering memorandum, etc., and governing instruments
  - In addition, to the extent a strategy invests in a pooled investment fund, there may be additional risks discussed in the fund's offering documents or governing instruments which are not discussed in this brochure
  - Prior to investing your account in a fund we will assess whether we believe the investment is consistent with your investment guidelines
  - You will generally bear, indirectly, fund investment expenses and operating costs
  - When investing in a fund you will normally bear the fees paid by the underlying investment fund to its investment manager.

### **Research Process**

Our portfolio management team utilizes a research process that is centered on each client's investment needs. We continuously research available investment opportunities using fundamental and quantitative methods and a consistent valuation method. The portfolio manager, considering the investment opportunities available, makes an active risk decision focusing on each client's investment objective and investment policy statement or other governing documents.

### **Customized Portfolios**

We may customize our investment strategies to meet unique client needs, which may include a concentrated version of a strategy, a combination of two or more strategies, or a completely custom strategy.



**Derivatives**

We may use derivatives in an account in order to provide a portfolio with flexibility and an increase in efficiency over what can be achieved using the cash markets. The main benefits are cash flow use, adjustment of asset mix, change in industry weights, risk reduction and enhancement of yield.

Derivatives are non-cash contracts or securities that derive their value from the return on a certain asset or from the relationships among the returns of assets. Fixed income derivatives include but are not limited to futures, forwards, swaps, credit default swaps and options (listed and over the counter).

**Risk of Loss**

While we seek to manage accounts so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. The investment decisions we make may not produce the expected returns, may cause the portfolio to lose value or may cause the portfolio to underperform other portfolios with similar investment objectives. There is no assurance that a portfolio's objectives will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear. For more information on the potential risks please refer to the Risk Disclosure Appendix.

**Item 9 - Disciplinary Information**

RBC GAM-UK and our management personnel do not have any reportable disciplinary events to disclose.

**Item 10 - Other Financial Industry Activities and Affiliations**

As discussed in Item 4 above, RBC GAM-UK is a wholly owned subsidiary of Royal Bank of Canada Holdings (U.K.) Limited, which is an indirect wholly owned subsidiary of RBC. RBC has a global portfolio of companies under its control, including other investment advisers material to the investment advisory services we provide:

- RBC Global Asset Management Inc. ("RBC GAM Inc.")
- RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US")

RBC GAM-UK does not have any relationships or arrangements that are material to its advisory business or clients with a related person other than those described below:

- Some of our directors, executive officers and employees are also directors, officers or employees of one or more affiliates. In these circumstances, the potential for a conflict of interest exists between the obligations to our clients and the incentive to take actions that benefits one or more of our other affiliates. There may also be conflicts among the affiliated entities with respect to the allocation of resources and time. We believe these potential conflicts are mitigated because our employees and those of our affiliates are subject to a Code of Ethics and various policies that require these employees to act in the best interests of our clients and to put the needs of our clients first at all times.
- We may serve as sub-adviser to private investment funds, US or non-US domiciled mutual funds or other pooled investment foreign funds such as UCITS funds for our affiliates. Our affiliates may recommend these products to their clients. Other than the management fee we collect from our affiliates we do not collect any additional fees for the sale of these funds.
- We have one affiliate on our list of approved broker-dealers. All broker-dealer business is carried out in accordance with our systems and controls to manage regulatory requirements and potential conflicts of interest.

- RBC GAM-UK may delegate certain responsibilities to one or more affiliates, to the extent permissible by law.
- We receive certain administrative, operational, infrastructure and technical support, compliance, legal, and marketing services from our affiliates. .

We do not believe these relationships create material conflicts of interest between RBC GAM-UK and our clients.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions**

### **Code of Ethics and Personal Trading**

Pursuant to regulations which are applicable to RBC GAM-UK, including the Advisers Act and the Investment Company Act of 1940, we have adopted a Code of Ethics which is incorporated into the Compliance Policies and Procedures, and the *RBC Code of Conduct* (see below). They establish our standards of business conduct as a fiduciary to our clients as well as other policies and procedures that outline our practices surrounding personal trading in securities, confidentiality of client information, and the misuse of non-public information.

### **Compliance Policy and Procedures**

Our Compliance Policies and Procedures require that when we advise you with respect to securities of parties related to us: (i) we will deal fairly, honestly and in good faith with you and (ii) investment decisions or recommendations will be made on the basis of the business judgment of the responsible Portfolio managers uninfluenced by considerations other than in your best interests. If we purchase securities of related persons, i.e., any company in the Royal Bank of Canada group of companies for your account, any such transactions will adhere to all applicable laws and regulations effecting such transactions, and we will secure your consent prior to any such transaction for your account.

Our Gifts and Entertainment Policy governs the accepting and offering of gifts and entertainments to ensure RBC GAM-UK manages any real or perceived conflicts of interests with its clients.

Our employees must adhere to the *Personal Account Trading Policy* and the *Inside Information, Information Barriers and Personal Account Dealing Policy*. This includes the requirement for employees to obtain prior approval from the Chief Compliance Officer to assess any conflicts of interest before purchases or sales of securities.

### **RBC Code of Conduct**

The very essence of the financial services industry demands that RBC consistently maintains the highest possible standards of honest and ethical behavior. In keeping with this objective, RBC has eight Guiding Principles that express these high standards and they form the foundation for *Our Code of Conduct*. *Our Code of Conduct* is integral to the way RBC does business, providing all employees with the same frame of reference for dealing with issues that can be both sensitive and complex.

*Our Code of Conduct*, including the eight principles, is available on the RBC website ([www.rbc.com/governance/index.html](http://www.rbc.com/governance/index.html)) to review. A copy can also be sent to you, at your request.

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

### Use of Affiliated Broker-Dealer

In certain circumstances, RBC GAM-UK may enter into investment transactions on behalf of the client in which an affiliated entity either (1) acts on a principal basis or (2) otherwise provides services for which the affiliate is compensated or otherwise financially benefits. In these situations, we will comply with all applicable rules with respect to such transactions.

We may on occasion recommend securities for advisory clients from an affiliate that is (1) underwriter, (2) remarketing agent, or (3) a liquidity provider in connection with offerings of the securities. The recommendation and/or purchase or sale of the securities from an affiliate involves a conflict of interest because of the services these affiliated provide with respect to the securities and their financial interest in the securities, including the compensation they receive in connection with transactions in the securities. We have adopted policies and procedures in order to mitigate these conflicts of interest and obtain specific client consent where required by securities laws. In addition, prior to engaging in any affiliated trade, we will review the transaction to ensure that it is in the best interests of the client, considering factors such as our best execution obligation, and any additional compensation that may be received by the affiliate prior to the recommendation of the transaction.

### Cross transactions

If we use an affiliated broker, it is possible that the affiliated broker or dealer could carry out an “agency cross transaction”. This would occur where our affiliate acts as broker for both you and for the person on the other side of the transaction.

In connection with any agency cross transaction, the affiliate will receive commissions from both parties to the transaction. We and our affiliate may have a potentially conflicting division of loyalties and responsibilities regarding the parties to the transaction. By accepting the terms of business, you are consenting to any agency cross transaction effected by us to which you may be a party. Any such consent will remain in full force and effect until such time as you notify us in writing of the revocation thereof. In addition, we will comply with all applicable rules with respect to agency cross transactions.

## Item 12 Brokerage Practices

When selecting brokers to execute transactions we seek to obtain best execution and may consider such factors as a broker’s financial stability, systems including electronic trading systems, willingness to commit capital, proprietary research, facilities and recordkeeping, and experience of handling similar transactions (based on size, market conditions and type of security, among other factors). To aid our review and assessment of these factors we utilize, *inter alia*, recorded feedback from our investment dealers, which analyzes the overall value provided to client accounts by individual brokers, rates of commission, mark-ups and mark-downs, other applicable fees and charges, and their overall responsiveness. Additionally, we may consider a broker’s relative performance on industry surveys and studies of execution quality.

On occasions we use a broker who charges a higher transaction price if we determine in good faith that the amount of such cost is reasonable in relation to the value of the service provided by the executing broker. As a result of considering the multiple factors we may pay an executing broker a higher transaction price than the amount that would be charged by another broker to execute the same transaction.

We may purchase or sell the same security for more than one client account simultaneously. With respect to equity securities, when possible, orders for the same security are aggregated or “batched” to facilitate best execution and to reduce brokerage commissions and other costs. We effect aggregated transactions

in a manner designed to ensure that no client is favored over another client. Specifically, each client that participates in an aggregated transaction will receive the average share price for all the fills in that security on that business day, with respect to the aggregated order.

Securities purchased or sold in an aggregated transaction are allocated on a pro rata basis, unless certain exceptions apply, to the participating client accounts in proportion to the value of the initial order based on account size. We may, however, increase or decrease the amount of securities allocated to a particular account to avoid odd-lot or a small number of shares being held by an account. In some instances, the procedures described above may adversely affect the size of the position or the price paid that would have been received had no aggregation occurred. Exceptions to allocation across client accounts in a manner other than pro rata based upon the capital of the client account allocated to the relevant strategy for which the trade was executed are reviewed independently.

Under our discretionary investment management business you give us the authority to determine, without obtaining your specific consent, the securities to be bought or sold, the amount of the securities to be bought or sold and the broker or dealer to be used.

We would not, as general practice, accept your instructions to direct brokerage to particular broker-dealers.

We adhere to our Order Execution Policy which is essential to efficient execution, taking into account the size of the order, difficulty of execution, operational capabilities and facilities of the broker or dealer involved.

#### **Research and Soft Dollars (Use of Client Commissions)**

When it is consistent with our duty to seek best execution, RBC GAM-UK may execute equity transactions for client accounts with broker-dealers who provide us with research, brokerage products and services and order execution goods and services in exchange for directing brokerage transactions to such broker-dealers. The brokerage commissions we use to acquire research are known as “soft dollars”.

We may use soft dollars to acquire either type of research. The research we obtain with soft dollars may not necessarily be used for the specific account that generated the soft dollars. Our clients may benefit from the research and other services obtained by us even if their account contains mandates that do not permit investments in such securities or prohibit soft dollar transactions. Research services acquired in connection with broker-dealer transactions constitute eligible research for purpose of Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”).

Typical research and brokerage services we acquire with soft dollars include the following:

- Reports and access to information on the economy, industries, sectors and individual companies or issuers
- Statistical information
- Reports on legal developments affecting portfolio securities
- Credit and data analyses
- Fundamental and proprietary research.

The receipt of research in exchange for soft dollars creates conflict of interest. RBC GAM-UK receives a benefit because we can supplement our own research and analysis activities, receive the views and information of individuals and research staff of other securities firms, and gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors with the use of client commissions. We may have an incentive to select a broker-dealer based on a desire to receive research, rather than based on your interest to receive most favorable execution. We do select broker-dealers based on their ability to provide quality execution and our belief that the research information and

other services provided by such broker-dealer may benefit client accounts. Accordingly, we may pay higher commissions if we determine in good faith the value of the brokerage and/or research services provided is reasonable in relation to another broker.

We will not enter into any agreement or understanding with any broker-dealer which would oblige us to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker-dealers may state in advance the amount of brokerage commissions they require in return for certain services and the applicable cash equivalent.

We currently maintain arrangements to obtain third-party research or other products or services using soft dollars with several broker-dealers. This allows us to obtain particular product(s) or service(s) with available soft dollar credits and pay cash to make up any difference. If the product or service we obtain is a “mixed use” item (products or services that provide both research and non-research benefits) we may use soft dollars for the Section 28(e) eligible research portion and pay cash for the non-eligible non-research portion. We will make a good faith effort to allocate between soft dollars and cash and will prepare records of any such allocations and payments.

We regularly review our soft dollar arrangements to ensure that commissions are priced at competitive levels, that we continue to seek best execution, and the brokerage and research services being paid for with soft dollars continue to be used directly to assist us in our investment decision-making process.

### **Broker Selection**

By granting RBC GAM-UK investment discretion through an investment agreement, clients are also granting us authority to determine, without client consent, the broker or dealer for securities transactions in the client’s account. Our objective for each transaction is to seek the broker most capable of providing the brokerage services necessary in obtaining the best execution, while taking into consideration factors such as: ability to minimize trading costs, level of trading expertise, infrastructure, ability to provide information services, financial condition, confidentiality provided by broker-dealer, competitiveness of commission rates, evaluations of execution quality, promptness of execution, past history, ability to prospect for and find liquidity, difficulty of trade and security’s trading characteristics, size of order, liquidity of market, block trading capabilities, quality of settlements, specialized expertise, overall responsiveness and willingness to commit capital. These considerations (and others as relevant) guide our selection of the appropriate venue, e.g., an ECN or alternative trading system (“ATS”), a traditional broker, or a crossing network, etc., in which to place an order and the proper strategy with which to trade.

RBC GAM-UK maintains an approved list of broker-dealers for each asset class. Broker-dealer approvals are determined by senior management and reported to the board.

The criteria for assessing and approving broker-dealers, as well as ongoing monitoring procedures for approved broker-dealers may include any or all of the following: (1) broker’s ability to provide best execution capabilities in the types of securities traded; (2) investment ideas; (3) research capabilities; (4) settlement capabilities; (5) reasonableness of commissions; (6) accessibility to trading personnel; (7) general reputation, including regulatory history of the firm; (8) financial stability; and (9) trade desk opinion of the firm.

### **Aggregation and Allocation**

RBC GAM-UK provides investment advisory services to many different types of client accounts. Certain portfolio management decisions may affect more than one account for example when we decide to take an investment action with respect to all of the accounts we manage in a certain style. This results in multiple trading orders relating to the same security but for different client accounts. In these cases, we may combine or aggregate purchase or sale orders for more than one client when we believe such aggregation is consistent with our duty to seek best execution. This includes aggregating orders involving both client and proprietary accounts. Such aggregation may be able to reduce commission costs or market impact costs on a per-share or per-dollar basis. The decision to aggregate is only made after we determine: the

aggregation will not result in favoring any account over another; it does not systematically advantage or disadvantage any account; it does not receive any additional compensation or remuneration solely as the result of the aggregation; and each participating account will receive the average share price and will share pro rata in the transaction costs.

### ***Equity Aggregation & Allocation***

Our equity investment teams may encounter occasions when equity clients may pay disparate transaction costs due to minimum charges per account imposed by either the broker effecting the transaction or the client's custodian. If there is an open order and a subsequent similar order for the same security for a different account is received by RBC GAM-UK's trading desk, such subsequent order will generally be aggregated with any remainder of the original order consistent with the considerations set forth above.

RBC GAM-UK may determine that an equity order will not be aggregated with other orders for a number of reasons. These reasons may include: the account's governing documents do not permit aggregation; a client has directed that trades be executed through a specific broker-dealer; aggregation is impractical because of specific trade directions received from the portfolio manager, e.g., a limit order; the order involves a different trading strategy; or if we otherwise determine that aggregation is not consistent with seeking best execution. When we determine that multiple orders cannot be aggregated for equity clients, we have adopted procedures that seek to ensure client account orders are treated fairly and equitably over time.

RBC GAM-UK emphasizes ensuring that all clients are given a fair opportunity to invest in a security that is appropriate for the specific client. Each portfolio manager makes the final determination as to whether a particular investment opportunity is appropriate for the specific client. Therefore, we will not intentionally favor or disfavor any client, class of client in the allocation of investment opportunities so that over a period of time, such opportunities are allocated among clients fairly and equitably.

### ***Partial Fills***

On occasion, an aggregated order involving multiple equity accounts does not receive sufficient securities to fill all of the accounts. For those equity clients, if an aggregated order cannot be filled in one day (a "partial fill"), the executed portion of the order is automatically allocated to the participating accounts pro rata on the basis of order size, subject to certain exceptions. Partial fills that are small odd lots will either be fully-filled or excluded on that day pursuant to an automated formula applied by our trading system. If this method does not address a particular circumstance or would produce an inappropriate result, another fair and reasonable method may be used. Partial fills that include both client accounts and affiliated or proprietary accounts will be allocated to the client accounts first. Only after client accounts are filled will the remainder of the partial fill be allocated pro rata to the affiliated or proprietary accounts.

### ***Fixed Income Aggregation & Allocation***

RBC GAM-UK is committed to ensuring that client account orders are treated fairly and equitably over time. We recognize that certain types of securities may be better suited for particular accounts given each account's benchmarks and/or investment restrictions. In allocating orders to fixed income clients, we first determine that the securities are consistent with guidelines and a particular style of account. We then address specific account needs, which generally include, among other factors, a review of portfolio duration, sector allocation, security characteristics, cash positions and typical size of positions within the account.

It is often impractical to allocate a bond purchase across all eligible accounts as block sizes are often too small. In such cases, the portfolio manager has discretion to determine allocations based on a number of considerations described below. In most instances, it is possible for the portfolio manager to prioritize the allocation of a bond among accounts in order to meet the best "fit and need." Factors considered in such prioritization include: specific needs, amount of cash available, state specific needs, amount of portfolio in similar types of credits, current maturity structure of portfolio, and whether the account was allocated bonds in recent purchases. As a result of this approach, not all eligible accounts will participate in every



available opportunity. It is our policy to allocate various purchases over time in a manner that is fair to all clients and we monitor these allocations to help ensure this occurs.

RBC GAM-UK's policy and practice is not to intentionally favor or disfavor any client, class of clients, in the allocation of investment opportunities such that, over a period of time, investment opportunities are allocated among clients fairly and equitably.

For fixed income securities specifically, the trader or portfolio manager must decide which broker to use, based on best execution. Fixed income investment portfolios with similar objectives and characteristics, i.e., similar risk profiles are constructed to ensure consistency of duration, maturity distribution and issuer selection distribution, although they may not have the identical security holdings. Differences in holdings combined with market movements tend to result in the respective risk profiles drifting over time. Trade allocation in bonds, therefore, aims primarily to ensure consistency among portfolios with similar risk profiles, including realigning them as necessary, rather than following a pro rata approach that is more typical of equity investing or some corporate bond issues.

## **OTHER TRANSACTIONS**

### **OTC**

We primarily place fixed income over-the-counter ("OTC") transactions through broker dealers, market-makers and electronic communication networks ("ECNs"). Trades that are not executed through an electronic trading platform may require documentation of the competitive levels. We access multiple sources to determine if the competitive levels are favorable under the circumstances. At times, multiple offerings or bids for a security may be unavailable. For example during times of considerable market upheaval when dealers cannot exceed trading limits to buy and sell bonds imposed by their own capital constraints, we may be required to transact with only one firm bid or offer. In such market conditions we may also work orders at pre-agreed levels in the market. At all times however, trading activity is pursued with the intent of best execution as fiduciary for the benefit of our clients unless directed otherwise.

### **New Issues**

To the extent that we participate in equity new issues, private placements, or initial public offerings (IPOs) ("new issue offerings"), we will ensure that eligible client accounts are treated fairly and equitably. Generally the trade order will be placed before the offering prices and all participating accounts are identified, while also taking into consideration each client's investment objectives, restrictions and tax circumstances; a client's tolerance for risk and high portfolio turnover; the nature, size and investment merits of the limited offering; the size of a client's account and the client's cash availability and other holdings; and other current or expected competing investment opportunities. If the allocation for the new issue is less than that requested, the securities received will be allocated pro rata based on the amount initially requested for each account, subject to any adjustments necessary to avoid odd lots. We do not participate in new issue offerings in our proprietary or affiliate's proprietary accounts.

### **Correcting Trade Errors**

In the event a trade error is made by RBC GAM-UK, it is our policy to correct the trade error and absorb any financial loss as a result of that error. Further, we do not use soft dollars or directed trades to correct an error, or attempt to correct the error using another client account. If a trade error unfavorably affects the client's account, we will reimburse the account. The client will not be financially disadvantaged. Typically, gains as a result of a trade error will be maintained in the client account unless we are specifically instructed by the client that they do not wish to retain the gain or when an error is identified before settlement, we may move the trade to our error account.



## Item 13 Review of Accounts

### Overview

RBC GAM-UK provides monitoring and oversight of the discretionary accounts we manage through our trade order management and portfolio compliance platforms. Accounts are reviewed on a continuous basis by portfolio managers as well other relevant RBC GAM-UK employees who seek to ensure that each account is managed consistently with the investment mandate applicable to the account in terms of (1) allocation and diversification of portfolio assets; (2) duration and maturity for fixed income accounts; (3) cash flows; (4) compliance with any specific restrictions established by the client; (5) the performance of individual securities or asset classes compared against targeted benchmark; (6) material economic or market events; (7) changes in a client's financial profile as communicated to RBC GAM-UK; and/or (8) changes that are recommended in overall investment policy or strategy by RBC GAM-UK portfolio managers.

Investment policy compliance is monitored through the use of Charles River Development ("CRD"), a trade order management and investment policy compliance system. Each client's investment policy statement is modeled in CRD and reviewed regularly by the investment and service teams to ensure the portfolio holdings are in line with the client's investment policy statement.

Additionally, to help monitor investment risk at the strategy level, we have in place independent measures of absolute and benchmark relative risk, performance attribution analysis and reporting of performance and risk profiles through formal investment scorecards.

Generally, unless more frequent meetings are requested by the client, a member of the portfolio management team will meet with each client on an annual basis to review goals, objectives, holdings, and portfolio performance to ascertain the continued appropriateness of the client's investment strategy. In addition, some accounts may be formally reviewed more frequently by RBC GAM-UK senior management. Our senior management may also meet with portfolio managers or other investment personnel to discuss accounts under their management.

### Client Reporting

RBC GAM-UK provides client reports, which include portfolio and benchmark performance and characteristics; portfolio holdings; and transactions for the period. For certain clients, client reports may only identify portfolio holdings. Market commentary is made available separately to our clients.

RBC GAM-UK encourages clients to review their reports and to promptly notify us if they identify any discrepancies or have questions.

## Item 14 Client Referrals and Other Compensation

### Referrals

We may engage in third-party referral arrangements, which may include the use of affiliated and unaffiliated broker-dealers and investment advisers. These arrangements may create a conflict of interest by providing an incentive for the third-party solicitor to recommend us over another investment adviser. While relationships with non-affiliates are limited, we may occasionally enter referral arrangements with our affiliates. All referral and marketing relationships will be undertaken in accordance with and comply with regulatory requirements.

We may engage non-affiliated solicitors through referral arrangements. RBC GAM-UK will pay a retainer and/or a portion of the advisory fee that we receive from the referred client. Any solicitor referral

arrangement we have in place is disclosed in writing to, and acknowledged by, the client. Client fees are not increased as a result of any referral fees.

### **Payments to Others**

As part of its ordinary business, RBC GAM-UK, or a related person may send corporate gifts or pay for meals and entertainment, such as golf fees, tickets to cultural or sporting events for clients who engage in business with us, or our affiliates. RBC GAM-UK employees may also receive corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to certain limitations as outlined in our *Gifts and Entertainment Policy*.

RBC GAM-UK may also make charitable contributions or sponsor charitable events at the request of others. Payments may vary by organization, depending on the nature of our, and our affiliated investment advisers' managed account activities with the recipient and the amount of client assets under RBC GAM-UK or its affiliated investment advisers' management. Payments are subject to internal review and approval of RBC GAM-UK or its affiliates.

### **Item 15 Custody**

Clients should receive at least quarterly statements from their broker-dealer, bank, or other qualified custodian that holds and maintains client assets. Clients are encouraged to contact their custodian and request copies of their statements if they are not receiving them. RBC GAM-UK urges you to carefully review such statements and compare such official custodial records to the client reports we provide you. The account values reflected in RBC GAM-UK client reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities and are not intended as a substitute for accounts statements provided by your qualified custodian. Refer to Item 13 for more information about client reports.

In the event of an inadvertent receipt of a check or other financial instrument payable to a client, RBC GAM-UK reserves the right to send the check or instrument to the client or its custodian rather than back to the original sender when we believe that such procedure provides the best overall protection for the underlying assets.

### **Item 16 Investment Discretion**

RBC GAM-UK offers both discretionary (clients who have granted us written authorization to execute transactions for their accounts without prior approval) and non-discretionary (clients who require transactions be either traded by or authorized by them in advance) investment management services.

Before RBC GAM-UK will assume discretionary authority for a client, the client and RBC GAM-UK must enter into an investment management agreement that grants us authority to execute trades on behalf of the client.

Regardless of whether discretion is granted to us, investment management will be conducted in a manner consistent with the stated investment objectives of the client account. With the exception of account restrictions discussed above, accounts that have granted us investment discretion, we are generally authorized to make the following determinations, consistent with each client's investment goals and policies, without client consultation or consent before a transaction is effected:

- Which securities or other investments to buy or sell;
- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;

- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transactions costs.

### **Investment Guideline Changes**

Investment guidelines, restrictions, and changes to investment guidelines must be agreed to in writing by RBC GAM-UK and the client.

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

Many of our clients have granted us discretion to vote proxies on their behalf. In order to assist us in exercising that discretion, we have retained Institutional Shareholder Services Inc. (“ISS”) a subsidiary of MSCI Inc. and a leading, independent firm with expertise in global proxy voting and corporate governance issues, to provide administrative and proxy voting services. With the assistance of ISS, we have established our Proxy Voting Guidelines (“Guidelines”) and the procedures to exercise voting rights in accordance with them. Our Guidelines reflect the principles of corporate governance that we support. We review and update our Guidelines on an on going basis as matters of corporate governance evolve. While we will generally vote proxies in accordance with the Guidelines, there may be circumstances where we believe it is in the best interests of a client to vote differently than the manner contemplated by the Guidelines or to withhold a vote or abstain from voting.

In the event of a perceived or actual conflict of interest involving the exercise of proxy voting rights, we follow procedures to ensure that a proxy is exercised in accordance with our policy, uninfluenced by considerations other than the best interests of the account.

Additionally, clients may independently engage a third-party proxy voting service other than the one we use, or may choose to vote their own proxies directly.

Clients may obtain information from RBC GAM-UK about how RBC GAM-UK voted any proxies on behalf of their account(s) at any time by contacting their institutional portfolio manager.

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

RBC GAM-UK has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Risk Disclosure Appendix

**Active Management Risk.** The portfolio is actively managed. The Adviser and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions, but there can be no guarantee that these decisions will produce the desired results.

**Call Risk.** The possibility that during periods of falling interest rates, a bond issuer will “call” – or repay – a high-yielding bond before its maturity date. If a security is called, the proceeds may have to be reinvested at lower interest rates resulting in a decline in income.

**Concentration Risk.** Investments are expected to be closely tied to a specific name, industry, or benchmark. As a result, performance may be more volatile than the performance of a portfolio that does not concentrate its investments in a particular economic industry or sector.

**Counterparty Risk.** The possibility that a counterparty could fail, or a clearinghouse, guarantor or any service provider to the portfolio. The inability or unwillingness of others to honor obligations could result in credit losses incurred from late payments, failed payments and default. In times of general market turmoil, even large, well-established financial institutions may fail rapidly with little warning.

**Derivatives Risk.** Derivatives are financial instruments that have a value which depends upon, or is derived from, the value of something else, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Losses involving derivative instruments may be substantial, because a relatively small price movement in the underlying security(ies), option, future, index or currency may result in a substantial loss for the portfolio. In addition to the potential for increased losses, the use of derivative instruments may lead to increased volatility within the portfolio. Derivative instruments will typically increase a portfolio’s exposure to material risks to which it is otherwise exposed, and may expose the portfolio to additional risks, including correlation risk, counterparty credit risk, hedging risk, leverage risk, and liquidity risk.

Correlation risk	Related to hedging risk and is the risk that there may be an incomplete correlation between the hedge and the opposite position, which may result in increased or unanticipated losses.
Counterparty credit	The risk that a counterparty to the derivative instrument becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, and the portfolio may obtain no recovery of its investment or may only obtain a limited recovery, and any recovery may be delayed.
Hedging risk	The risk that derivative instruments used to hedge against an opposite position may offset losses, but they may also offset gains. There is no guarantee that a hedging strategy will eliminate the risk which the hedging strategy is intended to offset, which may lead to losses within the portfolio.
Leverage risk	The risk that losses from the derivative instrument may be greater than the amount invested in the derivative instrument.
Liquidity risk	The risk that the derivative instrument may be difficult or impossible to sell or terminate, which may cause the portfolio to be in a position to do something the portfolio managers would not otherwise choose, including accepting a lower price for the derivative instrument, selling other investments or foregoing another, more appealing investment opportunity. Derivative instruments which are not traded an exchange, including, but not limited to, forward contracts, swaps and over-the-counter options, may have increased liquidity risk.

Certain derivatives have the potential for unlimited losses, regardless of the size of the initial investment.

**Foreign Risk.** The risk of loss due to lower levels of foreign government regulation, public information and/or economic, political and social stability in these countries. Loss may also result from the

imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody. Foreign risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which the portfolio could have exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time.

**General Economic and Market Conditions Risk.** The success of the portfolio's investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of investments. Unexpected volatility or illiquidity could impair profitability or result in losses.

**Government Intervention in Financial Markets Risk.** Instability in the financial markets has led governments to take unprecedented actions to support certain financial institutions and certain segments of the financial markets that experienced extreme volatility. Regulatory organizations may take future legislative or regulatory actions that may affect the operations of a portfolio or its investments or preclude a portfolio's ability to achieve its investment objective.

**Growth Investing Risk.** Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections.

**Interest Rate Risk.** The values of some or all investments may change in response to movements in interest rates. If interest rates rise, the values of debt securities will generally fall and vice versa. In general, the longer the average maturity or duration of an investment portfolio, the greater the sensitivity to changes in interest rates.

**Issuer/Credit Risk.** The possibility that issuers of securities may default on the payment of interest or principal on the securities when due, which would cause a portfolio to lose money.

**Leverage Risk.** Leverage occurs when the portfolio increases its assets available for investment using borrowings, short sales, derivatives, or other instruments or techniques. Leverage may exaggerate the effect of a change in the value of a security, causing the portfolio to be more volatile than if leverage was not used. Each leveraged account will either segregate liquid assets or "cover" the transactions that introduce such risk. An account may also pledge portfolio assets as collateral for its borrowings. If an account is unable to service the borrowings, it may risk the loss of such pledged assets. Lenders also may require that an account agree to loan covenants that could restrict its investment flexibility in the future, and loan agreements may provide for acceleration of the maturity of the indebtedness if certain financial tests are not met. A portfolio may be required to dispose of or seek prepayment of assets at a time it would otherwise not do so to repay indebtedness in a timely fashion.

**Liquidity Risk.** Investments in illiquid securities may be difficult or impossible to sell at desirable prices due to lack of marketability.

**Market Risk.** One or more markets in which the portfolio invests may go down in value, sometimes sharply and unpredictably, and the value of the securities may fall or fail to rise. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The success of a portfolio's investment program may be affected by general economic and market conditions. These conditions may affect the level and volatility of securities prices and the liquidity of investments. Unexpected volatility or illiquidity could impair profitability or result in losses.

**Smaller Company Risk.** The value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities of larger companies, due to narrow markets and limited resources of smaller companies. Investments in smaller companies may increase levels of credit, market and issuer risk.

**Tax Risk.** The risk that the issuer of a security will fail to comply with certain requirements of the local tax regulation, which would cause adverse tax consequences. Changes in tax laws could affect the taxable status of the securities causing share prices to rise or fall.

**Value Investing Risk.** Value stocks may not increase in price as anticipated if they fall out of favor with investors or the markets favor faster-growing companies.



**RBC Global  
Asset Management**

RBC Global Asset Management is a business name used by subsidiaries of Royal Bank of Canada.

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Registered Address: Riverbank House, 2 Swan Lane, London, EC4R 3BF. Authorised and regulated by the Financial Conduct Authority in the UK for investment management business and registered as an Investment Advisor with the Securities and Exchange Commission in the USA.

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#### Compensation

The applicable regulatory regime, including any investor protection or depositor compensation arrangements, may well be different from that of your home jurisdiction.

Investments – You may be entitled to compensation from the UK Financial Services Compensation Scheme (“FSCS”) if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for up to a total of £50,000.

For further information about the FSCS (including the amounts covered and eligibility to claim) please refer to the FSCS website ([www.fscs.org.uk](http://www.fscs.org.uk)).

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