

# **WRAP FEE BROCHURE**

## **A+ PROGRAM**

### **ACCESS MANAGER SELECTION PROGRAM**

### **PRIVATE INVESTMENT MANAGEMENT PROGRAM**

**SEPTEMBER 14, 2015**

## **RBC PRIVATE COUNSEL (USA) INC.**

155 Wellington Street West, 17<sup>th</sup> Floor

Toronto, ON, M5V 3K7

416- 956-9619

This brochure provides information about the qualifications and business practices of RBC Private Counsel (USA) Inc. If you have any questions about the contents of this brochure, please contact us at 416-956-9619. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

RBC Private Counsel (USA) Inc. is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about RBC Private Counsel (USA) Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



**RBC Wealth Management**



Item 2 - MATERIAL CHANGES

This Wrap Fee Brochure (the “Brochure”), dated September 14, 2015, has been prepared in accordance with regulatory requirements. The following is a summary of the specific material changes to the Brochure since the last update on January 27, 2015:

- Document has been updated throughout to reference and reflect the fact that an Investment Advisor may now service and provide investment advice to a client in the A+ Program and in the Access Program. For details, please refer to item 4.3.1, item 4.3.3, item 6.1.4, item 8.1, item 9.2 and item 9.7.1 in this Brochure.
- Items 4.3.1 and 6.2.1 have been updated to include references to the fact that an Investment Counsellor or Associate Investment Counsellor may also recommend a Manager in the Access Program as part of a client’s portfolio.
- Item 4.4.2 has been updated to clarify that the calculation of fees for a PIM account excludes any assets held in an Access account.

- Item 5.1 has been updated to clarify that the initial investment in the A+ Program is generally CDN or U.S. \$25,000.00
- Item 6.1.9 has been updated to reflect that Investment Managers in the Access Program and Sub-Advisors in the A+ program vote client proxies in the best interest of our clients.
- Item 7.1 has been updated to remove references to the completion of an annual client questionnaire.
- Item 7.2 has been removed since this section is not applicable to a PIM account.

RBC PC USA will provide you with a copy of the new Brochure without charge, upon request to your Investment Counsellor /Associate Investment Counsellor, Investment Advisor or Advisory Representative. This Brochure is also available on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Item 3 - TABLE OF CONTENTS

Item 1- COVER PAGE	
Item 2 - MATERIAL CHANGES.....	1
Item 3 - TABLE OF CONTENTS .....	1
Item 4 - SERVICES, FEES AND COMPENSATION .....	2
Item 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS .....	5
Item 6 - INVESTMENT MANAGER AND SUB-ADVISOR SELECTION AND EVALUATION .....	6
Item 7 - CLIENT INFORMATION PROVIDED TO INVESTMENT MANAGERS AND SUB-ADVISORS.....	10
Item 8 - CLIENT CONTACT WITH INVESTMENT MANAGERS AND SUB-ADVISORS.....	10
Item 9 - ADDITIONAL INFORMATION – A+ PROGRAM, ACCESS PROGRAM & PIM PROGRAM .....	10

## Item 4 - SERVICES, FEES AND COMPENSATION

*This section provides a general description of our firm, services provided under the wrap fee programs that we offer – namely, the A+ Program, the Access Manager Selection Program and Private Investment Management Program, and the wrap fee charged for each program. It also provides information on how we are compensated for our advisory services.*

### 4.1 GENERAL DESCRIPTION AND OWNERSHIP

RBC Private Counsel (USA) Inc. (“RBC PC USA”) is a wholly-owned direct subsidiary of Royal Bank Holding Inc., which is a wholly-owned subsidiary of the Royal Bank of Canada (“RBC”), and is a member of the RBC group of companies. RBC is an internationally diversified organization with operations in many areas of the financial services industry and is a publicly held company (symbol: RY on TSX, NYSE and SWX). RBC PC USA was established in 1998 to provide discretionary investment management and supervisory services to U.S. residents and is registered with the U.S. Securities and Exchange Commission (the “SEC”) as an investment adviser under the U.S. *Investment Advisers Act of 1940*, as amended (the “Advisers Act”).

### 4.2 USE OF PARTICIPATING AFFILIATES

In order to provide investment advisory services to you, we have entered into service arrangements with our Canadian affiliate RBC Dominion Securities Inc., (“RBC DS” or a “Participating Affiliate” ) that allow us to utilize its facilities, services and other investment management capabilities, including personnel such as Investment Advisors, in rendering advice to our clients.

RBC DS is a Canadian corporation that is registered as an investment dealer with the securities authorities in each of the provinces and territories in Canada and is a member of the Investment Industry Regulatory Organization of Canada. In addition to providing investment dealer services, RBC DS provides discretionary and non-discretionary investment management and supervisory services to retail clients in Canada.

Although RBC DS is not registered as an investment adviser in the U.S, in reliance on a no-action letter issued to RBC by the SEC in addition to other guidance provided by the SEC, we make use of its services and other management capabilities, including personnel.

## 4.3 A+ PROGRAM AND ACCESS MANAGER SELECTION PROGRAM

### 4.3.1 Services

#### Access Manager Selection Program

In the Access Manager Selection Program (“Access Program”), there is a choice between investment vehicles and a select group of investment managers (collectively, the “Investment Managers”). Your Investment Counsellor/ Associate Investment Counsellor or Investment Advisor, as applicable, will recommend the most appropriate model portfolio or investment vehicle(s) for your account(s) based on your stated investment objectives and risk tolerance, together with any other instructions provided by you.

Following the selection of your Investment Manager(s), trading in your account will be carried out on a discretionary basis in accordance with recommendations provided by your chosen Investment Manager(s).

#### A+ Program

In the A+ Program, there is a choice between investment vehicles and a select group of sub-advisors (collectively, the “Sub-Advisors”). Your Investment Counsellor/Associate Investment Counsellor or Investment Advisor, as applicable, will recommend the most appropriate model portfolio or investment vehicle for your account(s) based on your stated investment objectives and risk tolerance, together with any other instructions provided by you.

Following the selection of your Sub-Advisor(s), trading in your account will be carried out on a discretionary basis in accordance with recommendations provided by your chosen Sub-Advisor(s).

No U.S. or Canadian mutual funds may be purchased or sold within the A+ Program or the Access Program.

### 4.3.2 Fees

As consideration for rendering discretionary investment services and providing access to the Investment Managers in the Access Program or Sub-Advisors in the A+ Program and other investment vehicles, we receive a fee from you, payable quarterly, in advance, based on a percentage of your assets under management. Your A+/Access account fee will be calculated based on the market value of the assets in your A+/Access account as of the last business day of the month preceding the quarter for which your A+/Access account fee is applicable and will be denominated in the currency as

### 3 RBC Private Counsel (USA) Inc.

indicated in our account forms. If for any reason the Discretionary Investment Advisory Agreement (“DIAA”) with you is terminated, any unearned, prepaid fees will be refunded.

#### **Access Program Fees**

Fees are calculated on the aggregate amount that a client has allocated to the Access Program at the following per annum rates:

Assets under Management	Maximum fee
<b>Equity/Balanced</b>	
US \$ 100,000 to \$ 999,999	2.75%
US \$ 1,000,000 to \$1,999,999	2.50%
US \$ 2,000,000 to \$9,999,999	2.15%
<b>Fixed Income</b>	
OBUS \$ 100,000 to \$999,999	1.65%
1BUS \$ 1,000,000 to \$9,999,999	1.50%

The fee is weighted based on the composition of the client's portfolio. When an Access portfolio consists of both equity and fixed income accounts, the total Access portfolio value can be used to determine the fee level for both schedules.

#### **A+ Program Fees**

Fees are calculated on the aggregate amount that a client has allocated to the A+ Program at the following per annum rates:

Assets under Management	Maximum fee
\$50,000 to \$499,999	2.75%
\$500,000 to \$999,999	2.60%
\$1,000,000 to \$1,999,999	2.50%
\$2,000,000 to \$9,999,999	2.15%

When a portfolio consists of multiple A+ accounts, the total A+ portfolio value can be used to determine the fee level for all accounts within the A+ portfolio. For example: one A+ account with \$1Million and a second A+ account with \$1.5million for the same client can be priced at \$2Million to \$9.9Million tier for both accounts.

The A+ Program and Access Program fee includes:

- Services provided by the Investment Manager(s) in respect of the Access Program or Sub-Advisor(s) in respect of the A+ Program with regard to your portfolio;
- Services provided by RBC Global Advisory Research Group for its research, ongoing monitoring and due diligence support. Please refer to item 6.1 for further information;

- Services provided by RBC DS as custodian for your account, including all transactions cleared through RBC DS, and for the calculation of your account performance.
- The cost of securities transactions where we, or our affiliates, act as your agent for buying, selling and generally dealing in securities for you using various broker-dealers. Refer to section 9.4 for further details. However, in the event that an Investment Manager in the Access Program executes trades directly through an unaffiliated broker-dealer in order to get best execution, the cost of execution is not included in the fee paid by you and will be included in the net price of the particular transaction and charged to your account. By accepting the DIAA you acknowledge that the fee does not include any fees or commissions payable to third parties when the Investment Manager executes trades directly through an unaffiliated broker-dealer. We believe that it is rare that an Investment Manager will execute securities transactions directly through an unaffiliated broker-dealer.

In addition to the above fees, certain other charges unrelated to the advisory and brokerage services, including fees and expenses relating to the operation of the account such as administrative fees, may apply, in accordance with the terms of the Client Account Agreements.

In some cases, the investment advisory fees are negotiable and may vary from the schedules above.

Depending on the size of a client's account, the frequency of trading and type of securities purchased, the fee may cost a client more or less than the cost of purchasing such services separately. However, many clients would not have access to the individual Investment Managers or Sub-Advisors without using the A+ or Access programs due to those Investment Managers' and Sub-Advisors' standard investment minimums.

#### **Foreign Exchange**

RBC DS, as custodian, may perform foreign currency transactions on your behalf when a trade is made in securities denominated in a currency other than the currency of your account (“Foreign Trade”). The foreign currency conversion rate that appears on your account statement includes RBC DS' spread-based revenue (“spread”) for performing this function, in addition to any commissions or fees related to the Foreign Trade or your account. Spread is the difference between the rate obtained and the rate you receive. The foreign currency conversion rate and the spread will depend on market fluctuations as well as the amount, date and type of foreign currency transaction. Foreign currency conversions take place at such rates as are available to retail customers of

RBC DS for currency conversions of a similar amount, date and type. In performing foreign currency transactions, RBC DS may act as agent or principal. RBC DS may, at its discretion, reject a foreign currency transaction request. Foreign currencies are converted on the day your Foreign Trade is carried out. A different day may be used for: (a) mutual fund transactions; (b) transactions that you and RBC DS agree on; and (c) other transactions that RBC DS deems necessary.

### 4.3.3 Compensation

Our Advisory Representatives in the Access Program act as client relationship managers and receive compensation as a result of your participation in the Access Program. Our Investment Advisors and Investment Counsellors/Associate Investment Counsellors who recommended the A+ Program or the Access Program to you and provide ongoing investment advice in respect of your account receive compensation as a result of your participation in the A+ Program or Access Program.

If you choose to participate in one of our other RBC PC USA programs, it is possible that you will no longer deal with your current Advisory Representative or Investment Advisor or Investment Counsellor/Associate Investment Counsellor, as applicable, and instead may be serviced by another Investment Counsellor/Associate Investment Counsellor. As a result, the Advisory Representative or Investment Advisor or Investment Counsellor/Associate Investment Counsellor may have a financial incentive to recommend the Access Program or A+ Program, over our other RBC PC USA program, to you.

## 4.4 PRIVATE INVESTMENT MANAGEMENT PROGRAM (“PIM”)

### 4.4.1 Services

PIM is a program for individuals who wish to have their investments managed on a fully discretionary basis directly by one of our Investment Counsellors/Associate Investment Counsellors.

An Investment Counsellor/Associate Investment Counsellor builds a client’s portfolio by selecting individual securities and may also recommend models provided by the A+ Program and the Access Program. In addition, the Investment Counsellor/Associate Investment Counsellor monitors and adjusts a client’s portfolio based on market conditions and on the client’s individual investment objectives. The process of building a portfolio begins with the Investment Counsellor/Associate Investment Counsellor assessing a client’s investment objectives, risk tolerance, financial goals

and tax circumstances using information provided by the client. This assessment is documented in an investment policy statement, which forms the blueprint for the design and creation of a client’s portfolio. The Investment Counsellor/Associate Investment Counsellor then builds the client’s portfolio. No U.S. registered mutual funds may be purchased or sold within a PIM account.

### 4.4.2 Fees

As consideration for rendering discretionary investment management services under PIM, we receive a fee, payable monthly or quarterly, in arrears, based on a percentage of the client assets under management. The calculation of fees excludes any assets held in an A+ account or Access account. Fees in respect of such accounts are charged in accordance with the A+ fee schedule or Access fee schedule, as outlined in section 4.3.2 above.

Fees are calculated and paid in Canadian or U.S. dollars at the following per annum rates, subject to specific arrangements made with the client:

Account Size (Cdn\$)	Maximum Fee
<b><i>Equity/Balanced Portfolios</i></b>	
\$0 - \$499,000	2.75%
\$500,000 - \$999,999	2.50%
\$1,000,000 - \$1,999,999	2.20%
\$2,000,000 - \$4,999,999	1.95%
\$5,000,000 - \$5M Plus	1.65%

Account Size (Cdn\$)	Maximum Fee
<b><i>Fixed Income* Portfolios (Up to 25% Equities)</i></b>	
\$0 - \$499,000	1.95%
\$500,000 - \$999,999	1.65%
\$1,000,000 - \$1,999,999	1.40%
\$2,000,000 - \$2M Plus	1.25%

\* Defined as Term Investments such as GICs, Bonds, Debentures, Preferred Shares and Money Market Securities such as T-Bills, Bankers Acceptances and Commercial Paper.

The fee paid by a client includes our management fees, RBC DS custodial fees (if applicable), and the cost of securities transactions where we, or our affiliates, act as your agent for buying, selling or generally dealing in securities for you, using various broker-dealers. Refer to section 9.4 for further details.

In addition to the above fees, certain other charges unrelated to the advisory and brokerage services, including fees and expenses relating to the operation of the account such as

## 5 RBC Private Counsel (USA) Inc.

administrative fees, may apply, in accordance with the terms of the Client Account Agreements.

In some cases, the investment advisory fees are negotiable and may vary from the schedules above.

Depending on the size of a client's account, the frequency of trading and type of securities purchased, the fee may cost a client more or less than the cost of purchasing such securities and services separately.

### **Early Termination Fee**

Due to the significant time and effort involved in initially setting up a PIM portfolio for a client, we may charge an early termination fee if the client terminates its PIM investment management relationship with us within twelve months of opening an account. The early termination fee may equal an amount up to the aggregate fee that would have otherwise been paid to us with respect to such account during the first twelve months of the relationship, less the amount of any fees already paid by the client.

### **Foreign Exchange**

RBC DS, as custodian for your account, may perform foreign currency transactions on your behalf when a trade is made in securities denominated in a currency other than the currency of your account ("Foreign Trade"). The foreign currency conversion rate that appears on your trade confirmation and/or account statement includes RBC DS's spread-based revenue ("spread") for performing this function, in addition to any commissions or fees related to the Foreign Trade or your account. Spread is the difference between the rate obtained and the rate you receive. The foreign currency conversion rate and the spread will depend on market fluctuations as well as the amount, date and type of foreign currency transaction. Foreign currency conversions take place at such rates as are available to retail customers of RBC DS for currency conversions of a similar amount, date and type. In performing foreign currency transactions, RBC DS may act as agent or principal. RBC DS may, at its discretion, reject a foreign currency transaction request. Foreign currencies are converted on the day your Foreign Trade is carried out. A different day may be used for: (a) mutual fund transactions; (b) transactions that you and RBC DS agree on; and (c) other transactions that RBC DS deems necessary.

In addition, certain other charges unrelated to the advisory and brokerage services, including fees and expenses relating to the operation of the account such as administrative fees, may apply.

## 4.4.3 Compensation

The Investment Counsellor/Associate Investment Counsellor who recommended the PIM Program to you and manages your account receives compensation as a result of your participation in the program. If you choose to participate in any of our other RBC PC USA programs, it is possible that you will no longer deal with your Investment Counsellor/Associate Investment Counsellor and instead may be serviced by another Investment Counsellor/Associate Investment Counsellor or an Investment Advisor or Advisory Representative, and your Investment Counsellor/Associate Investment Counsellor may not be entitled to any compensation. As a result, the Investment Counsellor/Associate Investment Counsellor may have a financial incentive to recommend PIM, over our other programs or services, to you.

## Item 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

*This section provides a description of requirements in order to open an account and the types of clients to whom we typically provide investment advice.*

Our clients are typically individuals, their families and personal holding companies, and trusts.

### 5.1 A+ PROGRAM AND ACCESS PROGRAM

In order to participate in the A+ Program, the initial investment is generally CDN or U.S. \$25,000 and the minimum investment with an individual Sub-Advisor is typically CDN or U.S. \$50,000. For the Access Program, the initial investment is generally U.S. \$250,000. The minimum investment with an individual Investment Manager is typically U.S. \$100,000. However, the minimum threshold to achieve a diversified portfolio that matches the client's investment objectives and risk tolerance may be higher. The actual investment amount will be dependent on the portfolio models and the minimum investable per Investment Manager or Sub-Advisor, as applicable, to satisfy the underlying asset, geographic and style allocations.

### 5.2 PIM PROGRAM

Generally, the minimum account size to open a PIM account is CDN or U.S. \$100,000.

## Item 6 - INVESTMENT MANAGER AND SUB-ADVISOR SELECTION AND EVALUATION

*This section provides a description of our process for selecting, evaluating and providing performance reporting of Investment Managers in the Access Program and Sub-Advisors in the A+ Program. It also provides certain information about our PIM Program and a description of some of the risks of which you should be aware and of our proxy voting practices.*

### 6.1 A+ PROGRAM AND ACCESS PROGRAM

#### 6.1.1 Selection of Investment Managers and Sub-Advisors and Analysis by the Investment Committee

RBC Global Advisory Research Group recommends fixed income and equity Investment Managers and Sub-Advisors for both the Access Program and the A+ Program based on research, as described below.

From these recommendations, the Investment Committee (the “Committee”) has selected approximately 50 Investment Managers for the Access Program and approximately 50 Sub-Advisors for the A+ Program to which client assets can be allocated. In selecting the Investment Managers and Sub-Advisors, consideration is given to, among other things, firm and product, investment professionals, investment approach and historical performance.

The Committee consists of at least four investment professionals from one or more of our affiliates. The initial evaluation concludes when the most promising Investment Managers and Sub-Advisors are considered for approval by the Committee. To be approved, each Investment Manager and Sub-Advisor must pass a thorough review by the Committee that includes a detailed discussion of facts and informed opinions derived from a comprehensive due diligence and evaluation process. Our analysts employ well-defined research, evaluation, and reporting activities when assessing each category. The process typically begins with the following minimum screening criteria:

- Three years of operating and performance histories;
- \$100 million of firm assets under management;
- \$25 million of product assets under management;
- Three years of portfolio management tenure;
- Reasonable management fees and expenses.

Investment Managers and Sub-Advisors meeting the above criteria are then subjected to a more rigorous evaluation focused on four broad categories:

- Firm and Product
- Investment Approach
- Investment Professionals
- Performance

Objectively understanding the quality and effectiveness of an Investment Manager and Sub-Advisor or particular portfolio strategy requires in-depth examination of performance, including a detailed analysis of the sources of returns. Not all Investment Managers and Sub-Advisors should be compared to one another, nor are all products directly comparable. Information learned in performance reviews is used to build expectations about each Investment Manager’s and Sub-Advisor’s capabilities and the potential return behaviour of different portfolio strategies during various market environments. Analyzing performance within the context of these predetermined expectations is a major philosophical underpinning of our approach to Investment Manager and Sub-Advisor research.

#### 6.1.2 Review and Replacement of Investment Managers and Sub-Advisors

Ongoing due diligence of Investment Managers and Sub-Advisors is performed via on-site visits, conference calls, and in-house meetings to confirm the factors that contributed to the past successes of each model are still meaningfully intact. A watch list is maintained, which provides a means to communicate developments of potential concern. The termination of an Investment Manager or Sub-Advisor may be recommended if the original thesis is materially and permanently impaired. This is most commonly the result of fundamental developments that are determined to be detrimental to the potential longer-term success of the Investment Manager’s or Sub-advisors underlying investment strategy.

Investment performance is routinely monitored to ensure it conforms to the basic expectations about each model. Quarterly, the Committee will assess the performance and quality of the Investment Managers and Sub-Advisors selected. In the absence of a material cause for concern that would lead to more frequent evaluation, a more formal due diligence is generally conducted annually.

### **6.1.3 Performance of Investment Managers and Sub-Advisors**

Performance information on the Investment Managers and Sub-Advisors is calculated by the respective Investment Managers and Sub-Advisors. We calculate your individual account performance and periodically compare it to performance reported by the Investment Manager or Sub-Advisor, as applicable. This review is designed to determine whether an Investment Manager's or Sub-Advisor's reported performance data is consistent with the actual experience of our clients. We do not review the performance data provided by the individual Investment Managers or Sub-Advisors to ensure they are calculated on a uniform and consistent basis; review the appropriateness of the methodology used to calculate performance or audit the mathematical accuracy of the calculation or compliance with any standards an Investment Manager or Sub-Advisor has stated it follows.

### **6.1.4 Structuring a Client's Portfolio of Investment Managers in the Access Program or Sub-Advisors in the A+ Program**

In the Access Program either an Investment Advisor or Investment Counsellor/Associate Investment Counsellor recommends a mix of Investment Managers to the client based on the client's stated investment objectives or an Advisory Representative collects information about the client's investment objectives and risk tolerance and one of our Investment Counsellors use this information to select a mix of Investment Managers in the Access Program.

In the A+ Program either an Investment Advisor or Investment Counsellor/Associate Investment Counsellor recommends a mix of Sub-Advisors to the client based on the client's stated investment objectives.

To the degree that a client has placed restrictions on an account, we take this into consideration when determining which Investment Managers or Sub-Advisors, as applicable, to select. If necessary, specific client-restrictions will be noted on the account.

### **6.1.5 Related Persons**

None of the Investment Managers in the Access Program are affiliates of ours. However, RBC Global Asset Management Inc. and RBC Dominion Securities Inc. are Sub-Advisors in the A+ Program and affiliates of RBC PC USA.

### **6.1.6 Performance Based Fees and Side by Side Management**

We do not accept performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the assets of a client account. As mentioned in Item 4 above, our investment advisory fees are based on the month-end market value of your portfolio.

### **6.1.7 Risk of Loss**

There are a number of sources of risk to which a typical portfolio may be exposed. These risks could result in unexpected losses of capital, reduce the generation of income, or decrease the probability of you achieving your goals.

Most of these risks can generally be mitigated through diversification: constructing your portfolio so there is not a significant exposure to any single investment or group of investments that may be impacted in a similar manner as a result of a particular risk event. For some of the risks outlined below, there may be additional techniques that can be employed to further reduce risk.

The following is an overview and description of some of the risks of which you should be aware:

- **Market Risk** – This is the risk that a change in the economy and the market as a whole will affect the price of individual securities in ways that were not anticipated. While a change in the broader market is based on the underlying securities, not all individual securities are affected in the same way or to the same degree.
- **Interest Rate Risk** – This is the risk that a change in interest rates will impact the returns on interest rate-sensitive investments, such as bonds and mortgage-related securities. Generally, rising interest rates result in a decline in asset prices.
- **Political/Geographic Risk** – This is the risk that policies or instability in a region or nation will impact performance.
- **Purchasing Power or Inflation Risk** – This is the risk that investments will return less than the rate of inflation and therefore your portfolio will not maintain its purchasing power.

- **Currency/Foreign Exchange Risk** – This risk exists for any investment made in an international market where payments or principal are exposed to another currency.
- **Credit or Company Specific Risk** – This encompasses risks generally associated with individual companies.
- **Sector/Industry Risk** – This encompasses risks associated with a particular sector or industry (e.g. technology)
- **Liquidity** – investing in less liquid securities may result in the difficulty or even inability to sell, as well as potentially a negative impact on price received, if you need the money.
- **Capital Markets** – securities regulators can impose limitations on trading activity, which may prevent a profit or increase losses to your portfolio.
- **Concentration** - A high concentration of assets in a single or small number of issuers may reduce diversification and liquidity within a portfolio and increase its volatility.

Unless specifically indicated in your investment policy statement, our approach to investment management is to maintain well diversified portfolios that seek to minimize the impact each of these risks might have on your overall portfolio. In addition, we may selectively employ currency hedging to further attempt to reduce the impact of this specific risk.

The discussion above is general in nature and is not intended to apply in respect of your specific portfolio or personal circumstances, either of which may give rise to additional risks not set out above. Your risk tolerance is considered along with your investment objectives and time horizon when constructing your portfolio. Please consult your Advisory Representative for more information.

### **6.1.9 Voting Client Securities**

The Investment Managers in the Access Program and Sub-Advisors in the A+ program vote client proxies in the best interest of our clients. In any case where we may have a conflict of interest in the outcome of a vote, we will not influence or otherwise interfere with our service provider's proxy voting recommendations. Voting records and a copy of the policy will be provided to clients on request. Should clients wish to provide specific voting instructions, they may contact their Advisory Representative or Investment Counsellor/Associate Investment Counsellor, as applicable with respect to holdings in their Access account and their

Investment Advisor or Investment Counsellor/Associate Investment Counsellor, as applicable, with respect to holdings in their A+ account.

Where economically feasible, we will file applicable class action settlement claims on behalf of our existing client accounts.

## **6.2 PIM PROGRAM**

### **6.2.1 Advisory Services, Constructing and Managing Your Portfolio**

As outlined in the beginning of the brochure, in the PIM Program, a client's portfolio is managed on a discretionary basis by one of our Investment Counsellors/Associate Investment Counsellors, who are responsible for building a client's portfolio by selecting individual securities and may also recommend models in the A+ Program and Access Program based on investment objectives set out in the client's investment policy statement and internal investment management guidelines and portfolio guidance.

Clients may impose reasonable restrictions on management of their accounts, including by restricting particular securities and types of investments, provided RBC PC USA accepts those restrictions.

#### **6.2.2 Methods of Analysis**

In making decisions for a client, an Investment Counsellor/Associate Investment Counsellor may use charting, fundamental, technical or cyclical methods of analysis and portfolio guidance. Strategies include long-term and short-term purchases and may also involve active trading (i.e., securities bought and sold within 30 days).

In addition to the ongoing management and review undertaken by the Investment Counsellor/Associate Investment Counsellor, quarterly reviews of each PIM client's portfolio are conducted by one of our Portfolio Risk Advisors to ensure that the client's investment objectives are being diligently pursued. Any issues raised during a review are documented and followed-up with the client's Investment Counsellor/Associate Investment Counsellor.

#### **6.2.3 Performance Based Fees and Side By Side Management**

We do not accept performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the

assets of a client account. As mentioned in Item 4 above, our investment advisory fees are based on the month-end market value of your portfolio.

#### 6.2.4 Risk of Loss

There are a number of sources of risk to which a typical portfolio may be exposed. These risks could result in unexpected losses of capital, reduce the generation of income, or decrease the probability of you achieving your goals.

Most of these risks can generally be mitigated through diversification: constructing your portfolio so there is not a significant exposure to any single investment or group of investments that may be impacted in a similar manner as a result of a particular risk event. For some of the risks outlined below, there may be additional techniques that can be employed to further reduce risk.

The following is an overview and description of some of the risks of which you should be aware:

- **Market Risk** – This is the risk that a change in the economy and the market as a whole will affect the price of individual securities in ways that were not anticipated. While a change in the broader market is based on the underlying securities, not all individual securities are affected in the same way or to the same degree.
- **Interest Rate Risk** – This is the risk that a change in interest rates will impact the returns on interest rate-sensitive investments, such as bonds and mortgage-related securities. Generally, rising interest rates result in a decline in asset prices.
- **Political/Geographic Risk** – This is the risk that policies or instability in a region or nation will impact performance.
- **Purchasing Power or Inflation Risk** – This is the risk that investments will return less than the rate of inflation and therefore your portfolio will not maintain its purchasing power.
- **Currency/Foreign Exchange Risk** – This risk exists for any investment made in an international market where payments or principal are exposed to another currency.
- **Credit or Company Specific Risk** – This encompasses risks generally associated with individual companies.

- **Sector/Industry Risk** – This encompasses risks associated with a particular sector or industry (e.g. technology)
- **Liquidity** – investing in less liquid securities may result in the difficulty or even inability to sell, as well as potentially a negative impact on price received, if you need the money.
- **Capital Markets** – securities regulators can impose limitations on trading activity, which may prevent a profit or increase losses to your portfolio.
- **Concentration** - A high concentration of assets in a single or small number of issuers may reduce diversification and liquidity within a portfolio and increase its volatility.

Unless specifically indicated in your investment policy statement, our approach to investment management is to maintain well diversified portfolios that seek to reduce the possible impact each of these risks might have on your overall portfolio. In addition, we may selectively employ currency hedging to further attempt to reduce the impact of this specific risk.

The discussion above is general in nature and is not intended to apply in respect of your specific portfolio or personal circumstances, either of which may give rise to additional risks not set out above. Your risk tolerance is considered along with your investment objectives and time horizon when constructing your portfolio. Please consult your Investment Counsellor/Associate Investment Counsellor for more information.

#### 6.2.5 Voting Client Securities

We have retained an independent, external service provider to vote client proxies in accordance with pre-determined guidelines, subject to our ability to override recommendations in appropriate cases. Proxies are voted in the best interest of our clients. In any case where we may have a conflict of interest in the outcome of a vote, we will not influence or otherwise interfere with our service provider's proxy voting recommendations. Voting records and a copy of the Policy will be provided to clients on request. Should clients wish to provide specific voting instructions, they may contact their Investment Counsellor/Associate Investment Counsellor.

Since we have discretionary authority over our clients' portfolios, where economically feasible, we will file applicable class action settlement claims on behalf of our existing client accounts.

## Item 7 - CLIENT INFORMATION PROVIDED TO INVESTMENT MANAGERS AND SUB-ADVISORS

*For clients in the Access Program, this section describes client information communicated to the Investment Managers selected for that client. This section is not applicable to clients invested in the A+ Program since client information for that program is not shared with Sub-Advisors.*

We keep your personal information confidential and will only share information as required or permitted by law or as agreed to in writing.

### 7.1 ACCESS PROGRAM

In respect of the Access Program, we provide the following information to the respective Investment Manager(s) selected for each client:

- Name and Address
- Investment Objectives and Risk Tolerance (Know Your Client information)
- Financial positions held, account balances and daily transactions related to the client's separate managed account

## Item 8 - CLIENT CONTACT WITH INVESTMENT MANAGERS AND SUB-ADVISORS

*This section explains the restrictions, if any, placed on your ability to contact and consult with your Investment Managers or Sub-Advisors.*

### 8.1 A+ PROGRAM AND ACCESS PROGRAM

Generally, clients will not have any direct contact with Investment Managers in the Access Program and Sub-Advisors in the A+ Program. If you have any questions about your account or the Investment Manager(s) or Sub-Advisor(s), as applicable, in your portfolio, please contact your Investment Advisor or Investment Counsellor/Associate Investment Counsellor or Advisory Representative, as applicable.

### 8.2 PIM PROGRAM

Your Investment Counsellor/Associate Investment Counsellor is responsible for constructing and managing your accounts and will schedule regular meetings with you to review your portfolio and investment objectives and is also available upon your request.

## Item 9 - ADDITIONAL INFORMATION – A+ PROGRAM, ACCESS PROGRAM & PIM PROGRAM

*This section discloses additional information that is material to your evaluation of our advisory business or the integrity of our management.*

### 9.1 DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose legal or disciplinary events that would be material to your evaluation of our advisory business or the integrity of our management.

RBC PC USA and our management personnel have no reportable disciplinary event to disclose.

### 9.2 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As indicated under Item 4, RBC PC USA is an indirect wholly owned subsidiary of RBC. In addition to RBC PC USA, the following companies are affiliates of RBC:

- Entities registered under applicable U.S. securities legislation:
  - Bluebay Asset Management LLP
  - RBC Capital Markets, LLC
  - RBC Global Asset Management (U.S.) Inc.
- Entities registered under applicable Canadian securities legislation:
  - Bluebay Asset Management Ltd.
  - Bluebay Asset Management LLP
  - Phillips, Hager & North Investment Funds Ltd.
  - RBC Dominion Securities Inc.
  - RBC Global Asset Management Inc. ("RBC GAM")
  - RBC Phillips, Hager & North Investment Counsel Inc. ("RBC PH&N IC")

## 11 RBC Private Counsel (USA) Inc.

- Entity registered under applicable U.K. securities legislation: BlueBay Asset Management LLP.
- Entity registered under applicable Australian and Cayman Islands securities legislations: RBC Capital Markets, LLC

RBC also holds a non-controlling interest in O'Shaughnessy Asset Management, LLC.

In addition, RBC PC USA is an affiliate of The Royal Trust Company, Royal Trust Corporation of Canada, RBC Wealth Management Financial Services Inc. and RBC Investor Services Trust, which are wholly owned subsidiaries of RBC.

### ***Material Relationships and Arrangements with Related Persons***

RBC PC USA may obtain portfolio management, trade execution, product and manager selection, and other services for your account from affiliated portfolio managers, RBC GAM and RBC PH&N IC, and an affiliated dealer, RBC DS. In providing portfolio management and trade execution services, these affiliates are contractually and ethically bound to carry out their duties honestly and in good faith, and in the best interests of clients. They are also bound to exercise the degree of care, diligence and skill that a reasonably prudent person or portfolio manager, as applicable, would exercise in comparable circumstances.

In providing discretionary investment management services, RBC PC USA is responsible for:

- the advice that it receives from affiliates, and
- losses you incur that arise out of the failure of an affiliate to meet the applicable standard of care.

Affiliates of ours may sponsor or manage Canadian pooled investments transferred into our clients' portfolios and model portfolios that we may select for our clients. RBC PC USA may pay a fee to an affiliated sub-advisor or investment manager for managing a model portfolio and a pooled fund. An Investment Counsellor/Associate Investment Counsellor's decision to select a specific model portfolio or a pooled fund for a client must not be influenced by any factors other than the best interest of that client and must be in line with the investment objectives, guidelines, restrictions and other applicable provisions of the client's investment policy statement and DIAA.

RBC PC USA may also obtain from, or provide to, RBC and its subsidiaries, management, administrative, back office, referral or other services in connection with its ongoing business. For instance, RBC DS is the custodian for your account.

Further, certain directors and officers of RBC PC USA are also directors and officers of one or more of the registrants listed above. Investment Counsellors/Associate Investment Counsellors, Advisory Representatives and Investment Advisors with RBC PC USA may also be registered with another related registrant and provide services to clients of that registrant. These relationships are subject to legislative and regulatory restrictions on dealings between related registrants and/or individuals that are dually registered with registrants. These restrictions are intended to minimize the potential for conflicts of interest resulting from these relationships. RBC PC USA has also adopted internal policies and procedures that supplement these restrictions, including policies on privacy and confidentiality of information, broker allocation and fair allocation of investment opportunities. Information concerning related advisors can be found on Schedule D of Form ADV Part 1 for each of RBC PC USA's registered advisory affiliates.

The relationships with related companies are subject to legislative and regulatory restrictions on dealings between related registrants and/or individuals that are dually registered with registrants. These restrictions are intended to minimize the potential for conflicts of interest resulting from these relationships. RBC PC USA has also adopted internal policies and procedures that supplement these restrictions, including policies on privacy and confidentiality of information, broker allocation and best execution.

The underwriting and investment banking activities of our Participating Affiliate, RBC DS, are operated on a separate and distinct basis from the discretionary investment business of RBC PC USA pursuant to Information Barriers and Privacy Policies adopted by the members of the RBC.

## 9.3 RELATED AND CONNECTED ISSUERS

Sometimes we trade in or advise clients about securities of issuers to which we or certain other parties related to us, is related or connected:

- An issuer of securities is "related" to us if, through the ownership of, or direction or control over voting securities,
  - we may control that issuer,
  - that issuer may control us, or
  - the same third party may control both the issuer and us.

RBC is a reporting issuer under applicable securities laws and is a related issuer of ours. It is expected that RBC may have a

controlling influence in the investment funds to which it provides seed capital from time to time.

- An issuer is “connected” to us if, due to indebtedness or other relationships, a reasonable prospective purchaser of securities of the connected issuer might question our independence from the issuer.

We will ensure that any dealings in securities of related or connected issuers in your account will comply with the investment objectives, guidelines, restrictions and other applicable provisions of your DIAA and investment policy statement.

Recommending that you buy or sell securities or investment products in which we or a related person has some financial interest may create a conflict between our and our affiliates’ financial interest and your interest in buying or selling a particular security or investment product. We have a fiduciary obligation to put the interest of our clients ahead of our own and our affiliates’ interest, and have adopted policies and procedures that help identify and manage potential conflicts of interest arising from recommending and investing clients in related and connected issuers.

## 9.4 TRADING IN YOUR ACCOUNT

We, or our affiliates, may act as your agent for buying, selling and generally dealing in securities for you. Securities transactions for your account will be effected using various broker-dealers, as determined by RBC PC USA from time to time, consistent with the duty to seek best execution for our clients. Purchases and sales of all securities for your account, except for certain fixed income securities, are executed by non-affiliated brokers. However, an affiliated broker may end up on the other side of the transaction, as agent or principal, as a result of the automated systems of the Canadian marketplaces which match trades on an automated basis and neither we, nor our affiliates, have any knowledge or control over which orders are matched. Purchases and sales of fixed income may be made by our affiliate RBC DS acting as a principal (i.e. buy securities from you or sell securities to you for or from its own account), in which case RBC DS may charge you its customary institutional rate mark-up on the security. With respect to securities transactions affected through RBC DS acting as your agent, you authorize the aggregation of contemporaneous purchase or sell orders for the same securities with orders of other customers in accordance with applicable legal and regulatory guidelines.

## 9.5 CODE OF ETHICS

We have adopted a Code of Ethics, which is comprised of the RBC Code of Conduct and policies pertaining to Personal Trading, Privacy, Gifts and Entertainment, Conflicts of Interest & Outside Activities and Insider Trading. Copies of these will be provided upon request.

Our Compliance Manual requires that in advising clients with respect to securities of parties related to us: (i) we will deal fairly, honestly and in good faith with our clients; (ii) we will maintain operational and decision-making autonomy; and (iii) investment decisions will be made on the basis of the business judgment of the responsible Investment Counsellors /Associate Investment Counsellors and Investment Advisors uninfluenced by considerations other than the best interests of clients. We may purchase securities of persons related us for client accounts. Any such transactions will adhere to all applicable laws and regulations.

## 9.6 PERSONAL TRADING

Employees must conduct their personal trading responsibly and in such a manner that does not, (i) take advantage of material information about a listed issuer that has not been disclosed to the public or, (ii) place their own interests ahead of the interests of clients.

To prevent potential conflicts of interest, we monitor and control personal trading by employees who have access to information about actual and proposed trades for client portfolios. Trade orders on behalf of clients will have priority in normal order flow and will rank ahead of any employee accounts trading alongside firm trading accounts.

We prohibit improper use of confidential information, or of any inside information not publicly disclosed, for personal gain or for the benefit of another person.

## 9.7 ACCOUNT REVIEW PROCEDURES AND CLIENT REPORTING

### 9.7.1 A+ Program and Access Program

The Branch Managers together with Trade Surveillance review your accounts on a daily and periodic basis to assess know your client, trade suitability and risk tolerance.

#### Access Program

In the Access Program the Portfolio Risk Advisors (“PRAs”) from the Portfolio Risk Group conduct quarterly reviews of your portfolio, to ensure that your portfolio is in line with

your stated investment objectives, as set out in your investment policy statement. If your portfolio requires rebalancing with respect to the allocation across selected Investment Managers, it will be coordinated through your Investment Advisor or Investment Counsellor/Associate Investment Counsellor or Advisory Representative, as applicable. The Investment Managers selected for your Access portfolio are responsible for the ongoing monitoring and rebalancing of individual securities held in each of your Access accounts.

If your investment objectives and/or risk tolerance were to change materially, you must inform your Investment Advisor or Investment Counsellor/Associate Investment Counsellor or Advisory Representative, as applicable, and we will send you a revised investment policy statement to document these changes. If required, your Access portfolio will be rebalanced accordingly.

#### **A+ Program**

In the A+ Program, the RBC DS Overlay Portfolio Manager conducts quarterly reviews of your portfolio against your stated investment objectives, as set out in your investment policy statement. If your portfolio requires rebalancing with respect to allocation across selected Sub-Advisors/investment vehicles or individual securities as a result of a market drift or recommendation by one of your Sub-Advisors, the RBC DS Overlay Portfolio Manager will implement those changes accordingly.

If your investment objectives and/or risk tolerance were to change materially you must inform your Investment Advisor or Investment Counsellor/Associate Investment Counsellor, as applicable and we will send you a revised investment policy statement to document these changes. If required, your A+ portfolio will be rebalanced accordingly.

To keep you fully apprised of how your portfolios are being managed, we provide a comprehensive portfolio and performance reporting package, including:

- ▶ A quarterly performance report in which overall portfolio results are emphasized. (You have the option of viewing each account separately or as a combined portfolio consisting of multiple accounts). The report will include: securities holdings at the end of the reporting period, a summary of trading activity for the reporting period and a summary of income earned for the reporting period.
- ▶ Individual net-of-fee, time-weighted rate of return for each of your accounts and for your combined overall portfolio if, in the case of A+ and Access, you so choose.
- ▶ Investment Manager and Sub-Advisor commentaries on the quarter-in-review, as available.

- ▶ RBC DS custody statements at least quarterly and monthly if there has been activity in your portfolio and it will list your holdings, the market value of your investments as at the end of the period as well as transaction activity during the period.

Upon request, clients will be provided with individual Investment Manager or Sub-Advisor results, as applicable, reported separately in the currency of the model portfolio provided by that Investment Manager or Sub-Advisor.

### **9.7.2 PIM Program**

Investment Counsellors/Associate Investment Counsellors are responsible for reviewing portfolios under their management on an ongoing basis. The Branch Manager supervising your Investment Counsellor/Associate Investment Counsellor, conducts various daily and monthly trade reviews to ensure investments made in your portfolio(s) are suitable. Portfolio Risk Advisors ("PRAs") in the Portfolio Risk Group review portfolios and follow up with the Investment Counsellors /Associate Investment Counsellors to ensure any identified action items are addressed. In addition, the PRAs review, on a periodic basis, all portfolios against the investment policy statement and internal investment management guidelines. Variables considered in the review process: asset mix, income need, diversification, security quality and performance. In addition, from time to time, Branch Managers and other senior management may also be involved in the above mentioned reviews of your portfolio.

We will provide you with a quarterly portfolio review that will list at a minimum, the market value of your investments, performance and asset mix of your portfolio. In addition, your custodian, RBC DS, will provide you with a custodial statement at least quarterly and monthly if there has been activity in your portfolio and it will list your holdings, the market value of your investments as at the end of the period and transaction activity in your portfolio during the period. If you have retained a custodian other than RBC DS, your chosen custodian must provide you with separate reporting, on a quarterly basis, at a minimum.

## **9.8 CLIENT REFERRALS AND OTHER COMPENSATION**

We may from time to time compensate non-affiliated solicitors for client referrals subject to compliance with all applicable laws and the policies of RBC. The compensation paid will typically consist of a cash payment stated as a percentage of our investment advisory fee at the time of the referral, but in no event shall any such compensation increase

the fees charged to a client. Should we enter into a referral arrangement; all payments will be in compliance with Rule 206(4)-3 under the Advisers Act. This Rule permits an investment adviser that is registered under the Advisers Act to pay “cash” fees, directly or indirectly, to a “solicitor” with respect to “solicitation activities”.

We do not pay referral fees to employees of our affiliates for client referrals.

## **9.9 FINANCIAL INFORMATION**

We are not required to include a balance sheet in this brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients. In addition we have not been the subject of a bankruptcy proceeding during the past 10 years.

Page intentionally left blank



**RBC Wealth Management**

RBC Private Counsel (USA) Inc., RBC Phillips, Hager & North Investment Counsel Inc., RBC Global Asset Management Inc., RBC Dominion Securities Inc.\*, Royal Trust Corporation of Canada, The Royal Trust Company and Royal Bank of Canada are separate legal entities that are affiliated. RBC Private Counsel (USA) Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. \*Member-Canadian Investor Protection Fund. ® Registered trademark of Royal Bank of Canada. Used under license. © 2015. All rights reserved.