

# 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 2020 and 2021, 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 tradeaway from RBC WM in calendar years 2020 and 2021.

	2020			2021		
	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	30.01%	13.19 bps / 1.42 cps <sup>2</sup>	26	19.35%	12.65 bps / 0.71 cps <sup>2</sup>	12
Invesco Advisers						
U.S. REITS	84.33%	0	203,119	72.46%	0	113,976
Kirr, Marbach & Company						
All Cap Equity <sup>3</sup>	100%	None	1	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>	Not Applicable <sup>3</sup>
Marshfield Associates						
Value Equity	58% <sup>4</sup>	None <sup>4</sup>	Approx. 14,900 <sup>4</sup>	Approx. 67% <sup>5</sup>	See Note <sup>5</sup>	Approx. 18,500 <sup>5</sup>
Oak Ridge Investments						
All Cap Growth <sup>6</sup>	6.17%	3-5 cps	1	Not Applicable <sup>6</sup>	Not Applicable <sup>6</sup>	Not Applicable <sup>6</sup>
Small to Mid Cap Growth <sup>6</sup>	14.87%	3-5 cps	10	Not Applicable <sup>6</sup>	Not Applicable <sup>6</sup>	Not Applicable <sup>6</sup>
RiverFront Investment Group						
Conservative Income Builder	29.60%	0-0.05 cps <sup>7</sup>	35	31.20%	0-0.05 cps <sup>7</sup>	10
Dynamic Equity Income	65.80%	0-0.05 cps <sup>7</sup>	62	78.80%	0-0.05 cps <sup>7</sup>	38
Global Allocation	63.20%	0-0.05 cps <sup>7</sup>	42	69.20%	0-0.05 cps <sup>7</sup>	36
Global Growth	73.00%	0-0.05 cps <sup>7</sup>	58	84.70%	0-0.05 cps <sup>7</sup>	30
Moderate Growth and Income	81.10%	0-0.05 cps <sup>7</sup>	47	59.00%	0-0.05 cps <sup>7</sup>	12
Thornburg Investment Management						
International ADR <sup>9</sup>	1%	(-0.03 cps) <sup>8</sup>	2	Approx. 1% <sup>9</sup>	Approx. 3 cps <sup>9</sup>	1 <sup>9</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> Brandes: For securities executed in U.S. and Canada markets commissions are cents per share (cps). For securities executed in other markets commissions are in basis points (bps).
- <sup>3</sup> Kirr Marbach: Strategy removed from the Consulting Solutions program on March 31, 2020.
- <sup>4</sup> Marshfield: There were no step outs for equity transactions in 2020.
- <sup>5</sup> Marshfield: There were no equity step out trades in calendar year 2021 for RBC Capital Markets, LLC’s Consulting Solutions program. All of the step out trades in 2021 were comprised of Treasury Bills for Marshfield.
- According to Marshfield, to their knowledge no additional costs were incurred by clients participating in these trades.
- <sup>6</sup> Oakridge: Strategies removed from the Consulting Solutions program on January 31, 2020.
- <sup>7</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. The cents per share (cps) information reflects the average cents per share and is rounded to the second decimal point or shown as a range if the amount would otherwise be rounded down to “0”. 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>8</sup> Thornburg: Thornburg received a 5 cps credit from the ADR depository when LSRCY was created. The commission charged by the executing broker was approximately 2 cps netting to 3 cps credit to the client.
- <sup>9</sup> Thornburg: Based upon model trades only. Additional costs figure is the average of broker commission (including any portion that may be considered soft dollar), ADR conversion fee, and local market fees.
- Thornburg Investment Management International ADR was removed from the Consulting Solutions program on September 30th, 2021.

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 years 2020 and 2021.

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<b>Fixed Income Investment Strategies</b>						
<b>Investment Manager/ Investment Strategy</b>						
Appleton Partners Inc.						
Intermediate Municipal	100%	None	All	100%	None	All
Belle Haven Investments						
Taxable Plus	100% <sup>10</sup>	None <sup>10</sup>	All <sup>10</sup>	100% <sup>10</sup>	None <sup>10</sup>	All <sup>10</sup>
Taxable Ladder Plus	100% <sup>10</sup>	None <sup>10</sup>	All <sup>10</sup>	100% <sup>10</sup>	None <sup>10</sup>	All <sup>10</sup>
Ladder Plus	100% <sup>10</sup>	None <sup>10</sup>	All <sup>10</sup>	100% <sup>10</sup>	None <sup>10</sup>	All <sup>10</sup>
BlackRock Asset Management						
Fundamental Core Taxable Fixed Income	100%	None	2,420	100%	None	3,144
Intermediate Taxable Fixed Income	100%	None	2,387	100%	None	3,287
Intermediate Term Municipal Fixed Income	100%	None	297	100%	None	656
Long Term Municipal Fixed Income	100%	None	62	100%	None	103
Short Term Municipal Fixed Income	100%	None	38	100%	None	115
Short Term Taxable Fixed Income	100%	None	502	100%	None	742
Cincinnati Asset Management						
Broad Market Taxable	100%	None <sup>11</sup>	760	100%	None <sup>11</sup>	929
High Yield Corporate	100%	None <sup>11</sup>	302	100%	None <sup>11</sup>	231
Investment Grade Corporate	100%	None <sup>11</sup>	598	100%	None <sup>11</sup>	935
Short Duration Broad Market	100%	None <sup>11</sup>	146	100%	None <sup>11</sup>	264
Delaware Investments						
Aggregate Duration US Government	100%	None	350	100%	None	145
Intermediate Duration US Government	100%	None	1,715	100%	None	106
GW&K Investment Management						
Municipal Bond Strategy	100%	See Note <sup>12</sup>	All	100%	See Note <sup>12</sup>	All
Loomis Sayles						
Intermediate Maturity Municipal	100%	See Note <sup>13</sup>	458	100%	See Note <sup>13</sup>	577
Medium Municipal	100%	See Note <sup>13</sup>	419	100%	See Note <sup>13</sup>	288
Madison Investment Advisors						
Investment Grade Intermediate Government/Corporate	100%	None <sup>14</sup>	670	100%	None <sup>14</sup>	488
Intermediate Government/Corporate	100%	None <sup>14</sup>	106	100%	None <sup>14</sup>	169

	2020			2021		
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<b>Fixed Income Investment Strategies</b>						
<b>Investment Manager/ Investment Strategy</b>						
Nuveen Asset Management						
Intermediate Maturity Municipal	99%	See Note <sup>15</sup>	4,659	99%	See Note <sup>16</sup>	6,728
Limited Maturity Municipal	100%	See Note <sup>15</sup>	240	100%	See Note <sup>16</sup>	241
Long Maturity Municipal	98%	See Note <sup>15</sup>	1,173	99%	See Note <sup>16</sup>	891
Municipal Ladder 10-25 year	100%	See Note <sup>15</sup>	69	100%	See Note <sup>16</sup>	82
Municipal Ladder 1-10 year	100%	See Note <sup>15</sup>	658	97%	See Note <sup>16</sup>	738
Municipal Ladder 1-15 year	99%	See Note <sup>15</sup>	221	100%	See Note <sup>16</sup>	235
Municipal Ladder 1-7 year	100%	See Note <sup>15</sup>	188	100%	See Note <sup>16</sup>	276
Municipal Ladder 5-15 year	100%	See Note <sup>15</sup>	809	99%	See Note <sup>16</sup>	918
Optimum Quantvest						
Core Fixed Income	100%	None	All	100%	None	209
Intermediate Government/ Credit Fixed Income	100%	None	All	100%	None	41
Parametric Portfolio Associates						
TABS Managed Municipal Intermediate	100%	None	827	100%	None	All
TABS Managed Municipal Long	100%	None	11	100%	None	All
TABS Managed Municipal Short	100%	None	37	100%	None	All
TABS Total Return Intermediate	100%	None	575	100%	None	All
TABS Total Return Limited	100%	None	65	100%	None	All
TABS Total Return Long	100%	None	39	100%	None	All
RBC Global Asset Management						
Intermediate Muni	100%	None	168	100%	None	87
Reinhart Investment Partners						
Active Intermediate	95.24%	None	3,364	100%	None	223
Seix Investment Advisors						
High Yield	100%	None	All	100%	None	All
Western Asset						
Core Plus	100% <sup>17</sup>	None <sup>17</sup>	99 <sup>17</sup>	100% <sup>17</sup>	None <sup>17</sup>	1,639 <sup>17</sup>

- <sup>10</sup> Belle Haven: Belle Haven will trade away 100% of the time as they utilize their own broker/dealer to execute trades, which has allowed them to provide best execution as they do not charge mark-ups, markdowns or commissions.
- <sup>11</sup> Cincinnati: Trades are aggregated and executed on an institutional, or net, basis. Bid/ask spread is the only source of compensation.
- <sup>12</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>13</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>14</sup> Madison: 100% of the trades we conducted during 2020 and 2021 for Consulting Solutions 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>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, or spreads, earned by the relevant securities dealer (not Nuveen Asset Management or a Nuveen affiliate).
- <sup>16</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, 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.
- <sup>17</sup> Western: Information provided excludes SMASH mutual funds. SMASH mutual funds were traded directly with RBC Capital Markets, LLC and as such no additional trading costs were incurred.