

Mutual Fund Overview



Clearing &
Custody

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We believe it is important for you to understand mutual funds and are providing you this document which summarizes important features associated with these products that should be considered. If you choose to invest in mutual funds, you will have to make important decisions regarding fund families, share classes and cost structures. Additional information related to affiliated products at RBC CM is also included. As a mutual fund investor, having a general understanding of these products and their key features will help you to make informed decisions when making mutual fund investments.

THE ABCS OF MUTUAL FUND SHARE CLASSES

A single mutual fund may offer more than one “class” of shares to investors. The different share classes represent the same interest in the mutual fund’s portfolio. What differs are the fees and expenses associated with each share class and the compensation RBC CM and your financial professional receive when you purchase shares. These differences also give you a choice in how to pay for the funds purchased.

Share Class Distinctions

There are no standard definitions for mutual fund share classes and each mutual fund defines its share classes in its prospectus. Mutual funds set their own eligibility criteria for their share classes and you may not be eligible to purchase a particular share class of a particular fund.

You and your financial professional should consider the following questions when choosing a share class that best fits your investment objectives:

- How long do you plan to hold the fund?
- What is the size of your investment?
- What are the expenses you’ll pay for each share class?

- Would you qualify for any sales charge discounts or waivers?
- Do you want to be able to diversify your holdings across several fund families? Or, is it important to use only a few fund families to maximize volume discount pricing schedules (these are described on the following pages)?

Total expense ratio

When choosing a mutual fund share class, it is important to be aware of the ongoing fees and expenses, as they vary from fund to fund and for different share classes of the same fund. The fund’s prospectus provides details on fees and expenses.

Review the fund’s total annual operating expenses, also called the expense ratio, to compare the expenses and the share classes available within a fund. It combines the management fee, distribution or 12b-1 fee, and other ongoing fees to measure the fund’s total annual expenses and expresses that as a percentage of the fund’s net assets. These fees are deducted directly from the fund’s assets, a factor in the daily pricing of the fund, and hence are paid indirectly from your investment in the fund. Lower cost share classes may be available to you elsewhere, including, but not limited to, through other broker-dealers to which RBC CM provides clearing, custody and execution services, if you meet the eligibility requirements.

Management fees are paid to the fund for a range of services, including portfolio management, reporting and other administrative functions.

Distribution fees (also known as residuals, trails or 12b-1 fees) are ongoing payments set by the fund family and paid to RBC CM by the fund affiliate to cover the cost of marketing and distributing the fund to investors. This fee is paid to RBC CM pursuant to an agreement with the fund affiliate. For clients of broker-dealers, this fee may be forwarded to your financial professional as required by the terms of our fully disclosed clearing agreement with your financial professional. The amount of these fees vary by share class and fund family and not all funds pay these fees. For those that do, the fees typically range from 0.15% to 1.00% of the mutual fund or money market fund assets under management annually and are described in the fund’s prospectus or Statement of Additional Information (SAI).

Other ongoing expenses include the cost of recordkeeping, as well as audit and legal expenses.

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For example, an expense ratio of 1% represents an annual charge to the fund's net assets—including your proportional interest in those assets—of 1% every year.

Class A shares

Investors in Class A shares are typically charged a front-end commission, also referred to as a “sales charge” or “sales load”, which is built into the price of the shares when purchased. In other words, a portion of the dollars paid for the shares is not actually invested but rather is used to pay your financial professional and fund distributor. The 12b-1 fee for Class A shares is generally lower than those for Class B or C shares, which means that the expense ratio associated with Class A shares is generally lower than that for Class B and C shares. This means that the ongoing expenses that you pay are lower in an A share than in a B and C share.

A mutual fund may offer waivers or discounts on front-end sales charges to certain investors or particular types of transactions, per the terms set forth in the fund's prospectus and/or SAI. Talk to your financial professional to determine if you may qualify for such waivers or discounts. Additional sales charge discounts or waivers may be available to you outside of RBC CM. Discounts, called breakpoints, that reduce the front-end sales charge may be offered if the investor:

- Makes a large purchase;
- Already holds other mutual funds offered by the same fund family, in the same account or a related account; or,
- Commits to purchasing the mutual fund's shares in the future.

You may decide that you do not want to keep all your investments within a single fund family, and hence, may not derive the maximum benefit of the breakpoint schedule. This might be the case if, for instance, you wish to access multiple fund families with particular investment expertise in certain asset classes. This may result in a higher overall cost of your mutual fund investments compared to investing in a single fund family or a smaller number of fund families. Your financial professional can help you understand the trade-offs inherent in these decisions.

Mutual fund breakpoints

The specific dollar levels at which a purchaser qualifies for a reduction in sales charges are called breakpoints. The amount of the discount that may reduce a Class A front-end sales charge is based on the size of the purchaser's investment and the discount increases as the size of the investment increases.

It should be noted that when a purchaser reaches the breakpoint in which a sales charge is reduced to 0.0%, your financial professional may still receive a commission, generally 1%, directly from the fund as specified in the prospectus. In this case, the commission is not paid from your investment. However, a contingent deferred sales charge may apply if you liquidate the position within a certain period of time (i.e. 18 months), as specified in the fund's prospectus. For these reasons, it is important that you understand how breakpoints work and to consult the prospectus prior to purchase.

The only investors eligible for breakpoint discounts are those who purchase Class A shares of mutual funds that charge a front-end sales load. Other mutual fund share classes, such as

Class B and C shares, do not offer breakpoint discounts because they do not charge front-end sales loads. However, most fund companies will allow you to combine the values of your existing assets in various share classes (B, C or others), as well as other A share assets, to determine the proper A share breakpoint.

Sample breakpoint schedule (Class A shares)

Your Investment Amount	Your Sales Load
Less than \$25,000	5.0%
\$25,000 but less than \$50,000	4.25%
\$50,000 but less than \$100,000	3.75%
\$100,000 but less than \$250,000	3.25%
\$250,000 but less than \$500,000	2.75%
\$500,000 but less than \$1 million	2.0%
\$1 million or more	0.0%

The breakpoints offered by mutual funds vary. The sales charge you paid may differ slightly from the prospectus-disclosed rate due to rounding calculations. Please refer to the Prospectus or SAI or contact your financial professional for further information.

If you cannot or do not wish to immediately invest the minimum amount necessary to qualify for a breakpoint discount, you may still be entitled to a discount through either rights of accumulation or letters of intent.

Rights of accumulation and letters of intent

Rights of accumulation (ROA) provide investors a discount on their current mutual fund purchases by combining both the current and certain previous fund transactions and/or holdings to reach a breakpoint. It allows investors to potentially “accumulate” or combine their current fund purchases with:

- Previous purchases made in the same mutual fund;
- Previous purchases of different funds from the same mutual fund family;
- Previous purchases of funds from the same fund family made in different accounts; or,
- Previous purchases of funds from the same fund family made by related parties as defined by the fund, usually including close family members, such as a spouse or dependent children.

A letter of intent (LOI) is a document investors sign when purchasing shares of a mutual fund, which indicates the investor's intention to invest enough during a specified period of time in the future, typically 13 months, to reach a breakpoint and thereby receive a reduced sales charge on the current purchase. To achieve the dollar amount of the breakpoint threshold, fund companies may even permit investors to include purchases completed for certain periods before the LOI is signed (i.e. 90 days). If you expect to invest regularly in a fund with a front-end sales load, determine if a LOI can help you qualify for a reduced charge. Investors can often combine mutual fund purchases in other related accounts, other mutual fund share classes or mutual funds within the same fund family to reach a breakpoint. You can obtain information about available breakpoint discounts by reviewing the fund's prospectus, SAI or by contacting your financial professional.

Please note: Failure to fulfill your obligations stated in the LOI will cause an increase in sales charges if recalculated, per the terms of the prospectus.

Sales charge waivers

Mutual fund companies may offer front-end sales load waivers in certain circumstances or for certain account types or investors. Examples include, but are not limited to, the following: employer-sponsored retirement plans, charities, foundations and employees of broker-dealers or other financial services firms. In addition, sales charge waivers may be available under Rights of Reinstatement if available by prospectus or SAI.

Rights of Reinstatement allow an investor to redeem shares in a fund and subsequently reinvest some or all of the proceeds within a specified period of time, typically 90-180 days, but in some cases up to 365 days, to receive a waiver of the sales load or a rebate on the contingent deferred sales charge (CDSC) fee. The terms and conditions of Rights of Reinstatement rules may be based on, but not limited to, the waiver period, eligible funds, eligible accounts, etc.

The eligibility requirements for sales charge waivers may vary by fund or fund family. Please refer to the applicable prospectus or SAI or talk to your financial professional to understand if you might qualify for a sales charge waiver.

Class B shares

Investors in Class B shares are typically not charged a front-end sales charge, but are subject to a fee called the contingent deferred sales charge (CDSC), which is assessed to the client if the shares are sold within a certain timeframe, typically eight years. The commission earned by your financial professional is paid by the fund company. The longer you hold your shares, the lower the CDSC that applies, until eventually it is eliminated. Once the CDSC expires, Class B shares often “convert” into Class A shares, and the lower Class A total expense ratio applies to the investment at that time.

Since Class B shares do not impose a sales charge at the time of purchase, all your dollars are immediately invested. However, the 12b-1 fee for Class B shares is higher than for Class A shares, so your overall expenses, as measured by the total expense ratio, are usually higher than that of the Class A shares, reducing the return on your investment.

The lower expense ratio charged on Class A shares, in addition to the potential sales charge waivers and the breakpoint, ROA, and LOI discounts that may be available for Class A shares may make them preferable to Class B shares. Over time, the majority of fund families have discontinued Class B shares.

Class C shares

Investors in Class C shares are typically not charged a front-end sales charge, so the full dollar amount is immediately invested. Like Class B shares, the commission earned by your financial professional is paid by the fund company. However, Class C shares typically assess a CDSC fee to the client if the shares are sold within a specified period of time, typically one year. Due to higher 12b-1 fees, Class C shares also charge higher total expense ratios than Class A shares. If you intend to hold your investment long-term, Class A shares may be less costly than Class C shares due to the higher expense ratios

of Class C shares. Some fund families may convert C shares to A shares after a specified period of time, typically up to 10 years. Additionally, different broker-dealers may have their own timeline for converting C shares to A shares. As such, shorter conversion timelines may be available to you outside of RBC CM. Information on the timelines for C share to A share conversions are available in the fund’s prospectus. For funds that do not provide a C share conversion feature, the expense ratio will not be reduced over time. Talk to your financial professional about whether Class A or Class C shares are better for you.

Class C shares offer you the flexibility to modify your investment plan as you and your financial professional deem appropriate. Provided you wait the full term of the CDSC period, you can sell your Class C share without a fee. Alternatively, Class A shares may not provide the same flexibility given impacts of the sales loads that may have been assessed at the time of purchase. If you execute such a sale, however, it could trigger a taxable event.

No-load shares

No-load shares do not have sales charges, and their expenses are typically lower than Class A, Class B, or Class C shares. A no-load fund may assess a 12b-1 fee, however. RBC CM offers these shares, for some fund families, in its RBC Advisor and RBC Unified Portfolio programs

COMPENSATION

If you invest in mutual funds, as your broker of record, RBC CM will receive compensation as noted below. Like many securities firms, RBC CM received payments from fund companies and/or their affiliates (collectively, “the fund affiliates”) pursuant to an agreement between the fund affiliate and RBC CM and as described below. Specific information on these fees may be found in a fund’s prospectus or SAI. You may find a fund’s prospectus or SAI by consulting the mutual fund company’s website, or on the SEC’s EDGAR website at www.sec.gov/edgar/searchedgar/companysarch. From time to time, funds may change the compensation paid to RBC CM. You should always refer to the prospectus or SAI for up-to-date information.

RBC CM receives a commission or other sales compensation on the purchase of certain mutual funds. The amount of the commission depends on the type of fund share class purchased, as well as the amount invested. Following the purchase of a mutual fund, the fund affiliate makes the commission payment to RBC CM as described by the prospectus or SAI and pursuant to an agreement in place with the fund affiliate. The commission is provided to your financial professional as required by the terms of our fully disclosed clearing agreement with your financial professional. The following are types of compensation RBC CM may receive from the fund affiliate.

A sales commission is a payment made to RBC CM by fund affiliates generated from a sales charge. The amount of these sales charges varies based on the amount of fund assets held and type of share class, and typically range from 0.01% to 5.75%. As previously noted, when a purchaser reaches the breakpoint in which a sales charge is reduced to 0.0%, your financial professional may still receive a commission which may range from 0.01% to 1.00% directly from the fund as specified in the prospectus.

Additionally, ongoing payments (also known as residuals, trails or 12b-1 fees) are set by the fund family and paid to RBC CM on the shares held. These payments may, where permitted under applicable regulatory requirements, be made to, and retained by RBC CM or provided to your financial professional.

Other fees as defined in the relevant prospectus or SAI may vary by fund family and are paid as described.

No mutual funds commissions assessed in fee-based accounts

When you invest in mutual funds through RBC CM fee-based programs (RBC Advisor and RBC Unified Portfolio), you do not pay any upfront sales commissions on individual mutual fund transactions. Instead, you pay a quarterly advisory fee which is based on the value of the billable assets in the account. Any 12b-1 fees received from mutual funds held within RBC Advisor or RBC Unified Portfolio are not retained or used to compensate financial professionals but are instead rebated back to the client account, excluding RBC GAM money market funds in the Cash Sweep Program.

Advisory fees differ by program and are detailed in the Advisory Programs Terms and Conditions and Client Agreement, which you are required to sign when opening such an account. You will, however, pay the costs associated with the mutual funds you choose. To understand these costs, you need to know about the expense ratio of the fund and the share classes available to you. See the “RBC Capital Markets Advisory Programs Disclosure Document” on our public website at www.rbcclearingandcustody.com/disclosures for more information.

Ask your financial professional about the payment he/she receives for any mutual fund transaction.

Mutual Fund Networking/Omnibus Fees

RBC CM receives payments from certain mutual fund affiliates annually in amounts ranging from less than 0.01% to 0.25% of the value of fund assets held with RBC CM. These payments are used in part to offset costs that RBC CM incurs in connection with providing certain operational and administrative services which may include sending shareholder statements, maintaining shareholder records, performing regulatory mailings, and monitoring prospectus requirements. You do not pay these fees directly, but they are paid through the mutual fund expenses which are deducted from fund assets and reflected in the net asset values of the mutual funds.

More information on these payments may be found in a fund’s prospectus or SAI. For a listing of the mutual fund families with which we have such an arrangement and receive these types of payments, please see the “Mutual Fund & EFT Arrangements” on our public website at www.rbcclearingandcustody.com/disclosures. From time to time, we develop new relationships with additional fund families and will update the website. Please review the website regularly.

Affiliated and sub-advised funds

RBC CM distributes mutual funds managed by RBC Global Asset Management U.S. (RBC GAM) and City National Rochdale, LLC (City National Rochdale), each affiliate, as well as third-party mutual funds that are either affiliated or sub-advised by RBC

GAM, City National Rochdale or BlueBay Asset Management, LLP (BlueBay). In addition to the compensation RBC CM may receive from the mutual funds, if you invest in certain funds that are advised and/or sub-advised by an RBC CM affiliate, such affiliate of RBC CM will receive additional compensation related to the investment. More specifically, RBC GAM or City National Rochdale receives the internal management fee charged to clients as part of the fund’s expense ratio, except when an RBC GAM or City National Rochdale fund is purchased in an RBC Advisor or RBC Unified Portfolio fee-based retirement account, in which case the management fee is rebated to the client, excluding RBC GAM money market funds in the Cash Sweep Program. For third party mutual fund affiliates or mutual funds that are sub-advised by RBC GAM, BlueBay or City National Rochdale, the RBC Advisor and RBC Unified Portfolio advice fee will not be assessed to the value of these funds maintained in retirement accounts. Your financial professional does not receive additional compensation for selling these products to you. However, when affiliated, through common ownership and control by the Royal Bank of Canada, RBC CM has a conflict of interest to make available the proprietary or affiliated products over a non-proprietary or non-affiliated products, such that fees and expenses charged by the fund or fund manager are earned by our affiliates, rather than a non-affiliate. We address this conflict of interest by proper disclosure and by offsetting fees, as referenced above. See “Fees to RBC Affiliates” on our public website at www.rbcclearingandcustody.com/disclosures for a complete list of RBC affiliated and sub-advised funds. From time-to-time, new funds may be made available and additional RBC CM affiliates may advise certain other funds. Please review the website regularly.

RBC CM, mutual funds and their affiliates

As previously referenced, RBC CM receives payments from certain mutual fund companies in part to offset certain administrative and operational costs that RBC CM incurs in connection with providing certain sub-accounting and sub-transfer agent services in distributing mutual funds. If you invest in a mutual fund that is part of the no-transaction fee (NTF) mutual fund program, RBC CM will receive compensation from the fund affiliate in connection with the purchase and holding of such fund. Under the agreement with the fund affiliate, RBC CM waives the ticket charge associated with purchasing the fund, and in exchange, the fund affiliate pays RBC an annualized fee that ranges from 0.01% to 0.10% of the value of specified assets invested in the fund family and, in certain cases, up to 0.20% of sales per the agreement. Please see the “NTF Mutual Fund List” on our public website at www.rbcclearingandcustody.com/disclosures for a list of the funds that participate in our NTF program. From time-to-time the list of participating fund families changes and we will update the website to reflect this fact. Please review the website regularly.

More information on payments may be found in a fund’s Prospectus or SAI.

See “Mutual Fund Arrangements” on our public website at www.rbcclearingandcustody.com/disclosures for a list of the mutual fund companies and their affiliates making payments to RBC CM.

GET INVOLVED AND STAY INVOLVED

Every mutual fund is different and there's a lot to consider before you invest. Here are a few tips to help you get the information you need to make the most knowledgeable decisions:

- 1. Request a copy of the fund's prospectus.** It contains important information about a fund's objectives and strategies, risks and expenses. Please read it carefully to ensure that the fund and share class are appropriate for your goals and risk tolerance before you invest.
- 2. Understand how breakpoints work.** The mutual fund prospectus or SAI, fund company website, or your financial professional are all good resources for information on the terms and conditions of any available breakpoints.
- 3. Review your mutual fund holdings.** Before you make any decisions about purchasing a mutual fund, review your account statements and those of your immediate family to see if it's possible to combine holdings to achieve a sale load discount. Keep in mind that you do not have to limit your review to the funds held at a single brokerage firm. You may have mutual fund holdings in accounts at other firms or with the mutual fund company itself that can be combined to help you reach a breakpoint.
- 4. Learn more by reading the Investor Information section of the FINRA public website.** The Financial Industry Regulatory Authority (FINRA) publishes many helpful educational articles and has a tool that may assist you in evaluating the costs of different mutual fund expenses. This information can be found at www.finra.org.
- 5. Keep your financial professional informed.** Share information about your mutual fund holdings and those of your family, especially those held outside of RBC CM, with your financial professional. Also, tell your financial professional if you have any plans to make additional purchases. With this information, your financial professional can work with you to select the proper funds and share classes that minimize your fees, fit your investment objectives, and help achieve your financial goals.

Investors should consider the investment objectives, risks, and charges and expenses of a mutual fund carefully before investing. Prospectuses containing this and other information about the fund are available by contacting your financial professional. Please read the prospectus carefully before investing to make sure that the fund is appropriate for your goals and risk tolerance.

ADDITIONAL INFORMATION

Please see the RBC Capital Markets, LLC "Client Relationship Summary" for additional information about our services at our website www.rbcwm.com/disclosures. For an updated copy of this "Mutual Fund Overview" visit our website at www.rbcclearingandcustody.com/disclosures.