



Mid Cap Growth Equity

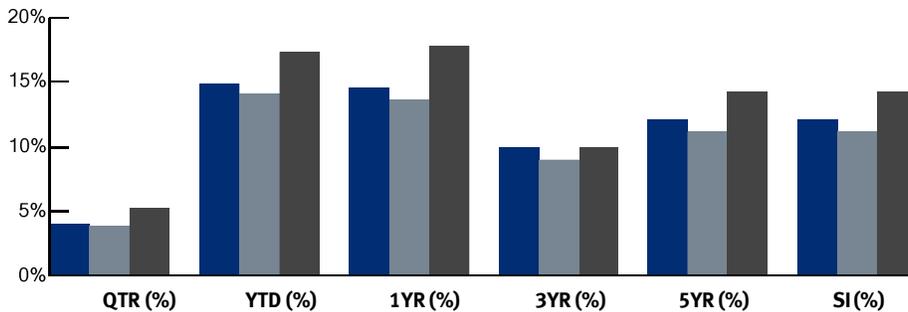
Quarterly Commentary

Amid renewed optimism on the possible passage of favorable tax reform, improving economic growth, and continued strength in corporate earnings, US equity markets posted another strong quarter. The market continued its upward trajectory despite escalating geopolitical tensions between the US and North Korea as well as two devastating hurricanes hitting the major population centers of Texas and Florida. Following the relatively weak first quarter GDP print of +1.4%, second quarter GDP came in at a fairly strong +3.1%, the best reading since the first quarter of 2015. Other economic indicators also improved, providing solid support for a strengthening and accelerating US economy. In addition, both business and consumer confidence continue to improve along with employment growth, and investor sentiment is high as strong equity returns cause even more investor inflows into the equity markets.

Utilities, telecommunications, and technology were the best-performing sectors within the Russell Midcap Growth Index. Consumer staples was the weakest sector, followed by health care and consumer discretionary.

Performance was helped by a sector underweight and stock selection in consumer discretionary and by stock selection in technology. Detractors included stock selection in industrials and technology and a sector overweight in health care.

Investment Performance



	QTR (%)	YTD (%)	1YR (%)	3YR (%)	5YR (%)	SI (%)
Strategy (Gross)	4.06	14.85	14.60	9.85	12.01	12.01
Strategy (Net)	3.84	14.12	13.63	8.92	11.10	11.10
Benchmark	5.28	17.29	17.82	9.96	14.18	14.18

Past performance is not indicative of future results.

Source: RBC Global Asset Management, Russell, FactSet

Inception of the performance record is 10.1.12.

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 and have been rounded up. Performance and composite information presented is supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data.

Strategy Overview

- \$830 Million Assets Under Management
- Inception: October 2012
- Benchmark: Russell Midcap Growth Index
- Vehicles: Separate Account, Canadian Mutual Fund

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 PMs, 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 70-85 holdings with no large sector bets
- Maximum exposure to any one company will be 2.5% at cost and 4.0% 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

Kenneth A. Tyszko, CPA, CFA, Lead Portfolio Manager
Investment Experience: 33 years

Ryan H. Smith, CPA, CFA, Portfolio Manager
Investment Experience: 13 years

Richard J. Drage, CPA, CFA, Portfolio Manager
Investment Experience: 23 years

Jeff Nevins, CFA, Senior Equity Analyst
Investment Experience: 19 years

Taham S. Mahimwalla, CFA, Institutional Portfolio Manager
Investment Experience: 11 years

Sector Allocation¹

	Strategy (%)	Benchmark (%)
Information Technology	26.7	27.8
Industrials	21.4	16.7
Health Care	19.4	14.2
Consumer Discretionary	11.1	17.4
Financials	8.8	7.1
Consumer Staples	6.0	4.1
Materials	2.8	6.5
Energy	1.9	2.6
Real Estate	1.8	3.3
Telecommunication	0.0	0.2
Services		
Utilities	0.0	0.1

Top Ten Holdings¹

Company Name	Strategy (%)
Autodesk Inc	2.3
ABIOMED Inc	2.3
MercadoLibre Inc	2.1
Synopsys Inc	1.9
Henry Schein Inc	1.9
Mettler-Toledo International Inc	1.8
Waste Connections Inc	1.8
Roper Technologies Inc	1.7
AptarGroup Inc	1.7
Raymond James Financial Inc	1.7

About RBC Global Asset Management

- Over \$320 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 300 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: A1 (Bloomberg, 9.30.17). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 9.30.17).

Past performance is not indicative of future results.
Source: RBC Global Asset Management, Russell, 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.

GUS/9.30.17/ST012/FEB18/A

Risk Characteristics

Since Inception Through 9.30.17

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	-0.4	0.9	10.1	90.9	77.7	88.0	1.2
Benchmark	-	1.0	10.9	100.0	100.0	100.0	1.3

Portfolio Characteristics¹

	Strategy	Benchmark
Profitability		
Return on Equity (Trailing 12 Months)	16.9%	20.0%
Net Profit Margin	9.5%	8.2%
Fundamentals		
Long-Term Debt/Total Capitalization (Trailing 12 Months)	39.0%	46.5%
Sales Growth (Trailing 5 Years)	11.0%	10.4%
EPS Growth (Trailing 5 Years)	9.5%	9.3%
Earnings Stability		
	15.6%	20.0%
Valuation		
Price/Earnings Ratio (FY1)	24.3	22.9
Price/Earnings Ratio (FY2)	22.2	20.5
Long-Term Future EPS Growth Rate	11.7%	12.1%
Price/Cash Flow Ratio (Trailing 12 Months)	18.7	19.0
Price/Sales Ratio (Trailing 12 Months)	3.6	3.7
Other		
Weighted Average Market Capitalization (Millions)	\$11,310	\$15,021
Median Market Capitalization (Millions)	\$9,186	\$8,147
Number of Holdings (Excluding Cash)	80	415
Active Share	82.9%	-

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GIPS® Compliant Presentation, as of September 30, 2017

RBC GAM U.S. Equity - Mid Cap Growth

Inception Date: October 1, 2012

Benchmark: Russell Midcap Growth Index

Currency: USD

Annual Returns	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)
2012/10 - 2012/12	-0.35	-0.39	1.69	n/a	n/a	3	-	215.1	279,416.3
2013	31.20	30.09	35.74	n/a	n/a	4	0.13	1,155.6	296,003.0
2014	8.22	7.30	11.90	n/a	n/a	3	0.10	1,291.5	302,064.4
2015	-1.19	-2.02	-0.20	10.65	11.31	3	0.17	651.0	276,979.3
2016	9.81	8.88	7.33	11.04	12.18	3	0.37	712.7	289,538.6
YTD 2017	14.85	14.12	17.29	10.16	10.90	3	0.12	830.3	319,111.8

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\$388 billion (US\$289 billion) in assets under management as at December 31, 2016. 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, 2016. 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 - Mid Cap Growth composite has been examined for the periods October 1, 2012 - December 31, 2016. The verification and performance examination reports are available upon request.

Composite Description: The Mid Cap Growth Equity Composite consists of accounts that primarily invest in high-quality mid cap growth companies that we believe will outperform the market over the longer-term.

Benchmark: The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. 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 0.85% applied monthly. Prior to January 1, 2013 net of fee performance was calculated using actual fees.

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: 0.85% on first \$10 million; 0.70% on next \$15 million of assets; 0.65% on next \$25 million of assets; and 0.60% 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: There is no minimum account size for this composite.

Creation Date: This composite was created on and has an inception date of October 1, 2012.

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