

# Investment Advisory Brochure



## Part 2A of Form ADV: Firm Brochure

Royal Bank of Canada Investment Management (USA) Limited  
Address: Riverbank House, 2 Swan Lane, London, EC4R 3BF, United Kingdom  
Telephone number: +44 (0) 20 7653 4000  
[www.rbcwealthmanagement.com](http://www.rbcwealthmanagement.com)

This brochure provides information about the qualifications and business practices of Royal Bank of Canada Investment Management (USA) Limited. If you have any questions about the contents of this brochure, please contact us at +44 (0) 20 7653 4000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Royal Bank of Canada Investment Management (USA) Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

January 2016



Wealth  
Management

## Item 2 - Material Changes

Since the prior version of this brochure dated January 2015 we have made the following material changes:

### Changes to Appropriate Personnel – ITEM 19

- Appointed January 2016, David Rawlinson, Chief Compliance Officer
- Resigned July 2015, Melanie Keyes, Chief Compliance Officer
- Resigned August 2015, George King IV, Head of Portfolio Strategy
- Resigned November 2015, George Riley, Head of Discretionary Investment
- Resigned August 2015, Andrew Tipton, Investment Manager
- Resigned July 2015, Gautam Chaddha, Investment Counsellor

1	Item 1 - Part 2A of Form ADV: Firm Brochure
2	Item 2 - Material Changes
3	Item 3 - Table of Contents
4	Item 4 - Non-Discretionary Business
6	Item 5 - Fees and Compensation
8	Item 6 - Performance-Based Fees and Side-By-Side Management
8	Item 7 - Types of Clients
9	Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss
11	Item 9 - Disciplinary Information
12	Item 10 - Other Financial Industry Activities and Affiliations
14	Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
15	Item 12 - Brokerage Practices
16	Item 13 - Review of Accounts
17	Item 14 - Client Referrals and Other Compensation
17	Item 15 - Custody
18	Item 16 - Investment Discretion
18	Item 17 - Voting Client Securities
19	Item 18 - Financial Information
20	Item 19 - Requirements for State-Registered Advisors

## Item 4 - Non-Discretionary Business

RBCIM USA offers discretionary and non-discretionary investment services to US clients.

### Retail Distribution Review

Clients investing through the Royal Bank of Canada Investment Management (USA) Limited's ("RBCIM USA") Non-Discretionary Investment Management Service should note that Royal Bank of Canada Investment Management (USA) Limited provides Restricted Advice. We will advise and make a recommendation for you after we have assessed your needs. We offer advice on limited types of products (which we offer from a limited number of companies) aligned to our areas of expertise. A list of the companies and products on which we offer advice is available upon request.

This means that when we offer advice to you, we do not consider the full range of retail investment products. Rather we have carried out an assessment to find those companies who offer products that we believe best meet our clients' investment needs, based on our understanding of individual client's objectives and attitude towards investment risk.

- Whenever we mention 'products' this typically refers to particular types of investments such as mutual funds, investment trusts (closed-end funds whose shares are traded on a stock exchange) and capital-at-risk structured products.
- Here at RBC we have always believed in investment discipline, diversification and efficient asset allocation. Our approach uses the best of in-house and third party investment solutions so that we can work with you to build a carefully designed investment portfolio to meet your needs over a defined time horizon.

### Corporate Structure

Royal Bank of Canada Investment Management (USA) Limited is part of RBC's Wealth Management division and has been in business since 24 November 1997.

- RBCIM USA is formed under the laws of the United Kingdom ("UK").
- RBCIM USA is a direct subsidiary of Royal Bank of Canada Investment Management (U.K.) Limited ("RBCIM U.K."), a company formed in the UK which is an indirect, wholly-owned subsidiary of Royal Bank of Canada ("RBC").

### Who Regulates Us?

The Financial Conduct Authority ("FCA") is the independent body that regulates financial services in the UK

- RBCIM USA is authorised and regulated by the Financial Conduct Authority pursuant to the UK Financial Services and Markets Act 2000 ("FSMA") and is authorised and regulated to carry on investment management business in the UK.
- RBCIM U.K. is authorised and regulated by the Financial Conduct Authority pursuant to the UK Financial Services and Markets Act 2000 ("FSMA") and is authorised to carry on investment management business in the UK.
- Additionally, RBCIM USA is registered as an Investment Advisor with the U.S. Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act").
- Such registrations in no way imply that either the SEC or the FCA has reviewed or approved the investment services described in this Brochure.

### United Kingdom Financial Services Compensation Scheme

We are covered by the Financial Services Compensation Scheme ("FSCS"). You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Most types of investment business are covered up to a maximum limit of £50,000 (British pounds). Further information about compensation scheme arrangements is available from the FSCS.

### Discretionary Investment Management

When we provide this service we exercise discretion over the contents of your Portfolio (subject to the limits and requirements that you set for us in your mandate). We arrange transactions to buy or sell investments for your account in accordance with our decisions. This mandate must be agreed by you and is based on our understanding of your circumstances. You may impose reasonable restrictions on investing in certain or types of securities. We charge for our services based on a percentage of assets under management as described under Item 5.

## Non-Discretionary Investment Management

With this service we review your investment objectives, knowledge and experience, make portfolio recommendations and assess suitability both in relation to each transaction and in relation to your portfolio. We do not make decisions on your behalf and you may accept or reject our advice.

If you accept our advice, you may instruct us to execute the transaction and we will deal on your behalf. You may also instruct us to execute certain transactions where we have not provided recommendations and we will carry these out on an execution-only basis. We charge for our services based on a percentage of assets under management as described under Item 5.

### Assets Under Management

	US Dollar Amount	Total Number of Accounts
Discretionary	\$ 50,270,589	10
Non-Discretionary	\$ 758,492,446	51
Total	\$ 808,763,035	61

The assets under management of both discretionary and non-discretionary accounts were calculated as of 31 December 2015.

## Item 5 - Fees and Compensation

### Details of Fees

Our annual fee rates are set out under this Item 5, which are charged quarterly in arrears and calculated as a percentage of the average net asset value (“NAV”) of your portfolio throughout the relevant calendar quarter including cash for Discretionary Investment Management Services and excluding cash for Non-Discretionary. As part of our Terms of Business you authorize us to debit fees directly from your account.

Following the implementation of the Retail Distribution Review (“RDR”), effective 31 December 2012, we will no longer be investing in retail share classes paying retrocession or trail commissions. Additionally, for any new investments from this date, we will not receive, from third parties (such as fund managers, product providers and our associates), fees or commissions or other non-monetary benefits (“Payments”) in connection with the discretionary management of your portfolio.

#### Fees for Discretionary Investment Management Services (Multi-Manager Segregated)

Account size* (USD\$)	Very conservative	Conservative	Balanced	Growth	Aggressive growth
\$5m	0.95%	1.30%	1.30%	1.40%	1.65%
Next \$5m	0.75%	1.10%	1.10%	1.20%	1.45%
Over \$10m	0.55%	0.90%	0.90%	1.00%	1.25%

\* or currency equivalent. Subject to a minimum annual charge of USD\$47,500. Refer to Item 16 for further information.

#### Fees for Discretionary Investment Management Services (Fixed Income Only)

Account size* (USD\$)	Annual management fee based on a percentage of assets under management
\$5m	0.70%
Next \$5m	0.60%
Over \$10m	0.50%

\* or currency equivalent. Subject to a minimum annual charge of USD\$35,000.

#### Fees for Discretionary Investment Management Services (Multi-Manager Funded)

Account size* (USD\$)	Annual management fee based on a percentage of assets under management
\$5m	1.00%
Next \$5m	0.85%
Over \$10m	0.70%

\* or currency equivalent. Subject to a minimum annual charge of USD\$50,000. Refer to Item 16 for further information.

#### Fees for Non-Discretionary Investment Management Services (Tariff A - Managed Advisory Investment Services)

This tariff is based on an all-inclusive management fee that includes this service, all transactions, custody and administration, but excludes third party brokerage costs, foreign exchange (spot, forwards, NDFs, options) and fees charged within funds).

Account size* (USD\$)	Annual management fee based on a percentage of assets under management
\$5m	1.00%
\$5m - \$10m	0.85%
Over \$10m	0.70%

\* or currency equivalent. Subject to a minimum annual charge of USD\$50,000.

#### Fees for Non-Discretionary Investment Management Services (Tariff B - Managed Advisory Investment Services: Fixed Income only)

This tariff is designed for fixed income portfolios only and is based on an all-inclusive management fee that includes this service, all transactions, custody and administration, but excludes third party brokerage costs and foreign exchange (spot, forwards, NDFs, options) and fees charged within funds.

Account size* (USD\$)	Annual management fee based on a percentage of assets under management
\$5m	0.70%
\$5m - \$10m	0.60%
Over \$10m	0.50%

\* or currency equivalent. Subject to a minimum annual charge of USD\$35,000.

## Notes on Charges

- In certain instances fees may vary from the schedules. Fees are inclusive of safe custody and handling charges as levied by overseas custodians for all securities.
- You may incur certain charges such as deferred sales charges, transfer taxes, wire transfer and other fees and taxes on securities transactions.
- Individual mutual funds and exchange traded funds in which your portfolio is invested will bear additional costs, for example fund manager, custodian, administrator and auditor's fees, disclosed in a fund's prospectus and which are charged to the fund directly. RBC fees are additional to these fund costs.
- Where a portfolio is initiated or terminated within a quarter, we shall be entitled to charge a proportionate part of any fees for the relevant quarterly period including either the initiation date or the termination date as relevant.
- Details of the agreed fee rate will be confirmed in writing prior to the provision of services.
- Fees stated above are exclusive of any tax duty or levy which may arise on them and in particular are exclusive of United Kingdom Value Added Tax ("VAT"), which may be levied according to legal requirements.

## Additional Charges May Apply

- Swift charges: up to £50.00\* each
- Delivery or receipt of stock: £75.00\* each
- Out of pocket courier or fax: as applicable
- Additional valuations £50.00\* each
- Corporate actions £15.00\* each

Lifting fees for euro payments are charged by third party banks. We reserve the right to charge where appropriate.

## Brokerage and Other Costs and Expenses

You are responsible, and we are entitled to reimbursement from you, for all costs and expenses associated with the management of your account, including without limitation to third party brokerage fees, dealer spreads, mark ups and mark-downs, interest expenses, financing charges, mutual fund fees, administrative or auditing fees, settlement fees, and expenses and any other related transactions fees and expenses, incurred in connection with any transaction or investment in or for the account.

## Fee Calculation Example

For a client on Tariff A for our Non-Discretionary Investment Management Services, with an average Net Asset Value ("NAV") in a calendar quarter of \$6,000,000, the fee for that quarter will be:

$$\$6,000,000 @ 0.85\% = \$51,000/4 = \$12,750$$

For a client of our Discretionary Investment Management Services (Multi-Manager Segregated, for a Balanced portfolio) with an average daily value of \$6m the quarterly fee will be calculated as follows:

$$\$5m \text{ at } 1.30\% = \$65,000/4 = \$16,250$$

$$\$1m \text{ at } 1.10\% = \$11,000/4 = \$2,750$$

$$\text{Total quarterly fee} = \$19,000$$

Fees will rise or fall in line with the average daily market value of your portfolio, subject to the minimum annual charge.

\* or currency equivalent

## Item 6 - Performance-Based Fees and Side-by-Side Management

We do not use a performance-based fee structure because of the potential conflict of interest. Performance based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk for you.

## Item 7 - Types of Clients

We generally provide investment advice to:

- Individuals
- Trusts, estates, or charitable organisations

Generally, there is a minimum account size in order to open a Discretionary Managed Account or a Non-Discretionary Managed Account of US\$5,000,000. We may waive this minimum size and any minimum fee at our discretion.



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

## Methods of Analysis

Our security analysis methods include:

- Fundamental
- Quantitative
- Technical
- Cyclical

The main sources of information we use include:

- Models provided by third party investment managers
- Models provided by RBC Global Asset Management, Inc.
- Financial press and specialist publications
- Inspections of corporate activities
- Research materials prepared by RBC and other third parties
- Corporate rating services
- Annual Reports, Prospectuses, filings with the SEC and other Regulators
- Company press releases

## Investment Strategies

We use following strategies in managing our core portfolios, provided that such strategies are appropriate to your needs and are consistent with your investment objectives, risk tolerance and time horizons, amongst other considerations.

### Very Conservative

As a Very Conservative investor you will seek income with maximum capital preservation and the potential for modest capital growth, and you will be comfortable with small fluctuations in the value of your investments. Your portfolio will invest primarily in fixed-income securities, and may include a small amount of equities, to generate income while providing some protection against inflation.

### Conservative

As a Conservative investor you will pursue modest income and capital growth with reasonable capital preservation, and be comfortable with moderate fluctuations in the value of your investments. Your portfolio will invest primarily in fixed-income securities, with some equities, to achieve more consistent performance and provide a reasonable amount of safety.

### Balanced

The Balanced portfolio is appropriate for you if you are seeking a balance between long-term capital growth and capital preservation, with a secondary focus on modest income, and you are comfortable with moderate fluctuations in the value of your investments.

### Growth

If you fit the Growth profile you will seek long-term growth over capital preservation and regular income, and you will be comfortable with considerable fluctuations in the value of your investments.

### Aggressive Growth

As an Aggressive Growth investor, you seek maximum long-term growth over capital preservation and regular income, and are comfortable with significant fluctuations in the value of your investments. The portfolio is almost entirely invested in stocks and emphasizes exposure to global equities. This investment profile is suitable only for you if you have a high risk tolerance.

## Material Risks

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

- **Management Risk:** Our judgements about the fundamental value of securities or other factors showing the attractiveness of investment acquired for a portfolio may prove to be incorrect. In addition, our judgements about asset allocations, exposure to foreign currencies and other macro-economic factors may prove to be incorrect.
- **Risk of Loss:** Investing in securities involves risk of loss that you should be prepared to bear. The investment decisions that we make for you are subject to various market, currency, economic, political and business risks, and our investment decisions based on such factors will not always be profitable.
- **Investment Risk:** We do not guarantee that your portfolio will achieve its investment objectives, performance expectations, risk and return targets.

- **Diversification and Liquidity Risk:** Unless we and you otherwise agree, we will not be responsible for your overall diversification, asset allocation or liquidity needs.
- **Tax Risk:** You should consult your tax advisor regarding the tax consequences of your investments. RBCIM USA is not a tax advisor.
- **Equity Risk:** There are various risks associated with investing in equities including:
  - The stock markets where a portfolio is invested may go down.
  - An adverse event, such as poor earnings reports, a negative press comment, may depress the value of a company's shares.
  - Smaller companies may have less diversified product or service offerings and less market liquidity, which may increase price volatility.
- **Fixed-income Risk:** Such risks include:
  - **Interest Rate Risk:** If interest rates rise, the prices of fixed income securities in the portfolio may fall and the longer the maturity of a fixed income security the greater its sensitivity to changes in interest rates.
  - **Credit Risk:** The issuer may default on its obligation to pay principal or interest, may have its credit rating downgraded by a rating agency or may be perceived by the market to be less creditworthy. Lower rated bonds are more likely to be subject to an issuer's default than investment grade (higher rated) bonds. Lower rated bonds may have less liquidity and be more difficult to value in declining markets.
  - **Prepayment Risk:** If interest rates fall the issuer of a security may exercise its right to prepay principal earlier than scheduled, forcing the investor to reinvest in lower yielding securities.
- **Emerging Market Risk:** Risks associated with investing in foreign and emerging markets include:
  - Vulnerability to economic downturns and instability due to undiversified economies, trade imbalances, inadequate infrastructure, heavy debt loads and dependence on foreign capital inflows, governmental corruption and economic mismanagement and difficulty in delivering economic reforms.
  - Adverse government intervention: Nationalization, punitive taxation policies, currency devaluations, asset transfer restrictions, restrictions on investment by non-citizens, excessive laws and regulations.
  - Political and social instability, war and civil unrest.
  - Less liquid and efficient securities markets: higher transaction costs, settlement delays, poor and unreliable publicly available information, non-uniform reporting and accounting standards, pricing difficulties and less effective supervision.
- **Derivatives Risk:** The use of derivatives involves risks that are different from the risks involved from directly investing in securities. The primary risks of loss associated with derivatives are:
  - (i) Market risk — the risk that the market value of the investment will decline.
  - (ii) Credit risk — the risk that the counterparty to the transaction will default on its obligations.
  - (iii) Liquidity risk — the risk that the instrument will not be readily marketable.
  - (iv) Valuation risk — the risk that the instrument may have only one pricing source. Investments in derivatives include the risk that changes in the value of a derivative may not correlate with the underlying asset, rate, index or market.
- Gains or losses involving some options, futures and other derivatives may be substantial.
- While some derivative strategies can reduce the risk of loss, the use of derivatives can also reduce the opportunity for gain or result in losses by offsetting favourable price movements in other investments.
- Derivatives may create leverage and may pose the risk of losing more than the amount invested.
- **Foreign Currency Risk:** The risk that foreign currency rate fluctuations cause the value of securities denominated in such foreign currencies (or other instruments through which the portfolio could have exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time.
- **Investments in Pooled Investment Funds:** Certain strategies may invest in one or more pooled investment funds managed by our affiliates or by unaffiliated third party managers including mutual funds, exchange-traded funds (ETF), collective investment funds, private funds, offshore funds, real estate funds, etc.
- A fund's investment will be made in accordance with the fund's offering documents, e.g., prospectus, offering memorandum and governing instruments.

- In addition, to the extent a strategy invests in a pooled investment fund, there may be additional risks discussed in the fund's offering documents or governing instruments which are not discussed in this Brochure.
- Prior to investing your account in a fund we will assess whether we believe the investment is consistent with your investment guidelines.
- You will generally bear, indirectly, fund investment expenses and operating costs.
- When investing in a fund you will normally bear the fees paid by the fund to its investment manager.

### Research Process

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

### Customized Portfolios

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

### Derivatives

We may use derivatives in an account in order to provide a portfolio with flexibility and an increase in efficiency over what can be achieved using the cash markets. The main benefits are cash flow use, adjustment of asset mix, change in industry weights, risk reduction and enhancement of yield. Derivatives are non-cash contracts or securities that derive their value from the return on a certain asset or from the relationships among the returns of assets. Fixed income derivatives include but are not limited to futures, forwards, swaps, credit default swaps and options (listed and over the counter).

### Risk of Loss

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

### Governance

RBC Wealth Management's investment business in the British Isles is governed by a number of investment committees which provide oversight and direction to its discretionary and non-discretionary business. RBCIM USA has access to these committees and can utilise the outputs of these committees at its discretion.

## Item 9 - Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to your evaluation of our nondiscretionary business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10 - Other Financial Industry Activities and Affiliations

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

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

RBCIM USA does not have any relationships or arrangements that are material to its non-discretionary business or clients with a related person other than those described below.

- Some of our directors, executive officers and employees are also directors, officers or employees of one or more affiliates. In these circumstances, the potential for a conflict of interest exists between the obligations to our clients and the incentive to take actions that benefits one or more of our other affiliates. There may also be conflicts among the affiliated entities with respect to the allocation of resources and time. We believe these potential conflicts are mitigated because our employees and those of our affiliates are subject to a Code of Conduct and various policies that require these employees to act in the best interests of our clients and to put the needs of our clients first at all times.
- We have two affiliates on our list of approved broker-dealers. All broker-dealer business is carried out in accordance with our systems and controls to manage regulatory requirements and potential conflicts of interest.
- RBCIM USA may delegate certain responsibilities to one or more affiliates, to the extent permissible by law.
- We receive certain administrative, operational, infrastructure and technical support, compliance, legal and marketing services from our affiliates.
- We do not believe these relationships create material conflicts of interest between RBCIM USA and our clients.

### Participating Affiliates

In reliance on certain no-action relief previously granted by the SEC, we have entered into service arrangements with certain investment advisor affiliates (each, a “Participating Affiliate”) which permit us to use investment offerings, investment management capabilities and related services, including personnel, of the Participating Affiliates in providing advice to our clients. Currently, our Participating Affiliates are:

- RBCIM U.K.
- RBC 49th Street Branch
  - RBC 49th Street Branch is a US Federal Branch that is licensed by the Office of the Comptroller of Currency.

### Lending Activities

You may also be clients of other affiliates and as such may be permitted to borrow money from RBC, including RBC Europe Limited for personal or investment purposes.

- You should keep in mind that a determination by RBC to lend money or extend credit to you is made by RBC itself and by us.
- You should carefully consider allocating borrowed money to an investment account given the risk of loss of such borrowed money.
- Although an RBC employee may be involved in discussing the advantages and the attendant risks related to borrowing money in order to invest in securities, the employee does not represent us in such discussions.

You should also take into account the cost of such borrowing in analyzing your portfolio's rate of return. Similarly, you should consider the effect of borrowing on your investment objectives. Finally, you should note that we are compensated based on a percentage of your assets under management or a fixed fee. Assets under management include any borrowed money in an account. Therefore, RBC has a conflict of interest in loaning money to you that will allocate said money to us for investment management. In other words, in addition to any interest charged on the outstanding principal, RBC benefits indirectly (through RBCIM USA — its affiliate) from the investment management fees charged on any such borrowed money allocated to us.

## Trusts and Personal Investment Companies

RBC or its affiliates may offer trust and related services to their clients in connection with tax or estate planning.

We are not involved in advising you with respect to the establishment of trusts or Personal Investment Companies ("PICs") that may be used to conduct investment activities (including discretionary or non-discretionary managed accounts), and we have no involvement in setting or negotiating fees for such services. You will pay any such expenses directly and these are not associated with the services described in this Brochure.

If you establish a trust or a PIC that in turn enters into an investment management agreement with us, you should keep in mind that we treat that trust or the PIC as our client and not you, as the individual who established the trust or PIC. This means, for example, that changes to investment objectives or instructions regarding additions, withdrawals or the closing of an account must be sent by a person authorised by the trust or the PIC and not you. However, if you have established a particular trust or PIC we will meet with you, with the permission of the appropriate trustee or PIC directors, to review past investment performance and/or proposed changes to the investment objectives; please note that the trust or PIC as applicable remains our client.

## Brokerage Services

RBC Capital Markets LLC, a US registered broker-dealer and RBC Europe Limited, an FCA regulated firm, are both affiliates of RBCIM USA that offer brokerage and non-discretionary services to certain clients. We may select these affiliates for the execution of transactions for our clients' accounts.

An affiliate may receive and retain compensation for that trade, for example a mark-up on a foreign exchange transaction. In accordance with our Conflicts of Interest policy, these transactions are monitored to ensure (1) that we are acting in the best interests of our clients and (2) that the transactions comply with our duty to seek and obtain best execution for our clients.

We do not receive any 'soft dollars', i.e. products services in lieu of commissions from any broker or dealer.

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

## Code of Ethics

In compliance with Rule 17j-1 under the Investment Company Act of 1940 and with Rule 204A-1 of the Investment Advisers Act of 1940, we have a code of ethics which is incorporated into the Compliance Policies and Procedures, and the RBC Code of Conduct (see page 17). They establish rules of conduct for our employees. They are designed to manage any conflicts of interest within RBCIM USA and to govern employee activities including personal account dealing of employees and the offering and receipt of gifts and entertainments by employees.

## Principal Transactions

It is possible that the purchases and sales of certain securities may be made by an affiliated broker acting as a principal, in which case such affiliate may charge the client its customary institutional rate mark-up on such security. We will comply with all applicable rules with respect to such principal transactions.

## Agency Cross Transactions

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

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

## Compliance Policy and Procedures

Our Compliance Policies and Procedures require that when we advise you with respect to securities of parties related to us:

- (i) we will deal fairly, honestly and in good faith with you and
- (ii) investment decisions or recommendations will be made on the basis of the business judgement of the responsible Portfolio Managers uninfluenced by considerations other than in your best interests. If we purchase securities of related persons (i.e. any company in the Royal Bank of Canada group of companies) for your account, any such transactions will adhere to all applicable laws and regulations effecting such transactions, and we will secure your consent prior to any such transaction for your account.

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

In line with our Order Execution Policy, securities transactions for our employees' investment accounts may be affected only after orders are executed for client accounts.

Our employees must adhere to the Personal Account Trading Procedure and the Inside Information, Information Barriers and Personal Account Dealing Policy. This includes the requirement for employees to obtain prior approval from the Compliance Department and their Business Head before buying or selling securities.

A summary of our Conflicts of Interest Policy and our Order Execution Policy are included in our Terms of Business. You may request an additional copy.

## RBC Code of Conduct

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

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

## Information Barriers

The activities of our broker-dealer affiliates operate separately and distinctly from our discretionary and non-discretionary investment business pursuant to an Information Barrier policy adopted by RBC. RBC and all of its controlled subsidiaries have adopted policies concerning insider trading that require prior authorisation of transactions that pose potential conflicts of interest.



When selecting brokers to execute transactions we seek to obtain best execution and may consider such factors as a broker's willingness to commit capital, financial stability, systems including electronic trading systems, facilities and record keeping, proprietary research and experience of handling similar transactions (based on size, market conditions and type of security, among other factors).

To aid our review and assessment of these factors we utilize, inter alia, recorded feedback from our investment dealers, which analyzes the overall value provided to client accounts by individual brokers, rates of commission, mark-up and mark-downs, other applicable fees and charges, and their overall responsiveness to RBC. Additionally, we may consider a broker's relative performance on industry surveys and studies of execution quality.

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

We may purchase or sell the same security for more than one client account simultaneously. With respect to equity securities, when possible, orders for the same security are aggregated or 'batched' to facilitate best execution and to reduce brokerage commissions and other costs. We effect aggregated transactions in a manner designed to ensure that no client is favoured over another client.

Specifically, each client that participates in an aggregated transaction will receive the average share price for all the fills in that security on that business day, with respect to the aggregated order. Securities purchased or sold in an aggregated transaction are allocated on a pro rata basis, unless certain exceptions apply, to the participating client accounts in proportion to the value of the initial order based on account size. We may, however, increase or decrease the amount of securities allocated to a particular account to avoid odd-lot or a small number of shares being held by an account.

In some instances, the procedures described above may adversely affect the size of the position or the price paid that would have been received had no aggregation occurred. Exceptions to allocation across client accounts in a manner other than pro rata based upon the capital of the client account allocated to the relevant strategy for which the trade was executed are reviewed independently.

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

In exercising investment discretion over your account, we (including its Participating Affiliates) will be responsible for selecting the brokers and dealers to execute trades for your account. In the event that we allocate some or all of your account to one or more Managers, it is possible that we may also delegate to such sub-advisors the authority to select the brokers and dealers to execute the transactions recommended by such sub-advisors. This is the case, for instance, when we invest your assets in a mutual fund.

Currently we and not a particular sub-advisor will control the implementation of any model changes received from a Manager. We would not, as general practice, accept your instructions to direct brokerage to particular broker-dealers.

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

## Item 13 - Review of Accounts

### Discretionary and Non-Discretionary Managed Accounts

We carry out internal reviews of each discretionary managed account regularly and at least once every twelve months. This review process will include an update of your personal information to ensure your investment objectives and risk profile are up-to-date and your portfolio remains suitable.

Investments within non-discretionary managed accounts are subject to a suitability review at the time the investment is transacted. This review takes into account your risk profile and objectives, to ensure the investment is suitable for you. We perform internal reviews of each non-discretionary managed account regularly and at least once every twelve months. This review process will include an update of your personal information to ensure your investment objectives and risk profile are up to date and your portfolio remains in line with these objectives.

- The reviewers will be subject to our training and competence requirements, which require us to ensure our reviewers are adequately trained and properly supervised and competent to discharge their responsibilities.
- We are required to maintain records for each reviewer showing (a) details of the individual's qualifications (including any exemptions from the examination requirement) and experience, and (b) details of assessments undertaken and training courses attended.
- The job titles of the reviewers are either "Investment Director", "Investment Manager" or "Investment Counsellor". All reviewers are fully instructed as to the standards of review required and their training. Each reviewer will have assigned to them fewer than 150 accounts.
- You will receive quarterly portfolio statements setting forth the account's securities holdings as of the end of the reporting period and account activity for the reporting period. In addition, this report summarises the performance of the account.

The statement includes:

- Time-weighted performance summary
- Complete list of securities held and cash balances, with book costs and values as at the valuation date (holdings are categorised according to country of origin and, in the case of equities, industry sector)
- Summary pages showing asset allocation
- Schedule of transactions undertaken during the review period
- Schedule of interest and dividends received during the review period
- Details of fees charged on the account

We encourage you to discuss your account(s) with your Portfolio Manager/Investment Counsellor.



## Item 14 - Client Referrals and Other Compensation

### Solicitor's or Finder's Fees

We may directly or indirectly compensate our employees and affiliates for client referrals or solicitation of client accounts. For example, we are a member of the RBC Wealth Management division. As such, most of our clients are referred by RBC Wealth Managers who may be compensated for such referrals.

The compensation paid to any such affiliates or employees will most likely consist of indirect compensation through incentive bonus arrangements of the applicable affiliate or employee.

In no event shall any such compensation increase the fees disclosed and charged to you. All such payments will be made in compliance with Rule 206(4)-3 of the Rules promulgated by the SEC under the Advisers Act. This Rule is known as the Cash Solicitation Rule and permits an investment advisor that is registered under the Advisers Act to pay cash fees, directly or indirectly, to a "solicitor" with respect to "solicitation activities." We intend to compensate third parties or affiliates for client referrals.

## Item 15 - Custody

### Custody

Where we provide custody services for you we do not maintain physical custody of any client assets but deposit your assets with a qualified custodian. A qualified custodian may (but need not) be a company which is part of the Royal Bank of Canada group of companies.

Our qualified custodians are:

Royal Bank of Canada (Channel Islands) Limited  
19-21 Broad Street  
St Helier  
Jersey  
JE4 8RR

Royal Bank of Canada Investment Management (USA) Limited  
Riverbank House  
2 Swan Lane  
London  
EC4R 3BF

## Item 16 - Investment Discretion

### Discretionary Managed Accounts

We offer discretionary, individually managed accounts to clients who wish to have their investments professionally managed pursuant to a multi-manager platform. In addition, we may offer bespoke portfolios when we believe we have the expertise to deliver on non-standard investment objectives. You may have more than one account, each of which is traded in accordance with different portfolio model(s) or otherwise based on your specific instructions or restrictions. Your account is subject to investment risks, including but not limited to market and currency exchange risk, fluctuations in value, and possible loss of the principal invested.

There is a minimum account size in order to open a Discretionary Managed Account of US \$5,000,000. We may waive this minimum at our discretion.

RBC Wealth Management offers investment models of multiple investment managers (or “Managers”). An external Manager normally is a third party manager which has been selected after extensive due diligence on the Manager and its investment model.

Notwithstanding the use of other Managers’ models, your Portfolio Manager and not the particular Manager we retain is responsible for ensuring that your portfolio(s) is consistent with your investment objectives.

Further information on the investment models or the external managers can be sent to you, at your request.

### Multi Manager Segregated

Under this service your portfolio will be constructed using multi-manager expertise and invested in underlying segregated securities.

### Multi Manager Funded

Under this service your portfolio will be constructed using multi-manager expertise and invested in collective investment vehicles. This service is subject to availability.

### Non-Discretionary Managed Accounts

Our non-discretionary management service may be established directly by US clients or by trustees of offshore trusts established by US clients. You remain directly involved in the day-to-day decision-making and management of your investment portfolio, assisted by your Portfolio Manager.

There is a minimum account size in order to open a Non-Discretionary Managed Account of US \$5,000,000. We may waive this minimum at our discretion.

The ‘Primary Relationship Model’ within RBC Wealth Management aims to help create, implement and manage solutions to meet your investment needs. This model ensures you have access to both a Primary Relationship Manager and a Portfolio Manager to discuss your portfolio.

Further details on the management of the discretionary and non-discretionary accounts are available on request.

## Item 17 - Voting Client Securities

### Proxy Voting

As required by SEC rule 206(4)-6, when acting as a discretionary manager who exercises voting authority over client proxies, we have adopted policies and procedures reasonably designed to ensure that we vote proxies in your best interests. Proxy issues shall receive consideration based on all relevant facts and circumstances. We may, from time to time, find that not voting is in your best interests (e.g. when the cost of voting a proxy exceeds the expected benefit to you).

You may request a copy of our Proxy Voting Policy. You may also contact your Relationship Manager to obtain details of voting decisions taken in relation to your securities.

## Balance Sheet for RBCIM USA

As at 31 October 2015

	2015 £'000	2014 £'000
<b>Assets</b>		
<b>Current</b>		
Cash at bank	965	818
Debtors	354	191
	1,319	1009
<b>Non-Current</b>		
Intangible assets	196	323
	196	323
<b>Total assets</b>	1,515	1,332
<b>Equity And Liabilities</b>		
<b>Current</b>		
Trade and other payables	278	434
<b>Current liabilities</b>	278	434
<b>Total liabilities</b>	278	434
<b>Equity</b>		
Share capital	3,150	2,150
Retained earnings	(1,913)	(1,252)
<b>Total equity</b>	1,237	898
<b>Total equity and liabilities</b>	1,515	1,332

The financial statements prepared in accordance with applicable United Kingdom law and accounting standards and are prepared under the historical cost convention.

The financial statements were approved and authorised for issue by the Board of Directors as of this 18 December 2015.

## Item 19 - Requirements for State-Registered Advisors

Our Chief Compliance Officer maintains a register of all personnel involved in giving investment advice to clients. We categorize these personnel as either “Threshold Competent” or “Trainees”.

We will not deem a person Threshold Competent unless the person has satisfied requirements regarding professional examinations and practical experience. Each person involved in giving investment advice must pass an appropriate examination. In addition, all individuals giving investment advice to our clients have passed North American Securities Administrators Association (NASAA) Series 65 Exam – the Uniform Investment Advisor Law Exam.

We conduct an annual assessment of the investment management personnel to ensure that individuals who have attained Threshold Competent status have maintained their competence by remaining current on:

- (i) Changes in applicable laws or regulations
- (ii) Changes in industry standards or practices
- (iii) Changes in internal operating procedures
- (iv) New products or services that we offer

From 31 December 2013, all advisors must complete a minimum of 35 hours continuing professional development (“CPD”) that must be recorded with a regulated Accredited Body, which for RBC is the Chartered Institute for Securities and Investment (“CISI”). The CISI will independently audit individuals’ CPD and issue a personal Statement of Professional Standing that permits our personnel to offer investment advice to our clients.

# Education and Business Background of Appropriate Personnel

**David Rawlinson**, Chief Compliance Officer of RBCIM USA

## Education

- Chartered Institute for Securities and Investments Level 6 Diploma in Investment Compliance
- ACAMS – Certified Money Laundering Specialist

## Business Background

January 2016 to present RBC, Head of Wealth Management Compliance UK

June 2012 to December 2015 Barclays Wealth, Head of Compliance Advisory UK

May 2009 to June 2012 HSBC Private Bank, Head of Compliance Advisory UK

January 2001 to April 2009 American Express, various roles including Head of UK & EMEA American Express Bank Compliance & Ethics.

**Daniel Ellis**, Chief Executive Officer of RBCIM USA

## Education

- Exeter University BA (Hons) Economics
- Associate Member of the Chartered Institute of Management Accountants
- Investment Management Certificate

## Business Background

Joined RBC in October 2013 as Head of Investments for the British Isles. Prior to this, Daniel spent 12 years with HSBC Private Bank, spending nine years in Geneva as Head of Structured Products and Derivatives before moving to London as Head of Investments for three years. Prior to HSBC, Daniel held various senior finance roles for Fleming and Lloyds TSB Treasury Services in both London and Jersey.

**Charles Lewis**, Head of UK Discretionary Investment Management

## Education

- Fellow of the Chartered Institute for Securities and Investment
- Chartered Institute for Securities & Investment Diploma, Series 65 Exam, Chartered Insurance Institute (CII)
- Financial Planning Certificate – Regulation Paper I & Investment Risk Paper II and the FSA Regulation & Compliance Exam

## Business Background

Joined RBC in 2006 as a Senior Investment Manager. Prior to joining RBC Charles was an Investment Manager at Cazenove Capital Management and has over 10 years of Investment Management experience.

**Dan Vaysleyb**, Investment Counsellor

## Education

- Binghamton University (New York), Dual BA Economics and Political Science
- FINRA Series 65 registered

## Business Background

Joined RBC in 2011 as Head of the Offshore Investment Advisory desk, and subsequently moving to the current role in London in 2015. Prior to this, Dan worked at UBS Wealth Management in the UK and US from 2007, specializing in portfolio strategy and construction as an Investment Advisory Consultant and Portfolio Specialist to high net worth clients. He began his career with Great-West Financial in New York as a Retirement Investment Consultant for the City of New York Deferred Compensation Plan, following graduation.

**Pedro Miguel Ferreira**, Investment Counsellor

## Education

- BA Marketing Management
- IPAM Marketing Management Porto, Portugal
- Series 65 qualified

## Business Background

Joined RBC in September 2010 as an Investment Counsellor, currently covering international clients worldwide. Pedro has worked in banking for the past 25 years, most recently as an Investment Advisor for a Portuguese Bank for six years before joining RBC. Prior to this Pedro worked as a private banker in Portugal.

**Michael Greenwood**, Investment Counsellor

**Education**

- Chartered Financial Analyst
- Member of the Chartered Institute for Securities and Investment
- FINRA Series 65 registered
- University of Southampton BSc (Hons) Management and Economics

**Business Background**

Joined RBC in 2009. Prior to this, Michael worked at Barclays Capital in its Corporate Lending team, with responsibility for debt origination, structuring and transaction execution. From here, he moved to Fidelity International, where he dealt with high net worth private clients holding accounts directly with the organisation, investing in their platform of funds and strategies.

**Hakan Enoksson**, Head of Fixed Income

**Education**

- MSc Economics and Postgraduate Diploma in Economics and Finance, Birkbeck College, University of London
- BA Economics and International Business, University of North London
- FINRA Series 65 registered
- Associate of the Chartered Institute for Securities and Investment

**Business Background**

Joined RBC in 2010. Prior to this, Håkan was a Fixed Income Strategist at Banco Comercial Português (BCP), within their Londonbased Asset Management division. Before his time at BCP, he was a Fixed Income Economist for Scandinavia at 4Cast. His career in the City started with an asset management position at Bank Hapoalim's Asset Management Division, where he was a Portfolio Manager for US Dollar and Euro denominated money market funds.

**Christopher Girdler**, Fixed Income Portfolio Manager and Strategist

**Education**

- Loughborough University, BSc (Hons) Economics
- Chartered Financial Analyst
- Member of Chartered Institute for Securities and Investment

**Business Background**

Joined RBC in September 2009 and before his current role, Christopher spent four years as an investment specialist in Structured Products, providing advice on structured investments and hedging solutions for private clients.

**Faisal Manji**, Assistant Fixed Income Portfolio Manager and Assistant Fixed Income Strategist

**Education**

- University of Exeter, BA (Hons) Economics
- Member of Chartered Institute for Securities and Investments
- Investment Advice Diploma in Securities and Derivatives
- Series 65 qualified

**Business Background**

Joined RBC in September 2010 after graduating with a first class degree, Faisal has been in his role as a fixed income investment specialist for over three years.

This publication has been issued by Royal Bank of Canada on behalf of certain RBC® companies that form part of the international network of RBC Wealth Management. You should carefully read any risk warnings or regulatory disclosures in this publication or in any other literature accompanying this publication or transmitted to you by Royal Bank of Canada, its affiliates or subsidiaries.

The products described in this document are not FDIC insured, not a deposit or other obligation of, or guaranteed by RBC or any of its affiliates or subsidiaries, and are subject to investment risks, including possible loss of the principal amount invested.

The information contained in this report has been compiled by Royal Bank of Canada and/or its affiliates from sources believed to be reliable, but no representation or warranty, express or implied is made to its accuracy, completeness or correctness. All opinions and estimates contained in this report are judgements as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Every province in Canada, state in the U.S. and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, any securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice.

This material is prepared for general circulation to clients, including clients who are affiliates of Royal Bank of Canada, and does not have regard to the particular circumstances or needs of any specific person who may read it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. To the full extent permitted by law neither Royal Bank of Canada nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of Royal Bank of Canada.

Clients of United Kingdom subsidiaries may be entitled to compensation from the UK Financial Services Compensation Scheme if any of these entities cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for up to a total of £50,000. The Channel Island subsidiaries are not covered by the UK Financial Services Compensation Scheme; the offices of Royal Bank of Canada (Channel Islands) Limited in Guernsey and Jersey are covered by the respective compensation schemes in these jurisdictions for deposit taking business only.

For further information about the compensation provided by the FSCS scheme (including the amounts covered and eligibility to claim) please refer to the FSCS website, [www.FSCS.org.uk](http://www.FSCS.org.uk). Please note only compensation related queries should be directed to the FSCS.

[www.rbcwealthmanagement.com](http://www.rbcwealthmanagement.com)

Further Information

To find out about the benefits of a relationship with RBC Wealth Management, please contact us using the details below.

Similarly, if you have any related questions, we would be delighted to hear from you.

**Martin Heale, FCSI**

Managing Director, Relationship  
Management  
RBC Wealth Management  
Tel: +44 (0) 20 7029 7582  
Cell: +44 (0) 7714 541205  
Email: martin.heale@rbc.com

**Janette Saxer, FCSI**

Director, Relationship Management  
RBC Wealth Management  
Tel: +44 (0) 20 7653 4169  
Cell: +44 (0) 7841 899932  
Email: janette.saxer@rbc.com

**Michelle White, CFA**

Director, Relationship Management  
RBC Wealth Management  
Tel: +44 (0) 20 7002 2011  
Cell: +44 (0) 7545 514101  
Email: michelle.white@rbc.com

**Shehreen Quayyum, MCSI**

Director, Relationship Management  
RBC Wealth Management  
Tel: +44 (0) 20 7429 8070  
Cell: +44 (0) 7738 755056  
Email: shehreen.quayyum@rbc.com

**Juan Pablo Cortes, MBA**

Director, Relationship Management  
RBC Wealth Management  
Tel: +44 (0) 20 7429 8198  
Cell: +44 (0) 7545 513154  
Email: juanpablo.cortes@rbc.com



**Wealth  
Management**