



Small Cap Core Equity

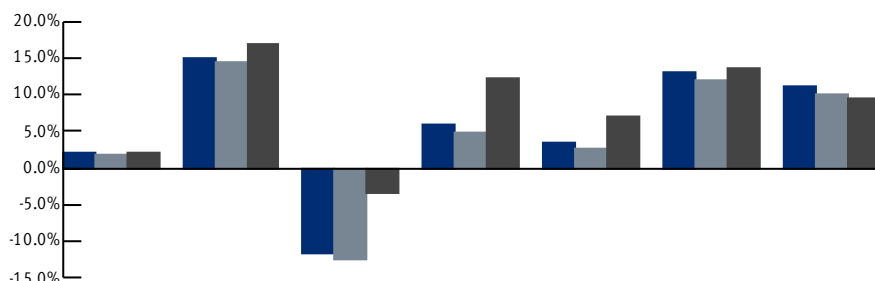
Quarterly Commentary

Building on exceptionally strong first quarter results, equity markets continued their bull run in the second quarter. Propelled primarily by expectations that the Federal Reserve (Fed) may cut interest rates at one of their upcoming meetings, the broad market as represented by the S&P 500 and Russell 3000 indexes notched solid gains for the quarter. The bulk of the gains occurred early in the quarter as first quarter earnings came in above significantly-dampened expectations. Despite these strong results, challenges remain, including ongoing concerns about the sustainability of global economic growth, mixed US economic data, and significant geopolitical uncertainty.

The Russell 2000 Index had a mixed quarter as 6 of the 11 economic sectors registered negative returns. The worst performing sectors for the time period were energy (-9.1%) and communication services (-5.9%), while the industrials (+8.8%) and utilities (+5.2%) sectors were the best performing sectors. The RBC Small Cap Core portfolio is slightly underweight energy, significantly overweight communication services and industrials, and modestly underweight utilities.

Stock selection had a neutral impact on performance while sector allocation contributed positively over the time period. Favorable stock selection within financials contributed to the strategy's performance while adverse stock selection within the communication services sector weighed on returns. In terms of sector allocation decisions, the portfolio's significant overweight to the relatively strong performing industrials sector added to returns.

Investment Performance



	QTR (%)	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)	SI (%)
Composite (Gross)	2.04	14.93	-11.47	5.86	3.57	12.94	11.04
Composite (Net)	1.78	14.35	-12.35	4.81	2.54	11.91	10.01
Benchmark	2.10	16.98	-3.31	12.30	7.06	13.45	9.60

Past performance is not indicative of future results.

Source: RBC Global Asset Management, FactSet

Inception of the performance record is 9.1.91.

Returns are presented in gross and net of fees and include the reinvestment of all income. All returns for periods greater than one year are shown on an annualized basis. Performance and composite information presented is supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data.

Strategy Overview

- \$991 Million Assets Under Management
- Inception: September 1991
- Benchmark: Russell 2000 Index
- Vehicles: Separate Account, US Mutual Fund, Canadian Mutual Fund

Investment Philosophy & Style

- Belief that strong absolute risk-adjusted returns can be generated over time by investing in neglected companies with:
 - Sound long-term business fundamentals
 - Near-term profitability improvement
 - Low valuations at the time of purchase

Investment Process

- Begin with universe of approximately 2,300 publicly traded companies with market capitalization ranges within the range of the Russell 2000 index
- Emphasis on companies in the lower end of the market cap scale, between \$200 million and \$1 billion, with little analyst coverage and not as efficiently valued
- In-depth and rigorous long-term fundamental research drives security selection

Portfolio Construction

- Well-diversified portfolios: 50-80 issues
- Maximum in a single security: 5%
- Majority of returns from stock selection
- Fully invested in equities; no market timing
- Low portfolio turnover

Investment Team

Lance F. James, Lead Portfolio Manager
Industry Experience: 39 years

George Prince, Portfolio Manager
Industry Experience: 24 years

Richard C. Johnson, Senior Equity Analyst
Industry Experience: 44 years

Eric Autio, Senior Equity Analyst
Industry Experience: 17 years

Murphy O'Flaherty, Senior Equity Analyst
Industry Experience: 24 years

Alison Kerivan, Equity Analyst
Industry Experience: 24 years

Robert Henderson, Senior Portfolio Manager
Industry Experience: 28 years

Patrick Zhou, Portfolio Engineer
Industry Experience: 1 years

Michael Schantz, Dir Equity Client Svce
Industry Experience: 18 years

Sector Allocation¹

	Strategy (%)	Benchmark (%)
Industrials	29.3	15.3
Financials	17.2	17.6
Consumer Discretionary	16.6	11.7
Information Technology	11.0	15.3
Health Care	7.1	15.9
Communication Services	6.6	3.0
Materials	3.6	3.8
Energy	3.1	3.3
Real Estate	2.5	7.5
Consumer Staples	1.8	2.7
Utilities	1.3	3.9

Top Ten Holdings¹

Company Name	Strategy (%)
Columbus McKinnon Corp/NY	5.1
Compass Diversified Holdings	5.0
Patrick Industries Inc	4.8
Grand Canyon Education Inc	3.4
Astronics Corp	3.3
Ducommun Inc	3.0
Nexstar Media Group Inc	2.9
ACCO Brands Corp	2.5
Malibu Boats Inc	2.4
United Community Banks Inc/GA	2.2

About RBC Global Asset Management

- Over \$345 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 340 investment professionals globally
- Part of Royal Bank of Canada (RBC), one of the highest rated and largest banks in the world*

*Ratings: S&P: AA-, Moody's: Aa2 (Bloomberg, 6.30.19). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 6.30.19).

Past performance is not indicative of future results.

Source: RBC Global Asset Management, FactSet

¹Supplemental information complements the "GIPS® Compliant Presentation" as provided. The information presented are those of the representative account in the strategy. There is no guarantee that every account will be identical to the information presented here.

This presentation should not be construed as a recommendation to buy or sell any financial instruments. The information contained herein should not be relied upon as the sole investment-making decision.

Risk Characteristics

10 Years

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	-1.0	1.1	19.0	94.6	98.1	100.5	0.7
Benchmark	-	1.0	17.5	100.0	100.0	100.0	0.7

Portfolio Characteristics¹

	Strategy	Benchmark
Fundamentals		
Return on Equity	13.1%	9.6%
EPS Growth (Est FY1)	3.1%	5.4%
Long Term Debt to Total Capitalization	29.4%	28.8%
Risk		
Beta vs Benchmark (10YR)	1.1	1.0
Standard Deviation (10YR)	19.0	17.5
Valuation		
Forward Price to Earnings	13.2	17.4
Price to Book	2.3	2.5
Price to Sales	1.7	2.7
Other		
Weighted Average Market Cap	\$2,290mm	\$2,624mm
Holdings (ex Cash)	73	1971
Active Share	95.4%	-

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GIPS® Compliant Presentation, as at June 30, 2019

RBC GAM U.S. Equity - Small Cap Core

Inception Date: September 1, 1991

Benchmark: Russell 2000 Index

Currency: USD

Annual Returns

Year End	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (millions)	Firm Assets (millions)
2009	35.42	34.24	27.17	24.89	24.83	5	0.26	172.5	228,136.6
2010	31.64	30.46	26.85	28.19	27.69	4	0.28	240.1	252,397.6
2011	0.95	0.26	-4.18	26.61	24.99	7	0.61	281.8	244,857.4
2012	17.25	16.47	16.35	21.85	20.20	11	-	522.3	279,416.3
2013	39.56	38.17	38.82	17.40	16.45	14	0.62	1,143.3	296,003.0
2014	5.32	4.28	4.89	13.09	13.12	26	0.42	1,821.2	302,064.4
2015	-6.42	-7.35	-4.41	14.11	13.96	28	0.36	1,987.8	276,979.3
2016	27.02	25.75	21.31	16.87	15.76	30	0.45	2,274.8	289,538.6
2017	11.96	10.85	14.65	15.50	13.91	30	0.29	2,405.1	331,885.2
2018	-23.94	-24.70	-11.01	17.97	15.79	19	0.61	942.2	305,983.2
YTD 2019	14.93	14.35	16.98	19.81	16.87	15	0.99	986.3	345,911.9

Description of the Firm: For the purposes of Global Investment Performance Standards (GIPS®), RBC Global Asset Management is the asset management division of Royal Bank of Canada (RBC), operating under the following brands: RBC Global Asset Management (RBC GAM) in Canada, the U.S. (institutional), the U.K. and Hong Kong; Phillips, Hager & North Investment Management (institutional); and BlueBay Asset Management (institutional). With offices around the world, RBC GAM offers a full range of global investment solutions in cash management and fixed income, equity, balanced, alternative and specialty investment strategies through mutual funds, hedge funds, pooled funds and separately managed accounts. The RBC GAM group of companies has more than C\$417 billion (US\$305 billion) in assets under management as at December 31, 2018. RBC purchased Phillips, Hager & North Investment Management, including the assets of BonaVista Asset Management, on May 1, 2008, and BlueBay Asset Management on December 17, 2010. A complete list and description of the firm's composites and performance results is available upon request.

Compliance Statement: RBC GAM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. RBC GAM has been independently verified for the periods January 1, 2002 through December 31, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The U.S. Equity - Small Cap Core composite has been examined for the periods January 1, 2002 - December 31, 2018. The verification and performance examination reports are available upon request.

Composite Description: The Small Cap Core Equity Composite consists of accounts that invest in the common stocks of companies that we believe possess above-average growth potential that is underestimated by the market and that provide attractive valuations. Target companies generally have market capitalizations within the same range as the Index upon initial purchase.

Benchmark: The benchmark for this composite is the Russell 2000 Index, which measures the performance of the 2,000 smallest companies by market cap in the more broadly based Russell 3000 Index, which in turn represents 98% of the U.S. equity market cap. Index returns are provided for comparison purposes to represent the investment environment existing during the time periods shown. An index is fully invested, includes the reinvestment of dividends and capital gains, but does not include any transaction costs, management fees, or other costs. Holdings of each separately managed account in a composite will differ from the index. An investor may not invest directly in an index.

Gross of Fees: Gross of fees performance returns are presented before management fees, but after all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable.

Net of Fees: Net of fee performance is calculated using the maximum stated annual fee of 1.00% applied monthly. Prior to January 1, 2013 net of fee performance was calculated using annual fees. Prior to May 8, 2006, net of fee performance reflects the maximum stated fee of 1.00% calculated and applied monthly.

Performance Calculations: Results are based on all fully discretionary accounts meeting the composite definition, including those accounts no longer with the firm. Returns are shown in U.S. Dollars, and include the reinvestment of all income. Additional information regarding policies for valuing portfolios, calculating performance, and preparing presentations is available upon request. Past performance is not indicative of future results.

Composite Dispersion: The composite dispersion of annual returns is indicated by the performance of individual accounts representing the equal weighted standard deviation of returns. Dispersion of returns is calculated for portfolios included in the composite for the full year.

3-Year Standard Deviation: Periods with less than 3 years of data will show "n/a".

Derivatives, Leverage and Short Positions: None of these strategies are currently employed by any accounts in this composite.

Cash Flow Policy: As of April 1, 2015 the significant cash flow policy was removed from the composite. Prior to that date, composite policy required the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of at least 10% of portfolio assets. The temporary removal of such an account occurred at the beginning of the month in which the significant cash flow occurred and the account re-entered the composite the first full month of being fully invested.

Fee Schedule: 1.00% on first \$10 million; 0.90% on next \$15 million; 0.80% on next \$25 million; 0.70% on assets over \$50 million. Advisory fees are described on this page and in Form ADV Part 2A. RBC GAM reserves the right to negotiate all advisory fees.

Minimum Account Size: There is no minimum account size for this composite.

Creation Date: This composite was created on May 8, 2006 and has an inception date of September 1, 1991.

Composite History: Performance presented through May 5, 2006 is for a registered fund sub-advised by the Portfolio Management Team while affiliated with a prior firm. The advisor to the fund through April 5, 2004 was Jones and Babson, Inc. Jones and Babson was an affiliated company of RBC GAM beginning May 1, 2003. RBC GAM has been the advisor to the fund since April 16, 2004. Either directly or through its affiliate, Jones and Babson, RBC GAM has had a role in sub-advisor selection of this fund since May 1, 2003. On May 8, 2006, the primary decision maker for the Small Cap Core strategy joined RBC GAM and continued to manage the strategy using the same philosophy and process.

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