



Small Cap Growth Equity

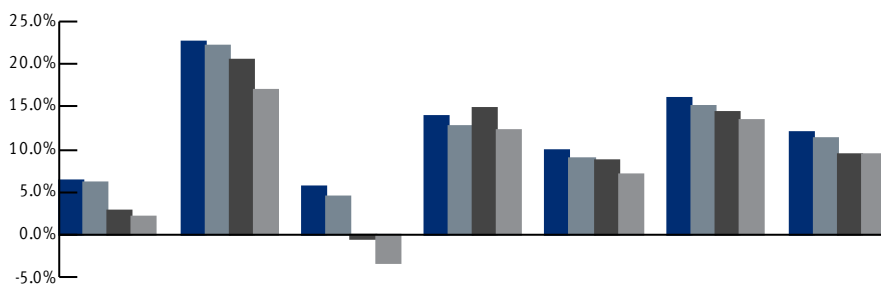
Quarterly Commentary

Building on strong first quarter results, equity markets posted gains in the second quarter, propelled by expectations that the Federal Reserve (Fed) will cut interest rates later this year. The US economy is in its longest economic expansion in history; 121 months - one of the slowest growth expansions. Despite this year's outsized equity returns, the market needed to shrug off challenges including the sustainability of global economic growth, mixed US economic data and geopolitical uncertainty.

The second quarter saw continued dominance for the growth indexes as they outperformed their value counterparts. The Russell 2000 Growth Index returned +2.7% during the first quarter, outperforming the Russell 2000 Value Index which returned +1.4%. Eight of the eleven sectors within the Russell 2000 Growth Index had positive returns during the quarter: industrials (+9.3%), financials (+4.7%), and utilities (+4.3%) were the top performing sectors. Energy (-9.0%), communication services (-4.5%), and real estate (-0.2%) were the worst performing sectors as well as the only sectors with negative overall returns. Following two strong quarters, the Russell 2000 Growth Index has now returned +22.6%, outperforming the +13.5% return for the Russell 2000 Value Index.

We ended the quarter with 77 stocks in the portfolio. Our largest overweights are information technology and industrials, while the largest underweights are health care and communication services. Performance was helped by a sector underweight and stock selection in health care, by stock selection in financials, and by a sector overweight and stock selection in industrials. Performance was hurt by stock selection in consumer discretionary, consumer staples, and materials.

Investment Performance



	QTR (%)	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)	SI (%)
Composite (Gross)	6.35	22.62	5.58	13.92	10.00	15.97	12.00
Composite (Net)	6.11	22.07	4.58	12.80	8.92	14.95	11.21
Benchmark	2.75	20.36	-0.49	14.69	8.63	14.41	9.45
Secondary Benchmark	2.10	16.98	-3.31	12.30	7.06	13.45	9.37

Past performance is not indicative of future results.

Source: RBC Global Asset Management, FactSet

Inception of the performance record is 10.1.01.

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. The secondary benchmark is used for illustrative purposes as representation of the broader market.

Strategy Overview

- \$1,471 Million Assets Under Management
- Inception: October 2001
- Benchmarks: Russell 2000 Growth Index, Secondary: Russell 2000 Index
- Vehicles: Separate Account

Investment Philosophy & Style

- Belief in a strong correlation between a company's earnings growth and its stock price appreciation
- Focus on companies that exhibit consistent growth characteristics, a solid balance sheet and a strong management team
- Belief that companies with steady revenue and earnings growth contribute to low portfolio volatility and long term out performance

Investment Process

- High conviction, bottom-up fundamental approach built around a long investment horizon
- Uniquely qualified - three team members with CPAs in addition to CFAs, drive deeper analyses of company accounting issues to distinguish high quality earnings from unsustainable earnings
- Low volatility and downside protection through a bottom-up fundamental analysis targeting profitable companies generating more consistent financial results

Portfolio Construction

- Broad industry and sector exposure across 65-80 holdings with no large sector bets
- Maximum exposure to any one company will be 2.5% at cost and 4.5% at market
- Fully invested in equities; no market timing
- Regular industry and sector attribution reviewed by investment team
- Low portfolio turnover: 15-20% annual average

Investment Team

Ken A. Tyszko, CPA, CFA, Lead PM
Industry Experience: 35 years

Rich J. Drage, CPA, CFA, Portfolio Manager
Industry Experience: 25 years

Nidhi Chadda, Portfolio Manager
Industry Experience: 18 years

Andy Topps, CPA, CFA, Sr. Equity Analyst
Industry Experience: 17 years

Taham S. Mahimwalla, CFA, IPM
Industry Experience: 13 years

Alexandra Zhmakina, APM
Industry Experience: 5 years

Sector Allocation¹

	Strategy (%)	Benchmark (%)
Information Technology	28.0	18.5
Industrials	21.3	18.6
Health Care	19.6	26.4
Consumer Discretionary	10.5	14.6
Financials	10.3	7.1
Materials	4.1	3.4
Real Estate	3.1	3.2
Consumer Staples	2.6	2.9
Energy	0.6	1.7
Communication Services	0.0	3.1
Utilities	0.0	0.5

Top Ten Holdings¹

Company Name	Strategy (%)
FirstCash Inc	2.6
Omniceil Inc	2.4
RBC Bearings Inc	2.3
Kinsale Capital Group Inc	2.2
Integer Holdings Corp	2.1
Novanta Inc	2.0
Globant SA	2.0
Balchem Corp	1.9
Envestnet Inc	1.9
Medidata Solutions Inc	1.9

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)	3.4	0.8	15.8	92.0	72.2	89.8	1.0
Benchmark	-	1.0	18.1	100.0	100.0	100.0	0.8

Portfolio Characteristics¹

	Strategy	Benchmark
Fundamentals		
Return on Equity	11.0%	12.2%
Long Term Debt to Total Capitalization	25.3%	28.2%
Long Term Future EPS Growth Rate	13.3%	14.1%
Dividend Yield	0.5%	0.7%
Earnings Stability (5YR)	23.1%	34.3%
Valuation		
Forward Price to Earnings (FY1)	25.6	22.7
Forward Price to Earnings (FY2)	23.0	20.4
Price to Cash Flow	20.2	15.8
Price to Sales	2.8	3.3
Other		
Weighted Average Market Cap	\$2,715mm	\$2,988mm
Median Market Cap	\$2,271mm	\$900mm
Holdings (ex Cash)	77	1225
Active Share	89.3%	-

These materials are general and have not been tailored for any specific recipient and should not be relied upon solely for investment making decisions. This material is not intended to cause the recipient to become a fiduciary within the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986. We are not providing impartial investment advice, or giving advice in a fiduciary capacity. While we have a financial interest in a transaction, we do not receive compensation directly from you or your clients for the provision of investment advice in connection with any such transaction.

RBC Global Asset Management (RBC GAM) is the asset management division of Royal Bank of Canada (RBC) and comprises the following affiliates, all of which are indirect wholly owned subsidiaries of RBC: RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management Inc. (Canada), RBC Global Asset Management (UK) Limited (RBC GAM-UK), BlueBay Asset Management LLP, BlueBay Asset Management USA LLC, and RBC Global Asset Management (Asia) Ltd. (RBC GAM Asia) ® Trademark of RBC. Used under license. © 2019 RBC Global Asset Management (U.S.) Inc.

GIPS® Compliant Presentation, as at June 30, 2019

RBC GAM U.S. Equity - Small Cap Growth

Inception Date: October 1, 2001
 Benchmark: Russell 2000 Growth Index
 Secondary Benchmark: Russell 2000 Index
 Currency: USD

Annual Returns	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Benchmark 2 Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Benchmark 2 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (millions)	Firm Assets (millions)
2009	33.94	33.02	34.47	27.17	22.19	24.85	24.83	14	0.19	626.5	228,136.6
2010	27.44	26.59	29.09	26.85	24.43	27.70	27.69	14	0.04	954.6	252,397.6
2011	5.21	4.48	-2.91	-4.18	20.06	24.31	24.99	13	0.12	775.8	244,857.4
2012	21.60	20.82	14.59	16.35	16.52	20.72	20.20	14	0.18	919.5	279,416.3
2013	43.90	42.47	43.30	38.82	14.01	17.27	16.45	16	0.26	1,852.6	296,003.0
2014	0.61	-0.39	5.60	4.89	12.38	13.82	13.12	14	0.03	1,481.8	302,064.4
2015	1.99	0.97	-1.38	-4.41	13.13	14.95	13.96	15	0.22	1,378.7	276,979.3
2016	15.81	14.66	11.32	21.31	14.00	16.67	15.76	16	0.16	1,841.9	289,538.6
2017	11.65	10.54	22.17	14.65	12.64	14.59	13.91	19	0.19	2,055.6	331,885.2
2018	-3.55	-4.51	-9.31	-11.01	16.04	16.46	15.79	11	0.11	1,107.9	305,983.2
YTD 2019	22.62	22.07	20.36	16.98	17.17	17.20	16.87	9	0.14	1,311.4	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 Growth 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 Growth Equity Composite consists of accounts that invest primarily in small capitalization growth stocks of high quality companies, and may or may not have exposure to the different economic sectors of the indices shown.

Benchmark: The Benchmark for this composite is the Russell 2000 Growth Index. The Russell 2000 Index measures the performance of the 2000 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. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price to book ratios, forecasted earnings growth rates, and historical sales per share. 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. The Russell 2000 is also used as a secondary benchmark.

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 0.90% applied monthly. Prior to January 1, 2019 the net of fee performance reflects the maximum annual fee of 1.0%. Prior to January 1, 2013 net of fee performance was calculated using actual fees. Beginning May 1, 2005 one account in the composite has an additional performance-based fee. Prior to October 1, 2004, one non-fee paying account was included in the composite which represented 100% of the assets as of December 31, 2001, 2% of assets as of December 31, 2002, and less than 1% of assets as of December 31, 2003.

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: 0.90% on first \$25 million; 0.80% on next \$25 million of assets; and 0.70% on assets exceeding \$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: Beginning January 1, 2011 there is no minimum for this composite. From October 1, 2004 through December 31, 2010, the minimum account size for this composite was \$1 million. Prior to October 1, 2004 there was no minimum account size.

Creation Date: This composite was created on and has an inception date of October 1, 2001.

Composite History: Performance prior to December 31, 2001 represents the Small Cap Growth Equity track record established by the Portfolio Management Team at a prior firm. Beginning January 1, 2002 composite performance represents accounts managed at RBC GAM using the same philosophy and process.

GIPS® is a registered trademark owned by CFA Institute.

®/™ Trademark(s) of Royal Bank of Canada. Used under license. © RBC Global Asset Management Inc., 2019

