

# Important Information about Investment Managers and Trading Practices



**Wealth  
Management**

This document provides important information regarding the RBC Wealth Management (“RBC WM”, “we,” “us,” or “our”) Consulting Solutions program, a separately managed account wrap fee program (“Program”).

Current and prospective RBC WM Program clients (“client(s)”, “you” or “your”) should fully understand the trading practices employed by RBC WM and investment managers available through the Program.

## **RBC Wealth Management Consulting Solutions Program**

In the Consulting Solutions program, client accounts are managed by one or more professional investment managers participating in the Program. Traditionally, investment managers available through the Program exercise discretion. These investment managers exercise discretion by not only creating and maintaining an investment portfolio, but also selecting the broker/dealer(s) they execute trade orders with. Once a trade order has been filled, the investment manager provides instructions for the allocation of shares to client accounts. Clients may provide instructions to the investment manager to direct all orders for their account to a specific broker/dealer.

Alternatively, through this Program, we offer model portfolios, managed by us as overlay manager. Under this arrangement, investment managers will provide a model portfolio of securities and we, as overlay manager, manage the account in accordance with those models. When an investment manager provides a model portfolio it is a model portfolio provider and we act as overlay manager, we exercise discretion and are responsible for trade execution.

## **Best Execution Obligations**

As investment advisers registered with the Securities and Exchange Commission (“SEC”), investment managers and overlay managers (collectively, “Manager(s)”), including RBC WM, have a fiduciary obligation to seek “best execution” of client trade orders. In meeting this obligation, a Manager must execute securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances. In assessing whether this standard is met, a Manager should consider the full range and quality of a broker/dealer’s services when placing trades with them. These considerations may include, but are not limited to: price/yield competitiveness, execution capability and quality, commission rates, market impact, financial responsibility, operational efficiency, responsiveness to the adviser, knowledge of the relevant asset class/sector/specific security in which the adviser is transacting business, and other factors, as deemed appropriate. A Manager fulfills its duty of best execution not by obtaining the best price or the lowest commission rate, as is often assumed to be the case, but rather, by establishing and maintaining a process through which the Manager

assures that it is giving due attention to each of the many factors affecting the quality of execution of client trades. Additionally, the perceptions of what constitutes best execution in any given instance may vary.

## **Trade Aggregation and Rotation Practices**

Investment managers may participate in other wrap fee programs sponsored by firms other than RBC WM. In addition, investment managers may manage institutional and other accounts not part of a wrap fee program. Frequently, investment managers place orders to purchase or sell the same security for a number of clients invested in a particular investment strategy. Instead of effecting similar trades through a number of different broker/dealers, an investment manager may decide to aggregate such trades into a block trade that is executed through one broker/dealer. This practice may enable the investment manager to obtain a more favorable execution than would otherwise be available if the trades were not aggregated. As an aggregated order is executed, securities are allocated to clients in a fair and equitable manner over time, taking into consideration the interests of each client. Using block trades may also assist the investment manager in

potentially avoiding an adverse impact on the prices of a security that could result from simultaneously placing a number of separate, successive or competing trades.

Alternatively, an investment manager may utilize a trade rotation where one group of clients may have a transaction effected before or after another group of the investment manager's clients. Clients should be aware that an investment manager's trade rotation practices may at times result in a trade being effected for a client's account that occurs near or at the end of the investment manager's rotation and, in such event, the client's trade will significantly bear the market price impact, if any, of those trades executed earlier in the manager's trade rotation, and, as a result, the client may receive a less favorable net price for the trade.

Additional information regarding an investment manager's trade aggregation and rotation practices may be found in the investment manager's Form ADV Part 2A (Brochure).

### **RBC Wealth Management as Overlay Manager**

As overlay manager, RBC WM will effect securities transactions to conform to revisions in the model portfolios as soon as practicable after they are received, subject to any written client-specific investment guidelines, such as security restrictions. However, delays may occur between the communication of model revisions and the execution of securities transactions for the account. As overlay manager, RBC WM intends to manage an account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific investment guidelines make it practicable to do so.

Trades of securities to be sold or purchased in accounts over which RBC WM has investment discretion may be aggregated, consistent with our duty to seek best execution for our clients. Trades are aggregated and allocated

in a manner that is equitable and consistent with our fiduciary duties to our clients. Each participating account receives the average price for the aggregated order. Aggregated orders may include RBC WM employee and/or employee-related accounts.

### **Investment Managers and Trading Away**

If investment managers trade away from RBC WM with other broker/dealers, you should understand that commissions, mark-ups, spreads, and other transactional charges for transactions not effected through RBC WM are charged to you by the executing broker/dealer, whereas the Program fees assessed by RBC WM covers these costs when the trade is effected through RBC WM. The executing broker/dealers net these commissions, mark-ups, spreads and other transactional charges into the purchase or sale price of the trades and would not be delineated from the purchase or sale price found on your RBC WM trade confirmation, monthly transaction summary or statement. RBC WM does not restrict an investment manager's ability to trade away, as the responsibility to determine the suitability of trading away from RBC WM falls under the investment manager's expertise in trading the securities in their portfolio and their individual fiduciary duty to you. RBC WM does not evaluate whether an investment manager is meeting its best execution obligation when trading away. You should understand that RBC WM is not a party to transactions that are traded away from RBC WM and we are not in a position to negotiate the price or transaction related charge(s) with the executing broker/dealer.

Some investment managers have historically executed nearly all client trades with broker/dealers other than RBC WM. Some investment managers have executed some, if not all, trades that were a result of changes to their investment strategies with firms other than RBC WM while executing most, if not all, account maintenance trades (ex. trades need to invest a deposit or

generate cash for withdrawal) with RBC WM. In some situations, trades done away from RBC WM are executed by other broker/dealers without any additional commissions, mark-ups, spreads and other transactional charges. However, in other situations, commissions, mark-ups, spreads and other transactional charges may be assessed. These costs are in addition to the Program fee paid to RBC WM. As a result investment managers who execute trades with broker/dealers other than RBC WM may be more costly to clients than investment managers who primarily submit trades to RBC WM for execution. Clients should review the investment manager's Form ADV Part 2A (Brochure) for more information related to an investment manager's trading practices and consider this information carefully before selecting an investment manager. In particular, clients should carefully consider any additional trading costs they may incur before selecting an investment manager to manage their account.

The table on the next page, that includes data supplied to us by each investment manager that traded away from RBC WM in calendar year 2017, reflects the frequency and number of trades done away from RBC WM as well as the additional cost of these trades, if any. The information provided below is based solely on what each investment manager provided to RBC WM. This data has not been independently verified by RBC WM. Please note that the information provided reflects historical data and may not be indicative of the current trade away frequency, amount of trades or cost of these trades.

Please note that this table does not include managers available in the Consulting Solutions program that did not trade away from RBC WM in calendar year 2017.

	2016			2017		
	Dollar-Weighted Percentage of Client Trades Stepped Out	Average Additional Costs Incurred by Clients Participating in those Trades <sup>1</sup>	Number of Client Trades that were Stepped Out	Dollar-Weighted Percentage of Client Trades Stepped Out	Average Additional Costs Incurred by Clients Participating in those Trades <sup>1</sup>	Number of Client Trades that were Stepped Out
<b>Equity and Balanced Investment Strategies</b>						
<b>Investment Manager/ Investment Strategy</b>						
Brandes Investment Partners						
Global Balanced	35.88%	13.97 bps/1.36 cps <sup>2</sup>	52	34.85%	15.32 bps/1.63 cps <sup>2</sup>	32
Global Value ADR	73.91%	14.03 bps/1.42 cps <sup>2</sup>	85	77.75%	15.4 bps/1.48 cps <sup>2</sup>	54
International Value ADR	74.59%	13.43 bps/1.16 cps <sup>2</sup>	180	84.91%	14.12 bps/1.6 cps <sup>2</sup>	136
US Value Equity	18.05%	1.43 cps	10	34.75%	1.5 cps <sup>2</sup>	23
ClearBridge Investments						
Multi Cap Growth	31.98%	0-2 cps	39	9.53%	1.52 cps <sup>3</sup>	12
Invesco Advisers						
U.S. REITS	78.40%	None	2,655	34.91%	None	68,918
Kirr, Marbach & Company						
All Cap Equity	100%	None	61	100%	None	76
Marshfield Associates						
Value Equity	See note <sup>4</sup>	See note <sup>4</sup>	See note <sup>4</sup>	See note <sup>4</sup>	See note <sup>4</sup>	See note <sup>4</sup>
Neuberger Berman						
All Cap Core	Not applicable <sup>6</sup>	Not applicable <sup>6</sup>	Not applicable <sup>6</sup>	2%	8 bps <sup>7</sup>	1
NWQ Investment Management Company						
Large Cap Value Balanced	76%	1-2 cps	207	7.9%/78% <sup>8</sup>	0.01 cps <sup>9</sup>	5 <sup>10</sup>
Large Cap Value	76%	1-2 cps	191	0.40%	None	1
Oak Ridge Investments						
All Cap Growth	22%	3-5 cps	1	40%	.03 cps	17
Small to Mid Cap Growth	97%	3-5 cps	46	94%	.03 cps	72
RiverFront Investment Group						
Conservative Income Builder	93.90%	Unkown <sup>11</sup>	116	79.60%	0 <sup>12</sup>	37
Dynamic Equity Income	88.60%	Unkown <sup>11</sup>	126	76.80%	0 <sup>12</sup>	42
Global Allocation	91.90%	Unkown <sup>11</sup>	124	76%	0 <sup>12</sup>	37
Global Growth	87.50%	Unkown <sup>11</sup>	110	84.50%	0 <sup>12</sup>	37
Moderate Growth and Income	91.20%	Unkown <sup>11</sup>	137	83.30%	0 <sup>12</sup>	39
Schafer Cullen Capital Management						
International High Dividend Value	16.28%	None	16	12.05%	2 cps	8
Snow Capital Management						
All Cap Value	9.60%	1-2 cps	3	3%	0.01 - 0.02 cps	8
Large Cap Value	1.70%	1-2 cps	1	0%	0.01 - 0.02 cps	8
Spectrum Asset Management						
Preferred Securities	See note <sup>13</sup>	See note <sup>13</sup>	See note <sup>13</sup>	76%-84%	None	60-100
Preferred Securities Tax Advantaged	Not available	Not available	Not available	85%-92%	None	50-70
Thornburg Investment Management						
International ADR	81.50%	2.65 cps	248	83%	3.1 cps	163
U.S. Equity Strategy	26.40%	2.8 cps	21	32%	2 cps	32

<sup>1</sup> Additional cost is expressed in terms of cents per share ("cps") unless otherwise indicated. In some instances, the additional cost is expressed in terms of an average of basis points ("bps").

<sup>2</sup> Brandes:

- For securities executed in U.S. and Canada markets commissions are cents per share.
- For securities executed in other markets commission are in basis points.

<sup>3</sup> ClearBridge: Number of accounts, timing of inceptions and terminations, client directed cash flows and time period under review, can all be variables that affect the percentage dollar amount of trades that were stepped out.

<sup>4</sup> Marshfield: There were no step outs for equity transactions in 2016. Additional information regarding fixed income transactions was not collected.

<sup>5</sup> Marshfield: There were no step outs for equity transactions in 2017. Treasury bills are purchased for accounts as cash management. Marshfield is unable to provide any additional information regarding the dollar-weighted percentage of client trades stepped out or number of trades. There were no additional costs to clients for the purchase of treasury bills.

<sup>6</sup> Neuberger Berman: All trades for Neuberger Berman All Cap Core were directed to RBC in 2016.

<sup>7</sup> Neuberger Berman: In addition to the 8 bps commission, there was an ADR conversion cost of \$0.035 per share.

<sup>8</sup> NWQ: 7.9% of preferred step out transactions and 78% of corporate step out transactions.

<sup>9</sup> NWQ: Additional cost applicable to preferred transactions.

<sup>10</sup> NWQ: During 2017 there was 1 preferred step out trade and 4 corporate step out trades.

<sup>11</sup> RiverFront: If the compensation referenced above reflects an "unknown" amount, this number represents step-out transactions that included, but were not limited to, trades that were executed as risk trades, working orders, or bond trades where there was no disclosed markup/markdown. In these instances, the undisclosed markup or markdown is netted into the price the client receives. Since the executing broker does not provide data regarding the dollar amount of the markup or markdown, we have listed the costs for these trades as "unknown". Please see <http://www.riverfrontig.com/advisors/wrap-feetrading-disclosures/> for more information on RiverFront's wrap fee trading disclosures.

<sup>12</sup> RiverFront: For many, if not all Trade Away Transactions, there will likely be no disclosed markup/markdown. In these instances, the undisclosed markup or markdown is netted into the price the client receives. Since the executing broker does not provide data to us regarding the dollar amount of the markup or markdown in these instances, we cannot disclose an amount to the client, and will list "0" in this column until such time as we are able to provide additional information, if any. These types of trades include, but are not limited to, transactions in shares of ETPs in which an Authorized Participant or market maker is providing RiverFront with a two-sided market for execution. Once a trade is complete, however, we will send a written request to the executing broker to confirm, in writing, trade information, including markup/markdowns. To the best of our ability, therefore, we will seek to obtain and provide to clients the markup/markdowns disclosed to us from the executing broker, either through trade confirmations or in other written form. Please see <http://www.riverfrontig.com/advisors/wrap-fee-trading-disclosures/> for more information on RiverFront's wrap fee trading disclosures.

<sup>13</sup> Spectrum: Step out information was not collected for 2016.

Please note that this table does not include managers available in the Consulting Solutions program that did not trade away from RBC WM in calendar year 2017.

	2017		
	Dollar-Weighted Percentage of Client Trades Stepped Out	Average Additional Costs Incurred by Clients Participating in those Trades <sup>1</sup>	Number of Client Trades that were Stepped Out
<b>Fixed Income Investment Strategies</b>			
<b>Investment Manager/ Investment Strategy</b>			
<b>BlackRock Asset Management</b>			
Fundamental Core Taxable Fixed Income	100%	None	All
Intermediate Taxable Fixed Income	100%	None	All
Intermediate Term Municipal Fixed Income	100%	None	All
Long Term Municipal Fixed Income	100%	None	All
Short Term Municipal Fixed Income	100%	None	All
Short Term Taxable Fixed Income	100%	None	All
<b>Cincinnati Asset Management</b>			
Broad Market Taxable	100%	None	All
High Yield Corporate	100%	None	All
Investment Grade Corporate	100%	None	All
Short Duration Broad Market	100%	None	All
<b>Delaware Asset Management</b>			
Aggregate Duration US Government	100%	None	140
Intermediate Duration US Government	100%	None	3561
<b>Eaton Vance Management</b>			
Intermediate Municipal Bond	100%	None	All
Long Municipal Bond	100%	None	All
Short Municipal Bond	100%	None	All
Tax-Advantaged Bond (TAB) - Intermediate	100%	None	All
Tax-Advantaged Bond (TAB) - Limited	100%	None	All
Tax-Advantaged Bond (TAB) - Long	100%	None	All
<b>GW&amp;K Investment Management</b>			
Municipal Bond Strategy	100%	None <sup>14</sup>	545
<b>Madison Investment Advisors</b>			
Intermediate Government/Corporate	100%	None	All
<b>McDonnell Investment Management Government/Credit</b>			
Government/Credit	100%	None	All
<b>McDonnell Investment Management</b>			
Intermediate Municipal	100%	None	All
Medium Municipal	100%	None	All
<b>Nuveen Asset Management</b>			
Intermediate Maturity Municipal	100%	See note <sup>15</sup>	3,944
Limited Maturity Municipal	100%	See note <sup>15</sup>	138
Long Maturity Municipal	100%	See note <sup>15</sup>	618
Municipal Ladder 10-25 year	100%	See note <sup>15</sup>	18
Municipal Ladder 1-10 year	100%	See note <sup>15</sup>	219

Municipal Ladder 1-15 year	100%	See note <sup>15</sup>	72
Municipal Ladder 1-7 year	100%	See note <sup>15</sup>	190
Municipal Ladder 5-15 year	100%	See note <sup>15</sup>	649
<b>RBC Global Asset Management</b>			
Intermediate Muni	100%	None	All
<b>Reinhart Investment Partners</b>			
Active Intermediate	94 <sup>16</sup>	None	558 <sup>16</sup>

<sup>14</sup> GW&K: GW&K's receives no compensation in the form of commissions, ticket fees, transaction charges or any other means for trades in any securities (equity or fixed income) traded away from sponsor desks on behalf of our clients.

- GW&K is not a broker-dealer and, therefore, does not maintain an inventory of equity or fixed income securities.
- GW&K is not affiliated with any broker-dealer that executes market transactions or underwrites securities offerings.
- GW&K does not impose additional explicit costs when conducting step-out trades in fixed income securities for the firm's clients. Since GW&K is an investment advisor and not a broker/dealer, GW&K neither receives any economic benefit from trading activity, nor does the firm directly control the degree of mark-up or mark-down that is typically applied by third party broker/dealers through which GW&K buys and sells fixed income securities on behalf of GW&K's clients. GW&K believes that the firm can achieve best execution in municipal and taxable bond trading by leveraging GW&K's institutional trading relationships with third-party broker/dealers, and aggregating trade volume when GW&K believes that is appropriate.

<sup>15</sup> Nuveen: Where Nuveen Asset Management trades away, clients generally incur transaction and other costs and fees in addition to the wrap fee. These fees are generally in the form of mark-ups and mark-downs earned by the relevant securities dealer (not Nuveen Asset Management or a Nuveen affiliate) in addition to the wrap fee payable to the wrap program sponsor (mark-ups and mark-downs are currently estimated to be 1 to 10 basis points).

<sup>16</sup> Reinhart: For a six month period from July 1, 2017 to December 31, 2017.