

# Important information about investment managers and trading practices



This document provides important information regarding the RBC Capital Markets, LLC (“RBC CM”, “we,” “us,” or “our”) Consulting Solutions program, a separately managed account wrap fee program (“program”).

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

## RBC Capital Markets, LLC Consulting Solutions program

In the Consulting Solutions program, client accounts are managed by one or more professional investment managers participating in the Program. 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.

## Best execution obligations

As investment advisers registered with the Securities and Exchange Commission (“SEC”), investment managers have a fiduciary obligation to seek “best execution” of client trade orders. In meeting this obligation, an investment 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, an investment 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. An investment 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 investment 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 CM. 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 investment 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.

### **Investment managers and trading away**

If investment managers trade away from RBC CM with other broker/dealers, you should understand that commissions, mark-ups, spreads, and other transactional charges for transactions not effected through RBC CM are charged to you by the executing broker/dealer, whereas the program fees assessed by RBC CM covers these costs when the trade is effected through RBC CM. 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 CM trade confirmation, monthly transaction summary or statement. RBC CM does not restrict an investment manager's ability to trade away, as the responsibility to determine the suitability of trading away from RBC CM falls under the investment manager's expertise in trading the securities in their portfolio and their individual fiduciary duty to you. RBC CM does not evaluate whether an investment manager is meeting its best execution obligation when trading away. You should understand that RBC CM

is not a party to transactions that are traded away from RBC CM 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 CM. 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 CM while executing most, if not all, account maintenance trades (ex. trades need to invest a deposit or generate cash for withdrawal) with RBC CM. In some situations, trades done away from RBC CM 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 CM. As a result investment managers who execute trades with broker/dealers other than RBC CM may be more costly to clients than investment managers who primarily submit trades to RBC CM for execution. Clients should review the investment manager's Form ADV Part 2A 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 CM in calendar years 2018, and 2019 reflects the frequency and number of trades done away from RBC CM 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 CM. This data has not been independently verified by RBC CM. 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 CM in calendar years 2018 and 2019.

	2018			2019		
	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>						
<b>Brandes Investment Partners</b>						
Global Balanced	15.53%	14.88 bps / 1.30 cps <sup>3</sup>	17	33.61%	19.02 bps / 2.00 cps <sup>3</sup>	13
Global Value ADR <sup>2</sup>	44.54%	14.99 bps / 2.00 cps <sup>3</sup>	29	52.15%	15.00 bps / 2.00 cps <sup>3</sup>	8
International Value ADR <sup>2</sup>	71.21%	14.12 bps / 1.50 cps <sup>3</sup>	199	83.83%	14.99 bps / 2.00 cps <sup>3</sup>	26
US Value Equity <sup>2</sup>	2.80%	0 bps / 2.00 cps <sup>3</sup>	1	0.00%	0	0
<b>Invesco Advisers</b>						
U.S. REITS	67.49%	0	53,189	72.35%	0	1,466
<b>Kirr, Marbach &amp; Company</b>						
All Cap Equity	100%	None	62	78%	None	40
<b>Marshfield Associates</b>						
Value Equity	See Note <sup>4</sup>	See Note <sup>4</sup>	See Note <sup>4</sup>	See Note <sup>5</sup>	See Note <sup>5</sup>	See Note <sup>5</sup>
<b>Neuberger Berman</b>						
All Cap Core	2%	8 bps <sup>6</sup>	1	Not Applicable <sup>7</sup>	Not Applicable <sup>7</sup>	Not Applicable <sup>7</sup>
<b>NWQ Investment Management Company</b>						
Large Cap Value Balanced	1.66% <sup>8</sup>	0 <sup>8</sup>	6 <sup>8</sup>	Not Applicable <sup>9</sup>	Not Applicable <sup>9</sup>	Not Applicable <sup>9</sup>
<b>Oak Ridge Investments</b>						
All Cap Growth	63%	3 cps	15	15.95%	3-5 cps	4
Small to Mid Cap Growth	94%	3 cps	70	86.77%	3-5 cps	72
<b>RiverFront Investment Group</b>						
Conservative Income Builder	65.40%	0 <sup>10</sup>	36	70.80%	0 <sup>10</sup>	17
Dynamic Equity Income	76.50%	0 <sup>10</sup>	35	87.70%	0 <sup>10</sup>	46
Global Allocation	75.10%	0 <sup>10</sup>	36	91.10%	0 <sup>10</sup>	42
Global Growth	70.80%	0 <sup>10</sup>	33	79.00%	0 <sup>10</sup>	29
Moderate Growth and Income	81.00%	0 <sup>10</sup>	50	75.20%	0 <sup>10</sup>	35
<b>Snow Capital Management</b>						
All Cap Value <sup>2</sup>	3%	0.01 - 0.02 cps	1	Not Applicable <sup>11</sup>	Not Applicable <sup>11</sup>	Not Applicable <sup>11</sup>
<b>Spectrum Asset Management</b>						
Preferred Securities <sup>2</sup>	85%-95%	None	70-80	95-100%	0	10-13
Preferred Securities Tax Advantaged <sup>2</sup>	75%-85%	None	45-55	95-100%	0	12-15
<b>Thornburg Investment Management</b>						
International ADR	79% <sup>12</sup>	4.1 cps <sup>12</sup>	85 <sup>12</sup>	22% <sup>13</sup>	2.71 cps <sup>13</sup>	55 <sup>13</sup>
U.S. Equity Strategy <sup>2</sup>	27% <sup>12</sup>	5.6 cps <sup>12</sup>	28 <sup>12</sup>	12% <sup>13</sup>	5.23 cps <sup>13</sup>	4 <sup>13</sup>

<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> Strategy transitioned to RBC Unified Portfolio, RBC CM’s Unified Managed Account program, on March 31st, 2019. Strategy is no longer available in Consulting Solutions program.

<sup>3</sup> Brandes:

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

<sup>4</sup> Marshfield: There were no step outs for equity transactions in 2018. Treasury bills and notes 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 treasury bills.

<sup>5</sup> Marshfield: There were no step outs for equity transactions in 2019. The step out trades done in 2019 were treasury bills and treasury notes maturing within 3 months. Treasury bills and notes are purchased for accounts as cash management. All of these trades were done competitively and no commission or additional charges were incurred by any client participating in the trades.

<sup>6</sup> Neuberger: In addition to the 8 bps commission, there was an ADR conversion cost of \$0.05 per share.

<sup>7</sup> Neuberger: All client trades were directed to RBC CM in 2019 for the All Cap Core strategy.

<sup>8</sup> NWQ: Only pertains to corporate bond step out trades for 2018.

<sup>9</sup> NWQ: All client trades were directed to RBC CM in 2019 for the Large Cap Value Balanced strategy.

<sup>10</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>11</sup> Snow: All client trades were directed to RBC CM in 2019 for the All Cap Value strategy.

<sup>12</sup> Thornburg: Information provided by the investment manager are approximations. Information is based on models trades only. Additional cost figure is the average of broker commission (including any portion that may be considered soft dollar), ADR conversion, and local market fees.

<sup>13</sup> Thornburg: Additional cost figure is the average of broker commission, ADR conversion and local market fees.

Please note that this table does not include managers available in the Consulting Solutions program that did not trade away from RBC CM in calendar years 2018 and 2019.

	2018			2019		
	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>Fixed Income Investment Strategies</b>						
<b>Investment Manager/ Investment Strategy</b>						
<b>BlackRock Asset Management</b>						
Fundamental Core Taxable Fixed Income	100%	See Note <sup>14</sup>	All	100%	None	2,541
Intermediate Taxable Fixed Income	100%	See Note <sup>14</sup>	All	100%	None	1,988
Intermediate Term Municipal Fixed Income	100%	See Note <sup>146</sup>	All	100%	None	504
Long Term Municipal Fixed Income	100%	See Note <sup>14</sup>	All	100%	None	81
Short Term Municipal Fixed Income	100%	See Note <sup>14</sup>	All	100%	None	110
Short Term Taxable Fixed Income	100%	See Note <sup>14</sup>	All	100%	None	834
<b>Cincinnati Asset Management</b>						
Broad Market Taxable	100%	None	All	100%	None	All
High Yield Corporate	100%	None	All	100%	None	All
Investment Grade Corporate	100%	None	All	100%	None	All
Short Duration Broad Market	100%	None	All	100%	None	All
<b>Delaware Investments</b>						
Aggregate Duration US Government	100%	None	170	100%	None	330
Intermediate Duration US Government	100%	None	2,359	100%	None	2,140
<b>GW&amp;K Investment Management</b>						
Municipal Bond Strategy	100%	None <sup>15</sup>	1,225	100%	See Note <sup>16</sup>	All
<b>Loomis Sayles</b>						
Intermediate Maturity Municipal	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>	100%	See Note <sup>18</sup>	655
Medium Municipal	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>	100%	See Note <sup>18</sup>	426
<b>Madison Investment Advisors</b>						
Investment Grade Intermediate Government/Corporate	Not Applicable <sup>19</sup>	Not Applicable <sup>19</sup>	Not Applicable <sup>19</sup>	100%	None <sup>21</sup>	530
Intermediate Government/Corporate	100%	None <sup>20</sup>	All	100%	None <sup>21</sup>	49
<b>McDonnell Investment Management</b>						
Government/Credit <sup>22</sup>	100%	See Note <sup>23</sup>	283	100%	See Note <sup>23</sup>	200
Intermediate Municipal	100%	See Note <sup>23</sup>	203	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>
Medium Municipal	100%	See Note <sup>23</sup>	68	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>	Not Applicable <sup>17</sup>

	2018			2019		
	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>Fixed Income Investment Strategies</b>						
<b>Investment Manager/Investment Strategy</b>						
<b>Nuveen Asset Management</b>						
Intermediate Maturity Municipal	100%	See Note <sup>24</sup>	6,198	100%	See Note <sup>25</sup>	5,626
Limited Maturity Municipal	100%	See Note <sup>24</sup>	141	100%	See Note <sup>25</sup>	116
Long Maturity Municipal	100%	See Note <sup>24</sup>	1,065	100%	See Note <sup>25</sup>	850
Municipal Ladder 10-25 year	100%	See Note <sup>24</sup>	8	100%	See Note <sup>25</sup>	3
Municipal Ladder 1-10 year	100%	See Note <sup>24</sup>	275	100%	See Note <sup>25</sup>	425
Municipal Ladder 1-15 year	100%	See Note <sup>24</sup>	61	100%	See Note <sup>25</sup>	137
Municipal Ladder 1-7 year	100%	See Note <sup>24</sup>	246	100%	See Note <sup>25</sup>	263
Municipal Ladder 5-15 year	100%	See Note <sup>24</sup>	699	100%	See Note <sup>25</sup>	701
<b>Optimum Quantvest</b>						
Core Fixed Income	100%	None	All	100%	None	51
Intermediate Government/ Credit Fixed Income	100%	None	All	100%	None	294
<b>Parametric Portfolio Associates</b>						
TABS Managed Municipal Intermediate	100%	None	523	100%	None	513
TABS Managed Municipal Long	100%	None	153	100%	None	138
TABS Managed Municipal Short	100%	None	154	100%	None	128
TABS Total Return Intermediate	100%	None	436	100%	None	315
TABS Total Return Limited	100%	None	39	100%	None	23
TABS Total Return Long	100%	None	150	100%	None	79
<b>RBC Global Asset Management</b>						
Intermediate Muni	100%	None	All	100%	None	All
<b>Reinhart Investment Partners</b>						
Active Intermediate	73%	None	1,008	83.98%	None	2,440
<b>Seix Investment Advisors</b>						
High Yield	100%	None	All	100%	None	All

<sup>14</sup> BlackRock: There is no way to ascertain the cost to the client. All we can say is that BlackRock, in order to behave in a fiduciary way, has strict execution processes.

<sup>15</sup> GW&K: GW&K 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>16</sup> GW&K: GW&K believes that there are no additional explicit costs for client's step-out trades in fixed income securities. As GW&K is an investment advisor and not a broker/dealer, we do not receive any economic benefit from trading activity, nor do we directly control the degree of mark-up or mark-down that may be applied by brokers we engage on behalf of our fixed income clients. That said, we have high conviction that our greatest opportunity to achieve best execution in municipal and taxable bond trading is to leverage institutional trading relationships, aggregate trade volume influence, regional and sector expertise, and other factors made available through having discretion over such transactions. Moreover we believe, through trading large blocks of bonds with institutional trading partners when compared to what most program sponsor desks may execute in smaller increments, perhaps even on an account-by-account basis, GW&K is not only not adding additional cost, but that clients are benefiting from our trading expertise and paying less.

<sup>17</sup> Loomis Sayles/McDonnell: McDonnell merged with Loomis Sayles in 2019. Strategies reported under McDonnell Investment Management for 2018.

<sup>18</sup> Loomis Sayles: Loomis Sayles is responsible for identifying bonds that best fit its fixed income taxable and municipal bond strategies. Every bond that trades in the market has a "bid/ask spread." When Loomis Sayles steps out a trade for a bond to a dealer, it is buying the bond for the client at the "ask" price and selling the bond at the "bid" price. The difference between the "bid" and "ask" prices is the "spread." This spread which is imbedded in the net price and is not disclosed by the dealer, could be viewed as an additional imbedded cost that a client may incur. However, the client would incur this spread regardless of whether Loomis steps out the trade to another dealer or executes the trade through sponsor/custodian.

<sup>19</sup> Madison: The Investment Grade Intermediate Government/Corporate strategy was added to Consulting Solutions in 2019.

<sup>20</sup> Madison: 100% of the trades we conducted during 2018 for RBC Wealth Management program accounts invested in our "Madison Investment Advisors Intermediate Government/Corporate" strategy (a/k/a "Madison High Quality Intermediate Government/Corporate Bond") were executed as step-outs to avoid conflicts with principal/agency status of sponsor firms and to ensure best execution for clients. When we step-out trades for fixed income accounts, trading lists are sent to multiple dealers in order to get best execution. Dealers are not paid a fee for bond transactions, but instead are compensated by the bid/ask spread. As such, there are no additional costs beyond the bid/ask spread that are charged as a result of step-out fixed income transactions. We seek to buy/sell full positions, but markets occasionally require us to buy/sell partial positions. In such cases, allocation post-trade occurs and we will apply securities/proceeds pro rata across effected accounts. By aggregating the purchases or sales of a broader base of clients, including those who use other brokers and/or custodians, we may be able to find additional bonds available in larger blocks, resulting in better overall prices.

<sup>21</sup> Madison: 100% of the trades we conducted during 2019 for RBC Wealth Management program accounts invested in our fixed income strategies were executed as step-outs to avoid conflicts with principal/agency status of sponsor firms and to ensure best execution for clients. When we step-out trades for fixed income accounts, trading lists are sent to multiple dealers in order to get best execution. Dealers are not paid a fee for bond transactions, but instead are compensated by the bid/ask spread. As such, there are no additional costs beyond the bid/ask spread that are charged as a result of step-out fixed income transactions. We seek to buy/sell full positions, but markets occasionally require us to buy/sell partial positions. In such cases, allocation post-trade occurs and we will apply securities/proceeds pro rata across effected accounts. By aggregating the purchases or sales of a broader base of clients, including those who use other brokers and/or custodians, we may be able to find additional bonds available in larger blocks, resulting in better overall prices.

<sup>22</sup> McDonnell: McDonnell Government/Credit SMA strategy terminated at the time of the merger with Loomis Sayles in 2019. Information report for strategy is through July 1st, 2019.

<sup>23</sup> McDonnell: McDonnell is responsible for identifying bonds that best fit its fixed income taxable and municipal bond strategies. Every bond that trades in the market has a "bid/ask spread." When McDonnell steps out a trade for a bond to a dealer, it is buying the bond for the client at the "ask" price and selling the bond at the "bid" price. The difference between the "bid" and "ask" prices is the "spread." This spread which is imbedded in the net price and is not disclosed by the dealer, could be viewed as an additional imbedded cost that a client may incur. However, the client would incur this spread regardless of whether McDonnell steps out the trade to another dealer or executes the trade through sponsor/custodian.

<sup>24</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>25</sup> Nuveen: Where Nuveen Asset Management trades away, clients generally incur transaction costs and fees in addition to the wrap fee. These fees are generally in the form of mark-ups and mark-downs, or spreads, 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.