



**RBC Global  
Asset Management**



Advisory Brochure  
Part 2A of Form ADV  
**RBC Global Asset Management (U.S.) Inc.**

September 30, 2015

This brochure provides information about the qualifications and business practices of RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US"). If you have any questions about the contents of this brochure, please contact us at 800-553-2143. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. RBC GAM-US is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about RBC GAM-US also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2 – Material Changes**

The following is a summary of the specific material change to the brochure since its inception on January 30, 2012:

- 02/05/2015: Change of proxy voting guidelines from Taft Hartley Advisory Services to custom RBC GAM guidelines.
- 01/28/2015: A new investment strategy was added (Global Focus Equity, International Focus Equity and Emerging Market Equity Value) and annual update.
- 11/06/2014: A new investment strategy was added (Canadian Equity Value).
- 04/11/2014: Change of Address for Firm from 100 South Fifth Street, Minneapolis to 50 South Sixth Street, Minneapolis
- 01/30/2014: Clarified the types of derivative trading performed by RBC GAM-US.
- 01/28/2014: A new investment strategy was added (Small Cap Value) and annual update.
- 12/11/2013: A new investment strategy was added (Emerging Market Equity: Core and Small Cap).
- 04/01/2013: A new investment strategy was added (Mid Cap Growth and Concentrated Mid Cap Value).
- 01/29/2013: A new investment strategy was added (U.S. Investment Grade and Ultra Short) and annual update.
- 11/30/2012: A new investment strategy was added (Global Resources).
- 10/01/2012: Added a new wrap fee program (Global Manager Strategies sponsored by Goldman Sachs & Co.).

RBC Global Asset Management (U.S.) Inc. (“RBC GAM-US”) will provide our clients with a new Brochure as necessary based on changes or new information. This brochure is also available upon request, at any time, free of charge.

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## **Item 4 – Advisory Business**

### **Firm Overview**

RBC GAM-US was formed in 1983 and is registered as an Investment Adviser with the U.S. Securities and Exchange Commission, pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”), a Commodity Pool Operator (“CPO”) and Introducing Broker (“IB”) with the National Futures Association (“NFA”), pursuant to the Commodity Exchange Act (“CEA”). The firm is a wholly owned subsidiary of RBC USA Holdco Corporation, 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-US is also a part of the RBC Global Asset Management (“RBC GAM”) asset management division of RBC. The RBC GAM group of companies includes the following affiliates, all indirect wholly owned subsidiaries of RBC: RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited, RBC Alternative Asset Management Inc., BlueBay Asset Management LLP, BlueBay Asset Management USA LLC, and RBC Investment Management (Asia) Limited.

RBC GAM operates as a global firm and leverages the talent and investment capabilities across RBC GAM to create solutions for its clients. This Brochure describes the investment advisory services of RBC GAM-US. To comply with Advisers Act, we provide this Brochure to persons who receive or who may receive investment advisory services from RBC GAM-US.

### **Advisory Services**

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

- Institutional separate accounts (“Separate Accounts”)
- Open-end investment companies registered under the Investment Company Act of 1940, as amended (“mutual funds”)
- Other pooled vehicles (such as private funds, collective trusts, and commingled funds)

RBC GAM-US also provides portfolio management services for wrap fee accounts and model portfolios offered by other providers.

RBC GAM-US enters into agreements with third party investment subadvisers. These subadvisers may provide portfolio management services to mutual funds or Separate Accounts and may be affiliates of RBC GAM-US.

## **DISCRETIONARY ADVISORY SERVICES**

### **Separate Accounts**

RBC GAM-US 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-US 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 such arrangement are generally based upon a percentage of assets under management. For additional information on fees, refer to Item 5 or the Fee Schedule Appendix.

### **Mutual Funds and Other Pooled Investment Vehicles (“Funds”)**

RBC GAM-US serves as the investment adviser to the RBC Funds Trust, an affiliated investment company, as well as other affiliated pooled investment funds. RBC GAM-US also provides investment management services to a variety of non-affiliated mutual funds. In connection with its advisory services to a Fund, RBC GAM-US or its related persons providing services to a Fund receive advisory, manager, administration, co-administration and/or distribution fees from the Fund and/or from investment advisers to the Fund. Clients should carefully review each mutual fund prospectus or other offering documents for more detailed information regarding a Fund advised or sub-advised by RBC GAM-US.

### **Wrap Fee Program (“Wrap Fee Accounts”)**

RBC GAM-US provides investment advisory services to Wrap Fee Accounts offered by broker-dealers or other investment advisers (“program sponsor”). RBC GAM-US provides its advisory services pursuant to an investment management agreement

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with the program sponsor. Participants in Wrap Fee Accounts pay a single inclusive fee (“wrap fee”) to the program sponsor that typically includes custody, investment consultation, trading (provided by the program sponsor) and investment advisory services (provided by RBC GAM-US) to the program sponsor. A portion of the wrap fee is paid to RBC GAM-US by the program sponsor.

RBC GAM-US currently participates in the following wrap fee programs: Consulting Solutions sponsored by RBC Wealth Management, a division of RBC Capital Markets, LLC, an affiliate of RBC GAM-US; Fiduciary Services, sponsored by Morgan Stanley Smith Barney, LLC; and Global Manager Strategies sponsored by Goldman Sachs & Co.

The services provided by RBC GAM-US to Wrap Fee Accounts differ from the services we provide to separately managed institutional accounts. Wrap fee program clients should review all materials relating to their program (including the program brochure) regarding a wrap fee program terms, conditions, and fees, while also taking into consideration advantages and disadvantages as provided by their program sponsor.

### **NON-DISCRETIONARY ADVISORY SERVICES**

RBC GAM-US provides 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 or the Fee Schedule Appendix.

### **Model Portfolio Provider**

As a model portfolio provider, RBC GAM-US provides program sponsors, including affiliates of ours, with non-discretionary recommendations to assist the sponsor in the development of one or more portfolios that the sponsor may determine to be suitable for its clients (each a “model portfolio”). Our role is generally limited to providing research and portfolio recommendations, including a model portfolio, to the program sponsor. We generally use the same sources of information and investment/research personnel as we use to manage our other client accounts with similar investment strategies or investment objectives. Therefore, model portfolios may relate to the same strategies that are also offered or utilized through our discretionary accounts.

Program clients are clients of the program sponsor and not of RBC GAM-US. The program sponsor or overlay manager is responsible for investment decisions and performing many other services and functions typically handled by RBC GAM-US in a traditional discretionary managed account program. Depending on the particular facts and circumstances, RBC GAM-US may or may not have an advisory relationship with model-based program clients. If this Brochure is being delivered to program clients with whom there is no advisory relationship or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only. Furthermore, RBC GAM-US is not responsible for overseeing the provision of services by a model-based program sponsor and cannot assure the quality of its services. Clients should review the program sponsor’s firm brochure regarding the terms, conditions, and fees, while also considering the advantages and disadvantages as provided by the program sponsor. Refer to Item 12 for additional information on sponsored fee-based program accounts.

### **Assets Under Management**

Client assets under management for RBC GAM-US as of October 31, 2014:

Discretionary	\$43,628,157,911
Non-Discretionary	\$ 319,501,840
Total:	\$43,947,659,751

## **Item 5 – Fees and Compensation**

### **Rates / Fee Schedule**

While fees are individually negotiated, clients will generally pay a percentage of assets under management in accordance with the Fee Schedule Appendix. Fees and services are 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. For information on our account minimums, refer to Item 7.

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### **Billing Periods**

RBC GAM-US advisory fees are generally payable quarterly (in advance or arrears) or at such other times as agreed upon by the parties involved, based upon a percentage of the market value of assets in the account on the date of valuation, or the average of the market value of the assets in the account during the billing period. For accounts that pay in advance, if a client terminates their investment advisory contract with RBC GAM-US 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-US valuation procedures, which generally rely on third-party pricing services, but also permits 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-US may rely on the valuation 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 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 and exchange traded funds charge internal management fees, which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and RBC GAM-US does not receive any portion of these commissions, fees, or costs incurred by the client. However, certain clients pay RBC GAM-US other fees and expenses in addition to our advisory fee. Such fees may include a manager fee charged by certain private funds for which we serve as manager and mutual fund administrative and servicing fees. Refer to Item 11 for more information on mutual fund fees, or the offering documents of the relevant fund.

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

RBC GAM-US manages multiple accounts for multiple clients with different investment 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-US generally receives an asset-based fee; however, in certain limited cases, and at the request of the client, we will enter into performance-based fee arrangements with qualified clients for our advisory services. Performance-based fee structures are individually negotiated with each client, generally with a minimum investment of \$50 million.

In measuring clients' assets for the calculation of performance-based fees, RBC GAM-US includes realized and unrealized capital gains and losses. Performance-based fees may create an incentive for RBC GAM-US 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 nonperformance-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 of assets under management.

RBC GAM-US 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. Trade allocation is monitored internally, and any exceptions or issues arising from the reviews are brought to the attention of our Chief Compliance Officer. Refer to Item 12 for more information on allocation of investment opportunities.

## **Item 7 – Types of Clients**

We provide portfolio management services to corporations, public and private pension plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, foreign funds such as UCITS funds, individuals (including high net worth individuals), wrap sponsors and other U.S. and international institutions.

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RBC GAM-US provides the following investment management capabilities:

- U.S. Equity
- U.S. Fixed Income
- Global Equity
- Global Credit
- Multi-Strategy

Our accounts are generally subject to a standard minimum quarterly revenue requirement as part of the investment management agreement of \$12,500 per quarter. For additional information on fees, refer to Item 5 or the Fee Schedule Appendix.

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

In providing discretionary investment management services and recommendations to non-discretionary clients, individual portfolio managers may emphasize one method of security analysis over another. The primary methods of analysis we employ are fundamental analysis (*i.e.*, the analysis and interpretation of basic company and industry data) and quantitative analysis (*i.e.*, the analysis and interpretation of numerical, measurable characteristics). Each investment team at RBC GAM-US maintains key research personnel who are responsible for researching investment opportunities, reporting their findings and views on specific issuers and securities to other investment personnel and portfolio managers on their respective investment teams.

Furthermore, our Portfolio Risk and Analytics team is responsible for 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. On a monthly basis, performance and risk characteristics are presented and reviewed by senior investment leadership.

#### **Investment Teams**

RBC GAM operates as a global firm and leverages the talent and investment capabilities across RBC GAM to create solutions for its clients. RBC GAM-US offers investment management of select strategies managed by investment teams of our affiliates. Some of these affiliates are not registered as investment advisers in the United States but are able to provide investment advisory services in the United States pursuant to regulatory relief granted to RBC. Refer to Item 10 for more information.

While these affiliates have practices that vary from RBC GAM-US, we have reviewed their relevant practices and oversee these investment teams through periodic reviews. When practices vary, we will refer to each respective investment team in the following terms: “Canadian-based Equity Management Team,” “Canadian-based Fixed Income Management Team,” or together as the “Canadian-based Management Teams”. Employees of RBC GAM-US will be references as the “U.S.-based Investment Management Teams.”

#### **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. Long term (securities held for at least one year), short term (securities sold within one year) and trading (securities sold within thirty days) may all be used, if permitted by the applicable client investment guidelines. We may also borrow securities in connection with short sales, borrow money to invest in additional portfolio securities or engage in transactions in futures contracts for some clients. In employing investment strategies, we use certain hedging strategies in an attempt to “hedge” or “neutralize” various risks associated with positions in a client’s portfolio. The instruments used to engage in these hedging strategies include various derivative instruments, such as futures, options, warrants, and other derivative securities. Our attempts to partially or fully hedge a portfolio may not be successful and may cause the portfolio to incur a loss. RBC GAM-US is not registered with the NFA as a Commodity Trading Adviser (“CTA”) and, therefore, does not trade primarily in commodity interests in any account. Any trading in commodity interests is for hedging purposes and is incidental to the investment management services provided by RBC GAM-US.

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### Methods of Analysis

The following chart illustrates the general descriptions of the RBC GAM-US investment strategies, including the primary methods of security analysis (security research process) and the material risks associated with each strategy. More detailed information regarding risks can be found in the Risk Disclosure Appendix.

Equity Strategies	Investment Approach	Material Risks
<b>Concentrated Large Cap Value</b>	Invests in the 20-30 highest conviction ideas of the team. This unique, high alpha strategy seeks returns through a bottom-up, research-driven process and leverages an experienced stock selection team.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Market Risk Value Investing Risk
<b>Concentrated Microcap Core</b>	Seeks to provide returns while taking a concentrated approach to microcap investing. We believe portfolios of neglected microcap companies with low valuations having long-term attractive business fundamentals, and near-term profitability improvement potential should produce strong long-term investment returns.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Liquidity Risk Market Risk Small and Micro Company Risk Value Investing Risk
<b>Diversified Large Cap Core</b>	Seeks returns through stock selection by team of highly experienced portfolio managers, each responsible for specific sectors. Focus on stock selection enhanced by being neither over nor underweighted in S&P 500 Index's sectors.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Market Risk Value Investing Risk
<b>Global Resources</b>	Invests in companies that are involved directly or indirectly in the exploration, development, production or distribution of natural or other resources. The investment process is primarily based on fundamental research, although quantitative and technical factors are also considered.	Active Management Risk Concentration Risk Derivatives Risk General Economic and Market Conditions Risk Foreign Risk Government Intervention in Financial Markets Liquidity Risk Market Risk Small Company Risk
<b>Global Focus Equity</b>	Seeks to provide long term capital appreciation by investing in equity securities of companies located throughout the world, including both developed and emerging markets. A fundamental bottom-up approach to investing and looks for companies which they believe have winning business models, expanding market share, growing end markets and strong management teams. The strategy uses a disciplined risk management process to actively manage and diversify risk exposures (such as currency, market or geography) which permits long-term returns to be predominately driven by bottom-up fundamental stock-picking or stock specific risk. The result is a high conviction portfolio of 30-70 stocks (typically 35-45).	Active Management Risk Concentration Risk Counterparty Risk Foreign Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Market Risk Value Investing Risk

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Equity Strategies	Investment Approach	Material Risks
<b>International Focus Equity</b>	Seeks to provide long term capital appreciation by investing in equity securities of companies located throughout the world, including both developed and emerging markets, excluding the U.S. The team takes a fundamental bottom-up approach to investing and looks for companies which they believe have winning business models, expanding market share, growing end markets and strong management teams. The strategy uses a disciplined risk management process to actively manage and diversify risk exposures (such as currency, market or geography) which permits long-term returns to be predominately driven by bottom-up fundamental stock-picking or stock specific risk. The result is a high conviction portfolio of 30-70 stocks.	Active Management Risk Concentration Risk Counterparty Risk Foreign Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Market Risk Value Investing Risk
<b>International Equity*<sup>1</sup></b>	Based on two beliefs: <ul style="list-style-type: none"> <li>Companies exist to generate cash flow for owners</li> <li>Returns can be generated by purchasing the most undervalued streams of “free” cash flow.</li> </ul> The objective is to identify the best values internationally. We use a disciplined, bottom-up value approach, encompassing proprietary technology and in-depth fundamental research which helps us focus on absolute risk. We seek high risk-adjusted returns to exceed the global cost of equity.	Active Management Risk Concentration Risk Counterparty Risk Foreign Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Market Risk Value Investing Risk
<b>Large Cap Value</b>	Seeks returns through stock selection by a team of experienced portfolio managers, each responsible for specific sectors. Believe benefits of company-specific change are greater and longer lasting than most recognize. Approach driven by principle that positive change, combined with undervaluation, produces best performing stocks. We believe that we can best take advantage of such stocks by adopting two rules: <ul style="list-style-type: none"> <li>Portfolios can dilute the benefit of best ideas; therefore we strive to identify ten of the highest conviction ideas and overweight them versus the benchmark, and</li> <li>Stock selection is the best way to add value and diversify the portfolio; so we apply a sector-neutral approach, which has an added benefit of reducing risk.</li> </ul>	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Market Risk Value Investing Risk

<sup>1</sup> \*Externally subadvised by Polaris Capital Management



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Equity Strategies	Investment Approach	Material Risks
<b>Microcap Core</b>	Fundamental, bottom-up security selection from a universe of microcap companies with 60-90 equity holdings. Seeks to provide returns while taking a low risk approach to microcap investing. We believe portfolios of neglected microcap companies with low valuations having long-term attractive business fundamentals, and near-term profitability improvement potential should produce strong risk-adjusted returns.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Liquidity Risk Market Risk Small and Micro Company Risk Value Investing Risk
<b>Mid Cap Value</b>	Founded on fundamental, bottom-up analysis and experienced, team-based, active portfolio management, this strategy integrates two keys to identifying value: <ul style="list-style-type: none"> <li>▪ Long-term view and a</li> <li>▪ Fundamental, research-driven process.</li> </ul> We combine a disciplined search for value across changing conditions with strong risk controls and believe that returns in the long term can be generated through selection based on attractive, sustainable business fundamentals, strong finances, strong management, and low valuation.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Liquidity Risk Market Risk Mid-Sized Company Risk Value Investing Risk
<b>Small Cap Core</b>	Utilize fundamental, bottom-up security selection. We seek to provide returns while taking a low-risk approach to investing in small cap companies. We believe portfolios of neglected companies with low valuations, long-term attractive business fundamentals, and potential for improved profitability in near term should produce strong absolute and risk-adjusted returns.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Liquidity Risk Market Risk Small and Micro Company Risk Small Company Risk Value Investing Risk
<b>Small Cap Growth</b>	Seeks long-term capital appreciation through careful security selection utilizing a bottom-up fundamental approach. We believe that profitable companies with consistent, sustainable revenue and earnings growth along with high margins and returns on equity relative to industry peers will outperform companies with erratic revenue and earnings growth and below average profitability. We believe our low-turnover, diversified portfolio is designed to generate superior risk-adjusted returns over a market cycle.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Liquidity Risk Market Risk Small Company Risk
<b>SMID Cap Growth</b>	Seeks long-term capital appreciation through careful security selection utilizing a bottom-up fundamental approach. We believe that profitable companies with consistent, sustainable revenue and earnings growth along with high margins and returns on equity relative to industry peers will outperform companies with erratic revenue and earnings growth and below average profitability. We believe our low-turnover, diversified portfolio is designed to generate superior risk-adjusted returns over a market cycle.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Liquidity Risk Market Risk Mid-Sized Company Risk Small Company Risk

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Equity Strategies	Investment Approach	Material Risks
<b>Mid Cap Growth</b>	Seeks long-term capital appreciation through careful security selection utilizing a bottom-up fundamental approach. We believe that profitable companies with consistent, sustainable revenue and earnings growth along with high margins and returns on equity relative to industry peers will outperform companies with erratic revenue and earnings growth and below average profitability. We believe our low-turnover, diversified portfolio is designed to generate superior risk-adjusted returns over a market cycle.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Liquidity Risk Market Risk Mid-Sized Company Risk Small Company Risk
<b>Concentrated Mid Cap Value</b>	Founded on fundamental, bottom-up analysis and experienced, team-based, active portfolio management, this strategy integrates two keys to identifying value: <ul style="list-style-type: none"> <li>▪ Long-term view and a</li> <li>▪ Fundamental, research-driven process.</li> </ul> We combine a disciplined search for value across changing conditions with strong risk controls and believe that returns in the long term can be generated through selection based on attractive, sustainable business fundamentals, strong finances, strong management, and low valuation.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Liquidity Risk Market Risk Mid-Sized Company Risk Value Investing Risk
<b>Emerging Market Equity Value</b>	Founded on the belief that Value stocks with good fundamentals should outperform over time, and Dividend-paying companies possess desirable quality characteristics. Team believes Free cash flow generation, balance sheet strength, and minority shareholder friendly management are key. The strategy utilizes proprietary screens to find undervalued stocks. In-depth company-level research then drives final security selection, while the Corporate Governance checklist manages potential risks. The result is a diversified portfolio of 70-100 companies.	Active Management Risk Concentration Risk Counterparty Risk Currency Risk Foreign Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Interest Rate Risk Liquidity Risk Market Risk Mid-Sized Company Risk Small Company Risk
<b>Emerging Market Equity - Core</b>	The RBC Emerging Markets Core Equity ("EME Core") Strategy is based on the belief that superior returns can be achieved by investing in high-quality companies trading at reasonable valuation levels in industries with strong secular global growth trends. Central to the EME Core Team's approach is an emphasis on quality, value, patience and researched conviction. The EME Core Team takes a fundamental, bottom-up approach to stock selection augmented by a top-down macroeconomic overlay driven by long-term secular themes to create a portfolio of 40-80 holdings.	Active Management Risk Concentration Risk Counterparty Risk Currency Risk Foreign Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Interest Rate Risk Liquidity Risk Market Risk Mid-Sized Company Risk Small Company Risk

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Equity Strategies	Investment Approach	Material Risks
<b>Emerging Market Equity – Small Cap</b>	The RBC Emerging Markets Small Cap Equity (“EME Small Cap”) Strategy is based on the belief that superior returns can be achieved by investing in high-quality small cap companies trading at reasonable valuation levels in industries with strong secular global growth trends. Central to the EME Small Cap Team’s approach is an emphasis on quality, value, patience and researched conviction. The EME Small Cap Team takes a fundamental, bottom-up approach to stock selection augmented by a top-down macroeconomic overlay driven by long-term secular themes to create a portfolio of 40-80 holdings.	Active Management Risk Concentration Risk Counterparty Risk Currency Risk Foreign Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Growth Investing Risk Interest Rate Risk Liquidity Risk Market Risk Small Company Risk
<b>Small Cap Value</b>	Using fundamental, bottom-up security selection and experienced active portfolio management the strategy looks to identify undervalued companies in the small cap universe, while taking a low-risk approach to investing in small cap companies. We believe portfolios of companies with long-term attractive business fundamentals, strong finances, strong management, potential for improved profitability, and low valuations should produce strong absolute and risk-adjusted returns over time.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Liquidity Risk Market Risk Small Company Risk Value Investing Risk
<b>Canadian Equity Value</b>	The objective of the Canadian Equity Value strategy is to provide long-term capital growth by investing primarily in equity securities of Canadian companies priced below their true value and offering long-term opportunities for growth. The Canadian Equity Value team continuously reconsiders the potential reward as well as risk for each of the companies in their investment universe as market prices shift and /or new information materializes, and dynamically repositions the portfolio. The portfolio is built to add value primarily through security selection and through larger number of decision rather than concentrated positions.	Active Management Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Market Risk Value Investing Risk

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Fixed Income Strategies	Investment Approach	Material Risks
<b>Broad Market Core</b>	The strategy focuses on core sectors of the investment grade fixed income market with maturities from 1 year to 30 years.	Active Management Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Market Risk Prepayment Risk
<b>Intermediate Government</b>	This strategy focuses on high quality government and municipal fixed income securities.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Market Risk Prepayment Risk
<b>U.S. Investment Grade</b>	This strategy focuses on corporate sector of the investment grade fixed income market with maturities from 1 year to 30 years.	Active Management Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Market Risk
<b>Access Capital Community Investment</b>	This strategy invests in geographically specific debt securities located in portions of the United States designated by investor for measuring community impact.	Active Management Risk Call Risk Concentration Risk Counterparty Risk CRA Strategy Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Leverage Risk Liquidity Risk Market Risk Non-Diversified Fund Risk Prepayment Risk Qualification for CRA Credit

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Fixed Income Strategies	Investment Approach	Material Risks
<b>Core Cash Management</b>	This strategy focuses on high quality taxable money market securities generally maturing in less than 1 year.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Liquidity Risk Market Risk
<b>Government Cash Management</b>	This strategy focuses on U.S. Treasury, Agency, and GSE obligations generally maturing in less than 1 year.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Liquidity Risk Market Risk
<b>Intermediate Municipal Core</b>	This strategy focuses on tax-exempt municipal bonds not subject to AMT with mix of high quality, liquid bonds supplemented with lower rated investment grade securities to enhance income.	Active Management Risk Call Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Interest Rate Risk Issuer/Credit Risk Liquidity Risk Market Risk Prepayment Risk Tax Risk
<b>Short Government</b>	This strategy focuses on high quality treasury and agency securities typically maturing in 1 year to 5 years.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Market Risk Liquidity Risk Prepayment Risk
<b>Ultra Short</b>	This strategy focuses on core sectors of the investment grade fixed income market with typical maturities of 0 to 3 years.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Liquidity Risk Market Risk Prepayment Risk

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Fixed Income Strategies	Investment Approach	Material Risks
Short Duration	This strategy focuses on high quality treasury and agency securities typically maturing in 1 year to 5 years.	Active Management Risk Concentration Risk Counterparty Risk General Economic and Market Conditions Risk Government Intervention in Financial Markets Government Obligations Risk Interest Rate Risk Issuer/Credit Risk Market Risk Liquidity Risk Prepayment Risk

For the methods of analysis that we employ for mutual funds, private funds, or for Wrap Fee Programs, please refer to the prospectus, offering documents or the program sponsor's wrap brochure for information on method of analysis in the selection of investment managers.

### **Fixed Income Research Process**

Our U.S.-based Fixed Income Management Team utilizes a research process that is centered around each client's investment needs. Each fixed income team (Municipal, Mortgage & Government, and Credit) continuously researches available investment opportunities using fundamental and quantitative methods and a consistent valuation method. We will then forecast returns using fundamental opinions from our research teams and quantitative estimates from our portfolio risk and analytics team. 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**

The investment strategies referenced in the chart above are not all-inclusive of the management capabilities of RBC GAM-US. We customize our 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 mandate that may utilize the investment strategies of our investment teams in Canada. We also provide investment advice with respect to mortgage-backed and other asset-backed, fixed-income securities, commercial mortgages, structured notes, derivatives and life insurance products. These customized portfolios may be managed by our U.S.-based or Canadian-based Management Teams.

### **Derivatives**

We use derivatives in accounts 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. Derivatives include but are not limited to futures, forwards and options (listed and over the counter). Risks that are potentially larger than those associated with other securities include counterparty, leverage, liquidity and market risk. RBC GAM-US is not registered with the NFA as a Commodity Trading Adviser ("CTA") and, therefore, does not trade primarily in commodity interests in any account. Any trading in commodity interests is for hedging purposes and is incidental to the investment management services provided by RBC GAM-US.

### **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 objective will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear. For more information on the potential risks identified in the table above, please refer to Risk Disclosure Appendix.

## **Item 9 – Disciplinary Information**

RBC GAM-US 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-US is a wholly-owned subsidiary of RBC USA Holdco Corporation, which is an indirect wholly owned subsidiary of RBC. RBC has a global portfolio of companies under its control, including six other investment advisers material to the investment advisory services we provide:

- RBC Alternative Asset Management, Inc.,
- RBC Global Asset Management Inc. (“RBC GAM Inc.”)
- RBC Global Asset Management (UK) Limited (“RBC GAM-UK”)
- BlueBay Asset Management LLP,
- BlueBay Asset Management USA LLC and
- RBC Capital Markets, LLC (“RBC CM”), a dually registered investment adviser and broker dealer.

As described below, many of our affiliates engage in activities that are material to our advisory business or to our clients. RBC GAM-US does not have any relationships or arrangements that are material to its advisory business or clients with a related person other than those discussed below:

- RBC GAM-US has employees who are registered representatives of an affiliated broker-dealer, RBC CM.
- 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 benefit 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.
- RBC GAM-US relies on the processes and investment strategies developed by foreign affiliates. Pursuant to no-action relief granted to RBC by the Securities and Exchange Commission, RBC GAM-US engages the use of a Participating Affiliate (“PA”) arrangement, with our affiliate, RBC GAM Inc., a Canadian-registered investment adviser. A PA arrangement allows RBC GAM-US to retain our affiliate to provide certain investment management services to our clients. Neither RBC GAM-US nor the affiliate receive any additional compensation for engaging in the PA arrangement or investment strategy other than the management fees that are paid to us by the client. A portion of the fee will be paid to our affiliate for the investment management of client accounts. Individuals who engage in the PA arrangement are acting as agents of RBC GAM-US when providing investment advisory services under the PA arrangement. Accordingly, such individuals are subject to our Code of Ethics and various other policies that require these individuals to act in the best interests of our clients and to put the needs of our clients first at all times.
- RBC GAM-US relies on its affiliate, RBC GAM Inc., to review and validate proxy recommendations and votes from our proxy research and service provider are in line with our proxy voting guidelines. We serve as sub-adviser to separate accounts, private investment funds, foreign registered 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.
- Our affiliate, RBC CM, sweeps a portion of its client account cash balances into the RBC Funds Trust money market funds. RBC CM may also recommend to its clients the purchase of shares of one or more of the other RBC Funds Trust mutual funds, but only to the extent that such securities are suitable for the client.
- We have clients who custody their assets with RBC CM, a qualified custodian. Refer to Item 15 for more information on custody with affiliates.
- RBC GAM-US participates as an investment adviser or model portfolio provider to RBC CM, a wrap-fee sponsor for certain wrap-fee accounts. We do not receive any additional compensation other than a portion of the management fee RBC CM charges each client. Refer to Items 4 and 5 for more information on wrap fee accounts.
- RBC GAM-US may delegate some or all of its 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 that may be material to our advisory business.
- RBC GAM-US enters into solicitation (referral) agreements with broker/dealers and investment advisers, including affiliates whereby RBC GAM-US pays the referring entity a referral fee for successful referrals. RBC GAM-US also has agreements with broker/dealers and investment advisers, including affiliates whereby RBC GAM-US receives a referral fee in exchange for referring clients. In all cases, these arrangements are disclosed to clients and do not result in additional fees owed by the client. Refer to Item 14 for information on client referral arrangements.

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- BlueBay Asset Management LLP and BlueBay Asset Management USA LLC serve as investment sub-advisers to certain U.S. registered mutual funds for which RBC GAM-US serves as the investment adviser.
- RBC Global Asset Management (UK) Limited serves as the investment subadviser to certain U.S. registered mutual funds or separate accounts for which RBC GAM-US serves as the investment adviser.

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

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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

We have adopted a Code of Ethics that guides 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.

You may obtain a copy of our Code of Ethics by contacting us at (800) 553-2143 or by sending a request to:

RBC Global Asset Management (U.S.) Inc.

Attention: Client Service

50 South Sixth Street, Suite 2350

Minneapolis, MN 55402

Generally, the personal trading and participation or interest in client transactions of our Code of Ethics provides that:

- The personal securities transactions, activities and interests of the employees of RBC GAM-US will not interfere with (i) making decisions in the best interest of our advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts;
- Except for certain classes of securities that have been designated as exempt transactions, employees must pre-clear all personal trades for their own accounts or accounts over which they have an interest or control;
- Employees may not purchase or sell the same security during the firm imposed blackout period, which is 7-days after a trade in a client account and 7-days before the client trade. (These restrictions may be waived where appropriate by the compliance department based on individual circumstances);
- Employees may not purchase or sell the same security for a gain within any 60-day period. (These restrictions may be waived where appropriate by the compliance department based on individual circumstances); and
- Employees must report personal securities holdings at the time of hire, as well as annually thereafter, and certify adherence to the Code of Ethics and accuracy of their personal holdings and transactions quarterly.

#### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

##### **Proprietary Accounts**

From time to time, we will invest our own assets or we rely on the services of an affiliated manager (“proprietary accounts”). Our proprietary accounts may transact in the same securities in which our client accounts invest. To address the potential conflicts of interest these proprietary accounts present, we have adopted certain policies and procedures. For example, we prohibit trading between proprietary accounts and client accounts. We also impose certain trading restrictions relating to our-managed proprietary accounts. With respect to affiliated managed proprietary accounts, we limit communication between our portfolio management and research teams and the third-party manager. We will monitor other communications in an attempt to ensure that trade-related information that could be used to benefit the proprietary account is not shared between parties. With respect to our proprietary accounts, we regularly review our trading activity to ensure no manipulative or perceived inappropriate trading activity occurs.

##### **Use of Affiliated Broker-Dealer**

We generally do not trade with our affiliated broker-dealers. However, with specific client consent, RBC GAM-US will 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.

We may on occasion recommend securities for advisory clients from an affiliate, such as RBC CM or RBC, that is an (1) underwriter, (2) remarketing agent, or (3) a liquidity provider in connection with offerings of the securities. Such purchases will generally be made in accordance with the (1) Prohibited Transaction Exemption 75-1, for accounts subject to ERISA, (2)



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Rule 10f-3 under the Investment Company Act of 1940, as amended, for mutual funds, and (3) Section 206(3) of the Advisers Act.

RBC CM, like RBC GAM-US, is an indirectly wholly-owned subsidiary of RBC. The recommendation and/or purchase or sale of the securities involves a conflict of interest because of the services these affiliates 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 interest 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.

### **Investment Adviser to Affiliated Open End Investment Company**

RBC GAM-US serves as investment adviser to RBC Funds Trust ("RBC Mutual Funds"), a registered open-end investment company. In addition, RBC GAM-US serves as RBC Mutual Funds' co-administrator and provides certain administrative services necessary for the operation of the RBC Mutual Funds.

Certain employees, who are securities registered through RBC CM will recommend to investors the purchase of shares of one or more of the RBC Mutual Funds, but only to the extent that such securities are suitable for the investor. Other than the investment advisory fee paid by each of the Funds and an administrative services fee paid by certain RBC Mutual Funds, we do not collect any additional fees for the sale of these mutual funds.

### **Other Fund Activities**

From time to time, to the extent consistent with a client's investment objectives and strategies, RBC GAM-US may invest client assets in affiliated or unaffiliated Funds. Clients may also choose to participate in their custodians' sweep programs, which may offer mutual funds. Mutual funds typically pay fees for investment advisory, administrative and distribution services. Clients whose accounts are invested in mutual funds that are unaffiliated with RBC GAM-US will pay two levels of advisory fees – one through the unaffiliated mutual fund to its investment adviser and one to RBC GAM-US. Clients whose accounts are invested in Funds that are affiliated with RBC GAM-US do not pay a separate advisory fee to RBC GAM-US on those assets. For RBC GAM-US affiliated mutual funds, RBC GAM-US does receive investment advisory fees and administrative fees. More information regarding fees associated with a Fund can be found in the product's underlying prospectus, statement of additional information, or offering memorandum.

### **Stable Value Portfolio Management**

RBC Capital Markets LLC ("RBC CM") serves as the stable value provider for an investment fund ("Investment Fund") managed by RBC GAM-US that is offered solely as an investment option for certain variable life insurance contracts offered by insurance companies for which we manage. RBC GAM-US may consult with RBC CM and other affiliates in connection with its investment decisions for the Investment Fund. These arrangements create a conflict of interest because we have an incentive to maximize the Investment Fund's value in order to lessen our parent company's financial obligation. This incentive could cause us to take undue investment risk when managing the Investment Fund. RBC GAM-US believes this conflict and the related risks are adequately addressed in a variety of ways, including the Investment Fund's disclosures, investment restrictions and guidelines our fiduciary obligations, procedures limiting communications between RBC GAM-US RBC CM relating to the Investment Fund, and when appropriate, client More information on this fund and RBC's role is contained in the Investment Fund's confidential offering circular.

### **Cross Transactions**

From time to time, we effect cross transactions between advisory clients that are not proprietary accounts, employee benefit plans governed by ERISA or restricted by the client. Any cross transactions involving the RBC Funds are subject to the Funds' compliance procedures for such trades. We will not receive any compensation for effecting a transaction between advisory clients. The desire to liquidate, change asset allocation, or otherwise raise cash in a client account may necessitate selling a security that is attractive to another client account. In order to facilitate the settlement of the cross transaction, we may arrange with a third-party broker, or custodian(s) for one of our client accounts to sell the security and one or more of our client accounts to purchase the security. Such cross transactions will be effected only if, in our judgment, the transaction is beneficial to both the client account(s) selling the security and the client account(s) purchasing the security. The ability to effect a cross transaction between client accounts may be a conflict of interest for us and present a conflicting division of loyalty because it provides us with an opportunity to potentially advantage one client over another. To mitigate this conflict

of interest, each cross trade is reviewed by the equity Head Trader, Co-Heads of Fixed Income and their respective oversight committees.

## **Item 12 – Brokerage Practices**

### **Best Execution**

As an investment adviser, RBC GAM-US is obligated to exercise its fiduciary obligation to seek best execution of client transactions under the circumstances of the particular transaction. RBC GAM-US seeks to satisfy its best execution obligation through established policies and procedures, as well as assessing factors such as price, volume, market conditions, counter-party risk and relying on services that will best help achieve best execution through periodic monitoring of trade execution quality.

Our policies and procedures are also designed to address the conflicts of interest that may arise as a result of managing multiple types of accounts, including client accounts that pay RBC GAM-US higher fees or performance fees, and proprietary accounts. Refer to the broker selection process referenced below for additional information on factors we consider in executing transactions.

RBC GAM-US hires subadvisers to manage certain mutual funds and may hire subadvisers to manage Separate Accounts. RBC GAM-US reviews the brokerage practices of each subadviser during compliance due diligence meetings and in each respective trading oversight committee to verify that each subadviser maintain reasonable policies and procedures and that the subadviser achieves best execution on trades made on behalf of RBC GAM.

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

When it is consistent with our duty to seek best execution, RBC GAM-US executes equity transactions 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 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 benefit from the research and other services obtained by us even if your 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; and
- fundamental and proprietary research

For our U.S.-based Investment Management Teams, broker-dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and company management teams) or third-party (created and distributed by a third-party).

The receipt of research in exchange for soft dollars creates conflicts of interest. RBC GAM-US 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 executions and our belief that the research information and other services provided by such broker-dealer benefits client accounts. Accordingly, we 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.

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We will not enter into any agreement or understanding with any broker-dealer which would obligate us to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker-dealers state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. Further, we do not consider the marketing efforts of broker-dealers on behalf of the funds for which we serve as investment adviser in selecting broker-dealers to execute trades. Such marketing efforts include the sales of mutual funds, the inclusion of our products on a broker-dealer's wrap fee program platform (other than to the extent such program requires RBC GAM-US to trade with such broker-dealer), and referrals of clients or prospects. This prohibition is not intended to prevent trading with broker-dealers that make marketing efforts on behalf of the funds; it simply prevents such efforts from being a consideration when selecting executing broker-dealers.

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 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 soft dollar arrangements are consistent with Section 28(e) of the Exchange Act, 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 to directly assist us in our investment decision-making process.

For accounts managed by our Canadian-based Equity Management Team, the research goods and services received also include (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii), analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities.

### **Brokerage for Client Referrals**

We engage in referral arrangements with broker-dealers on our approved list. We do not direct trades to approved broker-dealers based on our referral arrangements. Refer to the Broker Selection section that follows for our practices related to how we select executing broker-dealers. Refer to Item 14 for additional information on client referrals.

### **Broker Selection**

By granting RBC GAM-US 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 or 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-US maintains an approved list of broker-dealers for each asset class. Broker-dealer approvals are determined by each respective oversight committee.

Each respective oversight committee maintains their own criteria for assessing and approving broker-dealers, as well as ongoing monitoring procedures for approved broker-dealers. Criteria includes any or all of the following: (1) broker's ability to provide best execution capabilities in the types of securities traded to accomplish defined client directives for use of minority and women owned brokerage firms; (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/creditworthiness; and (9) trade desk opinion of the firm. For equity trades, we may also take into consideration the quality of research provided by executing broker-dealers and its usefulness in the management of client accounts. Refer to the research and soft dollars section above.

### **Client Direction**

Clients may, upon written direction, request us to execute a portion of their trades through a particular broker-dealer. Typically, the client has an arrangement with such broker-dealer which results in the client receiving some benefit from the broker-dealer in exchange for the directed brokerage. Although we generally discourage such direction, we do permit client direction in certain circumstances, ensuring that clients are apprised of the potential risks associated with directed brokerage, which may result in:

- higher commissions, larger spreads or less favorable net prices than would be the case if RBC GAM-US selected the brokers;
- loss in benefits that accrue in aggregating orders with similar trades for other client accounts; or
- disparity in returns to those of other client accounts with similar strategies that do not direct brokerage.

Similarly, in the case of client accounts that are custodied at broker-dealers, we have discretion to select brokers or dealers other than the custodians when necessary to fulfill our duty to seek best execution of transactions for client accounts. However, brokerage commissions and other charges for transactions not effected through the custodian are charged to the client. For this reason, it is likely that most, if not all, transactions for such clients will be effected through the broker custodian.

On occasion we instruct the executing broker to credit a portion of a block trade to another broker, a common practice known as a step out. Generally, this occurs when numerous allocations are blocked into one single trade order, whereas one or more of the clients participating in the block have placed trade direction to one or more brokers other than the executing broker. A step out, in this case, allows our traders to block a trade order where all participating allocations receive the same price and facilitates specific client direction to trade with a specified broker(s). No client is disadvantaged by means of a step out.

### **Aggregation & Allocation**

RBC GAM-US 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 its 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 and 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. Only after client accounts are filled will the remainder of the partial fill be allocated pro rata to the affiliated or proprietary accounts.

### **Equity Aggregation & Allocation**

Our U.S. 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-US'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-US 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-US emphasis is on ensuring that all clients and investment funds are given a fair opportunity to invest in a security that is appropriate for the specific client or Fund. Each portfolio manager makes the final determination as to whether a particular investment opportunity is appropriate for the specific client or specific investment fund. Therefore, both our U.S.-based Investment Management and Canadian-based Equity Management teams will not intentionally favor or disfavor any

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client, class of client, or investment fund in the allocation of investment opportunities so that over a period of time, such opportunities are allocated among clients and Funds fairly and equitably.

As a general matter, the U.S. Equity Investment Team groups equity accounts and uses random order sequencing in an effort to ensure that all accounts are treated fairly over time. We categorize equity accounts into three groups:

- Group 1: accounts (including client and proprietary accounts) that can be aggregated because they have no trading limitations or any such trading limitation can be successfully addressed using step-outs;
- Group 2: client-directed accounts, some trades may be aggregated within this group if they share a common directed broker, and wrap programs (accounts aggregated at the sponsor level); and
- Group 3: model portfolios, where we do not provide trade execution services, but merely transmit model portfolio information to the model sponsors or their overlay managers, who then decide whether and when to execute such instructions.

Group (1) accounts are block traded and are always traded first. For Group (2) accounts, random order sequence would determine the trade order for directed brokers and wrap programs. If there is more than one directed broker or wrap program, random order sequence would determine the order of accounts within each group. Group (3) trades are communicated to the model sponsor or overlay manager after trading is complete for Groups (1) and (2).

### **Wrap Fee Programs**

Another factor in the selection of broker-dealers is whether the client account is part of a wrap fee program. As previously disclosed in Item 4, RBC GAM-US has been retained as an investment manager in a number of wrap fee programs. Under most wrap programs, clients are not charged separate commissions or other transaction costs on each trade so long as the wrap sponsor (or its broker-dealer affiliate) executes the trade. A portion of the wrap fee generally is considered as “in lieu of commissions” or other transaction costs. Where permitted by wrap program terms, we may execute a transaction through a broker-dealer other than the wrap program sponsor where we believe that such trade would result in the best price and execution under the circumstances. However, in most situations trades will be executed with the introducing wrap program sponsor (or its broker-dealer affiliate) so as to avoid additional brokerage costs or other transaction costs in addition to the wrap fee by using other broker-dealers.

As described above, Group 2 accounts include wrap fee program accounts and client-directed accounts. Random order sequence determines the trade order for directed brokers and wrap program. If there is more than one directed broker or wrap program, random order sequence would determine the order of accounts within each group.

In wrap programs, Group 2 accounts, where we are directed to use the wrap sponsor or its affiliate as broker-dealer, we may be unable to obtain volume discounts, best price or best execution. Although it has been our experience that the broker-dealers to which we are required to direct transactions under a wrap program generally can offer best execution under the circumstances, no assurance can be given that this will continue to be the case in the future. Depending upon the level of the wrap fee charged by a wrap sponsor, the amount of portfolio activity in a client’s account, the value of the custodial and other services that are provided under a wrap arrangement and other factors, a wrap client should consider whether the wrap fee would exceed the aggregate cost of such services if they were to be provided separately and if we were free to negotiate commissions. Program clients should review all materials available from a third-party sponsor concerning the program, the sponsor and the program’s terms, conditions and fees. Refer to Item 4 for additional information on wrap fee programs.

### **Model Portfolios**

Group 3 accounts, the model portfolios, are sent to the model sponsors or overlay managers before market open on the business day after the trading for Groups 1 and 2 have been completed. RBC GAM-US has no influence over when or even if model changes are implemented.

Given this sequencing, account trades using the model portfolio changes that are executed at the discretion of the model recipient are subject to price movements, particularly if they are trading after large block trades, involve thinly-traded or illiquid securities or occur in volatile markets. This may result in model portfolio recipients obtaining a price that is different and in some cases less favorable than those account trades that are executed first, particularly in the case of model portfolios that hold small or mid capitalization securities. Refer to Item 4 for additional information on model portfolios.

### **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-US 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.

We manage a number of small municipal bond portfolios, and many of the issues purchased are also small. 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.

Trade allocation methodologies for the Canadian-based Fixed Income Management Teams specify how trade orders are to be allocated across portfolios and are made available to traders, analysts, fund managers, portfolio managers, and other relevant parties. RBC GAM-US’s policy and practice is not to intentionally favor or disfavor any client, class of clients, or investment fund in the allocation of investment opportunities such that, over a period of time, investment opportunities are allocated among clients and investment funds fairly and equitably.

For fixed income securities specifically, the trader or fund 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 are evaluated using multiple sources to determine if the price is favorable under the circumstances. At times, multiple offerings or bids for a security are unavailable and an order needs to be worked at a certain level with a specific broker-dealer. All 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 new issues, private placements, or initial public offerings (IPOs) (“new issue”), 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. For equity accounts, 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. In allocating new issues to fixed income clients, we first determine that the securities are consistent with guidelines and a particular style of account. We then addresses 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.

### **Correcting Trade Errors**

In the event a trade error is made by RBC GAM-US, 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. Gains as a result of a trade error that has settled in a client account will be maintained in the client account unless we are specifically instructed by the client that they do not wish to retain the gain. When an error is identified before settlement, we may move the trade to our error account. Any funds remaining in our error account are donated to a charitable organization on a periodic basis.

## **Item 13 – Review of Accounts**

### **Overview**

RBC GAM-US 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, Client Service, compliance personnel, as well other relevant RBC GAM-US 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-US; and/or (8) changes that are recommended in overall investment policy or strategy by RBC GAM-US portfolio managers.

Investment policy compliance is monitored through the use of the Charles River Investment Management System (“CRIMS”), a trade order management and investment policy compliance system. Each client’s investment policy statement is modeled in CRIMS. Compliance personnel monitor and regularly review system results with 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, RBC GAM-US maintains a Portfolio Risk and Analytics team, responsible for developing independent measure of absolute and benchmark relative risk, creating and aggregating performance attribution analysis and reporting performance and risk profiles through formal investment scorecards. On a monthly basis, performance and risk characteristics are presented and reviewed by senior investment leadership.

Generally, unless more frequent meetings are requested by the client, we seek to 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-US senior management. Our senior management may also meet with portfolio managers or other investment personnel to discuss accounts under their management.

### **Client Reporting**

## **RBC Global Asset Management (U.S.) Inc.**

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RBC GAM-US delivers client reports (as directed by each client). Our client reports 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.

At least quarterly, client reports are made available through our secure client-only website (<https://clients.us.rbcgam.com>) and are also sent in hard copy if requested. Clients receive e-mail notifications when new client reports are posted and available. RBC GAM-US 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 engage in third-party referral arrangements, which includes the use of our affiliates and in limited circumstances, unaffiliated broker/dealers and investment advisers. These arrangements create a conflict of interest by providing an incentive for the affiliate or third-party solicitor to recommend us over another investment adviser. All referral and marketing relationships meet the requirements of Rule 206(4)-3 and 206(4)-5 under the Advisers Act.

While limited, we engage non-affiliated solicitors through referral arrangements. RBC GAM-US 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 the client and in compliance with the other requirements of Rule 206(4)-3 and 206(4)-5 under the Advisers Act. Client fees are not increased as a result of any referral fees.

#### **Other Compensation**

We also have arrangements with certain of our employees and affiliates, which allow them to receive cash compensation for referring clients. We require each of these parties to disclose their relationship with RBC GAM-US to the client at the time of solicitation. Clients do not pay higher fees as a result of any referral arrangement.

#### **Payments to Others**

As part of its ordinary business, RBC GAM-US, or a related person may send corporate gifts or pay for meals and entertainment, such as golf fees or tickets to cultural or sporting events for clients who engage in business with us, or our affiliates. RBC GAM-US 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-US also makes charitable contributions or sponsors 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-US or its affiliated investment advisers' management. Payments are subject to internal review and approval of RBC GAM-US or its affiliates.

All gifts given by RBC GAM-US or our employees to our business partners or received by RBC GAM-US personnel must comply with all applicable regulations and are subject to review by our Chief Compliance Officer.

### **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-US 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-US 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.

RBC GAM-US maintains custody of client assets in select and limited cases, including instances where clients have selected to custody their assets with one of our affiliates, as well as with certain private funds. For client assets, RBC GAM-US complies with all disclosure and regulatory requirements and has contracted with an external third party auditor to conduct surprise annual audits in compliance with applicable SEC rules. For private funds, RBC GAM-US engages an independent public accountant to audit the financial statements, which are then provided to each private fund investor within 180 days of fiscal year end.



In the event of an inadvertent receipt of a check or other financial instrument payable to a client, RBC GAM-US 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.

In addition, RBC GAM-US provides clients with monthly or quarterly client reports, which include disclosures directing clients to review the account statements provided by their custodians.

### **Item 16 – Investment Discretion**

RBC GAM-US 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-US will assume discretionary authority for a client, the client and RBC GAM-US 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. Clients, or in the case of a wrap fee account, the program sponsor, may impose reasonable restrictions, such as those regarding particular security classes, specific issuers and other guidelines, such as asset allocation ranges, as well as statutory restrictions.

With the exception of account restrictions discussed above, for 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.

However, there are instances where RBC GAM-US has accepted accounts for which it has discretionary authority to purchase securities for the account, but not the authority to select the executing broker-dealer for the transactions. Refer to Item 12 for more information on directed brokerage.

#### **Investment Guideline Changes**

Investment guidelines, restrictions, and changes to investment guidelines must be provided to RBC GAM-US in writing.

### **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 rely on services provided by a third-party vendor which acts as our primary resource for proxy research and voting recommendations. RBC GAM-US utilizes customized proxy guidelines and engages (1) Institutional Shareholder Services Inc. ("ISS") as its primary research and voting service provider and (2) RBC Global Asset Management Inc., an affiliate, to review ISS' recommendations and votes in are in line with the customized proxy guidelines. Additionally, clients may choose to withhold discretion from RBC GAM-US to vote proxies and engage a third-party proxy voting service, or to vote their own proxies directly.

We have satisfied ourselves that the analysis of proxy issues provided to us by our third-party vendors is consistent with our belief that proxies should be voted in shareholders' long-term interests. The engagement of third-party vendors to assist us with our proxy voting process is not intended to be a delegation of our proxy voting responsibilities and does not relieve us of our fiduciary obligations to clients with respect to the voting of proxies. Accordingly, we retain the right to vote clients' proxies in a manner that is different from what our vendors recommend, where we believe that to do so would be in the client's best interests and is not contrary to the terms of the investment management agreement.

## **RBC Global Asset Management (U.S.) Inc.**

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We have established a Proxy Committee, which is responsible for establishing, monitoring and reviewing our policies and guidelines with respect to proxy voting, but which does not generally consider the manner in which specific proxies are or have been voted. The Proxy Committee is also responsible for providing oversight of our relationship with the provider of our proxy voting policy and proxy research. The Proxy Committee does not have oversight over other proxy voting services that are chosen by clients or clients who vote proxies directly.

Clients may obtain a copy of our proxy voting policy and procedures upon request by contacting their institutional portfolio manager. Clients may also obtain information from RBC GAM-US about how RBC GAM-US voted any proxies on behalf of their account(s).

### **Item 18 – Financial Information**

RBC GAM-US 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.

# Fee Schedule Appendix

## Equity Strategy Fee Schedule

AUM	Annual Fee Schedule
<b>Diversified Large Cap Core</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.70%
Next \$15 million of assets	0.60%
Next \$25 million of assets	0.50%
Assets exceeding \$50 million	0.40%
<b>Large Cap Value</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.70%
Next \$15 million of assets	0.60%
Next \$25 million of assets	0.50%
Assets exceeding \$50 million	0.40%
<b>Concentrated Large Cap Value</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.90%
Next \$15 million of assets	0.75%
Next \$25 million of assets	0.65%
Assets exceeding \$50 million	0.50%
<b>Mid Cap Value</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.85%
Next \$15 million of assets	0.70%
Next \$25 million of assets	0.65%
Assets exceeding \$50 million	0.60%
<b>Mid Cap Growth</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.85%
Next \$15 million of assets	0.70%
Next \$25 million of assets	0.65%
Assets exceeding \$50 million	0.60%
<b>Emerging Markets Equity - Core</b>	
Minimum Account Size \$75 million	
First \$50 million of assets	0.95%
Next \$50 million of assets	0.85%
Assets exceeding \$100 million	0.80%
<b>Emerging Markets Equity - Small Cap</b>	
Minimum Account Size \$75 million	
First \$50 million of assets	1.15%
Next \$50 million of assets	1.05%
Assets exceeding \$100 million	1.00%
<b>Emerging Markets Equity - Value</b>	
Minimum Account Size \$75 million	
First \$50 million of assets	0.95%
Next \$50 million of assets	0.85%
Assets exceeding \$100 million	0.80%
<b>International Focus Equity</b>	
Minimum Account Size \$75 million	
First \$50 million of assets	0.70%
Next \$50 million of assets	0.60%
Assets exceeding \$100 million	0.55%

AUM	Annual Fee Schedule
<b>International Equity*<sup>2</sup></b>	
Minimum Account Size \$500 million	
All assets	0.95%
<b>SMID Cap Growth</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.95%
Next \$15 million of assets	0.85%
Next \$25 million of assets	0.75%
Assets exceeding \$50 million	0.65%
<b>Small Cap Growth</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	1.00%
Next \$15 million of assets	0.95%
Next \$25 million of assets	0.85%
Assets exceeding \$50 million	0.75%
<b>Small Cap Core</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	1.00%
Next \$15 million of assets	0.90%
Next \$25 million of assets	0.80%
Assets exceeding \$50 million	0.70%
<b>Small Cap Value</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	1.00%
Next \$15 million of assets	0.95%
Next \$25 million of assets	0.85%
Assets exceeding \$50 million	0.75%
<b>Microcap Core</b>	
Minimum Account Size \$10 million	
First \$25 million of assets	1.25%
Assets exceeding \$25 million	1.00%
<b>Concentrated Microcap</b>	
Minimum Account Size \$10 million	
First \$25 million of assets	1.25%
Assets exceeding \$25 million	1.00%
<b>Concentrated Mid Cap Value</b>	
Minimum Account Size \$10 million	
First \$10 million of assets	0.95%
Next \$15 million of assets	0.80%
Next \$25 million of assets	0.75%
Assets exceeding \$50 million	0.70%
<b>Global Resources</b>	
Minimum Account Size \$50 million	
First \$100 million of assets	0.85%
Assets exceeding \$100 million	0.75%

<sup>2</sup> \*Externally subadvised by Polaris Capital Management

## RBC Global Asset Management (U.S.) Inc.

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AUM	Annual Fee Schedule
Canadian Equity Value	Minimum Account Size \$100 million
First \$100 million of assets	0.55%
Assets exceeding \$100 million	0.45%

AUM	Annual Fee Schedule
Global Equity	Minimum Account Size \$75 million
First \$50 million of assets	0.70%
Next \$50 million of assets	0.60%
Assets exceeding \$100 million	0.55%

# RBC Global Asset Management (U.S.) Inc.

## Fixed Income Strategy Fee Schedule

AUM	Annual Fee Schedule
<b>Core Cash Management</b>	
Minimum Account Size \$100 million	
First \$100 million of assets	0.12%
Assets exceeding \$100 million	0.10%
<b>Short Core</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.30%
Next \$25 million of assets	0.20%
Next \$50 million of assets	0.15%
Assets exceeding \$100 million	0.10%
<b>Broad Market Core</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.35%
Next \$25 million of assets	0.25%
Next \$50 million of assets	0.20%
Assets exceeding \$100 million	0.15%
<b>Intermediate Core</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.35%
Next \$25 million of assets	0.25%
Next \$50 million of assets	0.20%
Assets exceeding \$100 million	0.15%
<b>Short Government</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.25%
Next \$25 million of assets	0.15%
Next \$50 million of assets	0.10%
Assets exceeding \$100 million	0.08%
<b>Intermediate Municipal Core</b>	
Minimum Account Size \$15 million	
First \$25 million of assets	0.30%
Next \$25 million of assets	0.25%
Next \$50 million of assets	0.20%
Assets exceeding \$100 million	0.15%

AUM	Annual Fee Schedule
<b>Access Capital Community Investment</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.40%
Next \$25 million of assets	0.30%
Assets exceeding \$50 million	0.25%
<b>Intermediate Government</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.30%
Next \$25 million of assets	0.20%
Next \$50 million of assets	0.15%
Assets exceeding \$100 million	0.10%
<b>Government Cash Management</b>	
Minimum Account Size \$100 million	
First \$100 million of assets	0.12%
Assets exceeding \$100 million	0.10%
<b>Ultra Short</b>	
Minimum Account Size \$50 million	
First \$50 million of assets	0.20%
Next \$50 million of assets	0.15%
Assets exceeding \$100 million	0.10%
<b>U.S. Investment Grade</b>	
Minimum Account Size \$25 million	
First \$25 million of assets	0.35%
Next \$25 million of assets	0.30%
Next \$50 million of assets	0.20%
Assets exceeding \$100 million	0.15%

## 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.

**CRA Strategy Risk.** The Advisor will take into account the goal of holding securities in designated geographic areas in determining which securities to purchase and sell. Accordingly, investment decisions will not be exclusively based on the investment characteristics of the securities, which may or may not have an adverse effect on investment performance. CRA qualified securities in geographic areas sought by a portfolio may not provide as favorable return as CRA qualified securities in other geographic areas. In addition, a portfolio may sell securities for reasons relating to CRA qualification, at times when such sales may not be desirable for investment purposes. Further, a portfolio may hold short-term investments that produce relatively low yields pending the selection of long-term investments believed to be CRA-qualified.

**Currency Risk.** The possibility that could arise from the change in price of one currency against another.

**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 on an exchange may have increased liquidity risk.

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

## RBC Global Asset Management (U.S.) Inc.

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**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 the U.S. Government 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.

**Government Obligations Risk.** Obligations of U.S. Government agencies, authorities, instrumentalities and sponsored enterprises (such as Fannie Mae and Freddie Mac) have historically involved little risk of loss of principal if held to maturity. However, the maximum potential liability of the issuers of some of these securities may greatly exceed their current resources and no assurance can be given that the U.S. Government would provide financial support to any of these entities if it is not obligated to do so by law. In September 2008, the U.S. Treasury and the FHFA announced that Fannie Mae and Freddie Mac would be placed into a conservatorship under FHFA. The effect that this conservatorship will have on the entities' debt and securities guaranteed by the entities is unclear.

**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 (1) segregate liquid assets, (2) "cover" the transactions that introduce such risk or (3) pledge portfolio assets as collateral for its borrowings. If an account is unable to payback the borrowings, it may risk losing the 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 or repurchase agreements with maturities longer than seven days 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.

**Mid-Sized Company Risk.** Stocks of mid-sized companies may carry greater risks than those of larger companies because mid-sized companies may have less management experience, competitive strengths and financial resources than larger companies. Mid-sized companies may also be more vulnerable to adverse business or economic events and may be more volatile than larger companies.

**Prepayment Risk.** The value of some mortgage-backed and asset-backed securities may fall because of unanticipated levels of principal prepayments that can occur when interest rates decline. Principal and interest payments on such securities depend on payment of the underlying loans, though issuers may support creditworthiness via letters of credit or other instruments.

**Qualification for CRA Credit Risk.** For an institution to receive CRA credit with respect to investments, the portfolio must hold CRA qualifying investments that relate to the institution's delineated CRA assessment area. All investments are expected to be considered eligible for regulatory credit under the CRA. There is no guarantee, however, that an investor will receive CRA credit if, for example, a state banking regulator does not consider an account eligible for regulatory credit. If CRA credit is not given, there is a risk that an investor may not fulfill its CRA requirements.

**Small and Micro Company Risk.** Stocks of smaller and less seasoned companies involve greater risks than those of larger companies. These companies may not have the management experience, financial resources, product diversification and competitive strengths of larger companies. Smaller companies may be more sensitive to changes in the economy overall. Historically, small company stocks have been more volatile than those of larger companies. As a result, an account's value may be subject to rapid and substantial changes. Small company stocks tend to be bought and sold less often and in smaller amounts than larger company stocks, which could result in a limited ability to sell a large quantity of stock of a smaller company. Small company risk can be intensified when investing in micro-cap companies. The prices of micro-cap stocks are generally more volatile and their markets are less liquid relative to larger companies. An investment may involve considerably more risk of loss and its returns may differ significantly from investing in larger companies.

**Small Company Risk.** Stocks of smaller and less seasoned companies involve greater risks than those of larger companies. These companies may not have the management experience, financial resources, product diversification and competitive strengths of larger companies. Smaller companies may be more sensitive to changes in the economy overall. Historically, small company stocks have been more volatile than those of larger companies. As a result, an account's value may be subject to rapid and substantial changes. Small company stocks tend to be bought and sold less often and in smaller amounts than larger company stocks, which could result in a limited ability to sell a large quantity of stock of a smaller company. The prices of small cap stocks are generally more volatile and their markets are less liquid relative to larger companies. An investment may involve considerably more risk of loss and its returns may differ significantly from investing in larger companies.

**Tax Risk.** The risk that the issuer of a security will fail to comply with certain requirements of the Internal Revenue Code, which would cause adverse tax consequences. Changes in federal or state tax laws could cause the prices of tax-exempt securities to fall and/or could affect the tax-exempt status of the securities. A portion of distributions may be subject to the federal alternative minimum tax.

**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.