Global Asset Management

March 31, 2016

Mid Cap Growth Equity

Strategy Update

Composite Inception Date is 10/1/2012	QTR	1 YR	3 YR	Since Inc.
Mid Cap Growth Equity (Gross)	2.86%	-1.91%	9.14%	10.94%
Mid Cap Growth Equity (Net)	2.64%	-2.74%	8.21%	10.05%
Russell Mid Cap Growth Index	0.58%	-4.75%	10.99%	13.35%

Market Recap

The first quarter began on an ominous note with equity markets experiencing the worst start to the year since 2009. This truly was a bifurcated quarter for mid cap growth stocks as the Russell Mid Cap Growth Index plummeted -13.8% through February 11 as recession concerns roiled the markets, but the Index subsequently rebounded +16.6% off the lows amid improving macroeconomic data, a modest rebound in oil prices, and a dovish stance by the U.S. Federal Reserve (Fed). The Index ended the quarter with a modestly positive return of +0.6%. Many of 2015's prominent headwinds, including slowing Chinese gross domestic product (GDP) growth, uncertainty regarding Europe's growth path, low oil prices, and lack of clarity on the direction of monetary policies by the Fed remained unresolved heading into 2016 and these factors were major contributors to the significant stock market pullback early in the quarter.

Initial signals from price action in the fixed income, equity, and commodity markets all appeared to suggest that there was a possibility that the U.S. could experience a recession some time in 2016. However, fundamental macroeconomic data on labor, housing, bank lending, retail sales, and consumer confidence indicated that the chances of a recession were fairly remote. To this end, the data continued to impress over the course of the quarter. Labor markets added jobs at a significant rate driving the headline unemployment rate down to just 4.9%. Similar positive results could be seen in both manufacturing and non-manufacturing leading indicators. Finally, consumer spending, a key driver of economic growth accounting for more than 70% of GDP, began to show some signs of acceleration. Not surprisingly, the conflicting signals of financial markets versus fundamentals produced one of the more volatile equity market environments investors have encountered in recent years.

Within the Russell Mid Cap Growth Index, energy (+9.8%), utilities (+9.6%), and industrials (+5.0%) were the best performing sectors. Health care was the worst performer (-8.8%), due to a -28.8% and -13.2% decline, respectively, in the biotechnology and pharmaceuticals industries. Telecom (-5.5%) and technology (-2.9%) were the other two worst performing sectors during the quarter.

Strategy Overview

The RBC Mid Cap Growth strategy returned +2.9% during the quarter versus +0.6% for the Russell Mid Cap Growth Index, outperforming by +2.3%. Relative performance was aided by strong security selection in the healthcare, consumer discretionary, consumer staples, and industrials sectors. A slight overweight allocation to the energy sector also helped relative performance. An overweight allocation to the healthcare sector and adverse security selection within the financials sector slightly detracted from performance.

During the quarter, style factors were significant drivers of Index performance: a) non-earnings stocks declined -21.8%, b) stocks with the highest quintile beta declined -6.1%, and c) stocks with the lowest quintile of return on equity declined -8.9%. These three factors helped drive the portfolio's relative performance as our portfolio is underrepresented in these types of stocks.

The portfolio's largest overweighted sectors as of March 31 were health care and industrials, while consumer discretionary continues to be our largest underweighted sector. The portfolio owns 80 stocks at quarter end and is well diversified by sector and industry.

Our emphasis on owning companies that have higher stability of earnings growth versus both the Index and our peer group enabled us to once again provide good downside protection for our clients during an extremely volatile market environment.

Strengths

- **MSC Industrial Direct (+0.32):** *Industrial Supply Distribution;* Reported better than expected fiscal first quarter earnings results and provided second quarter revenue and earnings guidance that was in-line with consensus expectations. Gross margins were better than expected despite the headwinds of a weak pricing environment.
- **Waste Connections (+0.26):** *Waste services;* In addition to pre-announcing better than expected fourth quarter revenues, the company announced a highly accretive acquisition.
- **Henry Schein (+0.26):** *Healthcare product distribution;* Reported fourth quarter financial results that were better than expectations and provided 2016 EPS guidance that was in-line with consensus. Organic growth in the company's North American dental business accelerated to its fastest rate of growth in nearly a decade.
- **McCormick & Company (+0.24):** *Food seasonings and spices;* Reported fourth quarter financial results that were modestly better than expected. While 2016 revenue and earnings guidance was slightly below expectations, management reaffirmed its long-term financial outlook, as well as announcing a goal of generating $400 million of cost savings over the next four years.
- **Dick's Sporting Goods (+0.24):** *Specialty retail;* Stock began to trade up on rumors a possible bankruptcy filing by a competitor, which ultimately did occur.

Weaknesses

- **Alliance Data Systems (-0.33):** *Financial and marketing services;* Reported fourth quarter financial results and provided 2016 guidance that both were generally in line with expectations, however the stock was weak on concerns over management's expectations for a rise in credit card charge-offs in 2016.
- **Raymond James Financial (-0.31):** *Diversified financial services;* Reported disappointing first quarter financial results, with both lighter M&A activity and temporarily higher expenses being factors. Management also indicated that results in the March quarter would be adversely impacted by declines in the equity markets.
- **Signature Bank (-0.28):** *Banking;* Although the company reported better than expected fourth quarter earnings results, forward estimates have been trimmed due to a recent equity offering as well as expectations for higher loan loss provisions.

Past performance is not indicative of future results.

Returns 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.

For institutional investor use only. Performance and composite information on this page is supplemental to the "Performance Presentation & Disclosures" which contains additional information regarding calculation of performance data. The securities named in the Strengths and Weaknesses sections are those that contributed and detracted most to the composite's performance during the quarter. To obtain calculation methodology or a list of every holding's contribution to the overall account's performance during the period, request online at http://us.rbcgam.com/contact-us/form/default.fs. Views and opinions of RBC GAM-US are subject to change without notice based on market and other developments.

- **Red Hat (-0.21):** *Enterprise software;* Despite no meaningful news early in 2016, shares declined along with the rest of the software industry.
- **PAREXEL International (-0.21):** *Clinical research testing;* Reported second quarter earnings results above expectations, but revenue missed consensus. Management lowered fiscal 2016 revenue guidance due to unfavorable foreign exchange headwinds, slower conversion of backlog due to increased trial complexity, and trial cancellations.

Outlook

We expect U.S. equity market volatility to remain at elevated levels for the next several quarters due to multiple global stress points. Investors are casting a wary eye on China and are expressing increasing concerns over its decelerating GDP growth rate, increasing debt levels, and how its unproven financial system will manage through an economic slowdown. There also appears to be a highly coordinated pattern among global central banks to essentially provide unlimited easing of interest rates and other large monetary policy stimulus measures to simply maintain positive but mediocre economic expansion.

Overall, we expect yet another mediocre year for U.S. GDP growth along with low inflation and gradual monetary tightening. However, we also anticipate 2016 will be another year of positive revenue and earnings growth for our portfolio companies. We continue to believe that our philosophy of investing in profitable companies that have strong recurring revenues, a high degree of earnings stability, modest debt levels, and run by highly competent management teams will prove to be a prudent investment strategy for the year ahead.

Performance Presentation & Disclosures as of March 31, 2016

Year	Composite Return Gross of Fees	Composite Return Net of Fees	Benchmark Return	# of Portfolios	Composite Dispersion	Composite 3 Year Standard Deviation	Benchmark 3 Year Standard Deviation	Composite Assets	Total Firm Assets
2012[1]	-0.35%	-0.39%	1.69%	3	N/A[2]	N/A[2]	N/A[2]	$215.1M	$279,416.3M
2013	31.20	30.09	35.74	4	0.13%	N/A[2]	N/A[2]	1,155.6	296,003.0
2014	8.22	7.30	11.90	3	0.10	N/A[2]	N/A[2]	1,291.5	302,064.4
2015	-1.19	-2.02	-0.20	3	0.17	10.65	11.31	651.0	276,979.3
2016 YTD	2.86	2.64	0.58	3	0.19	11.54	12.40	690.7	287,297.2

[1]Performance calculated from 10.1.12 to 12.31.12

[2]N/A – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

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$383 billion (US$277 billion) in assets under management as at December 31, 2015. 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.

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

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, 2014.

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 Mid Cap Growth Equity composite has been examined for the periods October 1, 2012 - December 31, 2014. The verification report(s) is/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.

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

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

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.

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.

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.

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.

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