



RBC US Mid Cap Value Equity

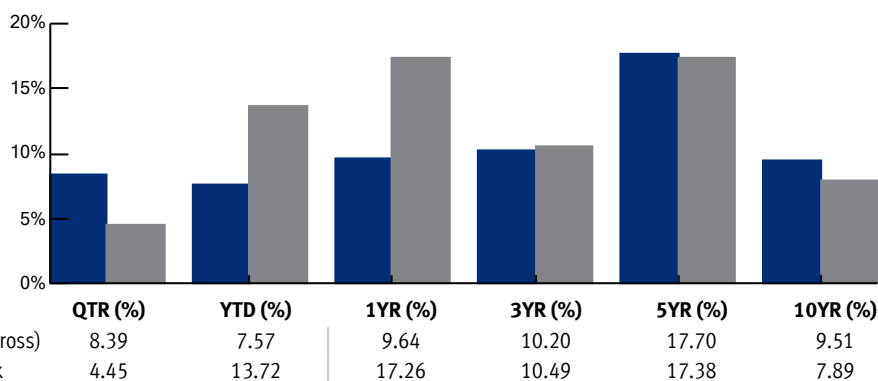
Quarterly Commentary

Within the Russell Midcap Value Index, seven out of the 11 economic sectors recorded positive returns this quarter, with the information technology, industrials, and energy sectors being the best performers. The utilities and telecommunication services sectors were the worst performing sectors. The strategy is moderately overweight to the information technology and energy sectors, significantly underweight the industrials and utilities sectors, and has no holdings in telecommunication services.

Favorable stock selection in the financials, information technology, and energy sectors and a significant underweight to the utilities sector contributed the most to quarterly returns. This was partially offset by adverse stock selection in the healthcare and industrials sectors.

The strategy seeks to invest in companies with attractive business fundamentals whose stocks are trading at a discount. Portfolio positioning is done primarily on a bottom-up basis with relative valuation gaps influencing portfolio construction. We believe that a diversified portfolio of companies with attractive return characteristics, opportunity for improvement, and low absolute and relative stock valuation metrics provides an attractive investment option.

Investment Performance



Past performance is not indicative of future results.

Source: RBC Global Asset Management, Russell, FactSet

Returns include the reinvestment of all income. All returns for periods greater than one year are shown on an annualized basis.

Inception of the performance record is 1.1.01. Performance is presented as supplemental to the "Performance Presentation & Disclosures" which contains additional information regarding calculation of performance data.

Strategy Overview

- \$848 million Assets Under Management
- Inception: January 2001
- Benchmark: Russell Midcap Value Index
- Vehicles: Separate Account, U.S. Mutual Fund, Canadian Mutual Fund, SICAV

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 1,000 publicly traded companies with market capitalizations within the range of the Russell Midcap Value Index
- Intelligence pool includes more than 1,000 face-to-face company meetings per year
- In-depth and rigorous long-term fundamental research drives security selection

Portfolio Construction

- Well-diversified portfolios holding 55 - 75 issues
- Maximum in a single security: 5%
- Add positions on positive fundamentals and low valuation
- Fully invested in equities; no market timing
- Exit positions > largest market capitalization of index

Investment Team

Stephen E Kylander, Lead Portfolio Manager
Investment Experience: 30 years

Lance James, Senior Portfolio Manager
Investment Experience: 36 years

George Prince, Portfolio Manager
Investment Experience: 21 years

Richard Johnson, CPA, Senior Equity Analyst
Investment Experience: 41 years

Eric Autio, Senior Equity Analyst
Investment Experience: 14 years

Murphy O'Flaherty, Senior Equity Analyst
Investment Experience: 21 years

Michael Schantz, Institutional Portfolio Manager
Investment Experience: 16 years

About RBC Global Asset Management

- Over \$290 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 300 investment professionals globally
- Part of Royal Bank of Canada, one of the highest rated, largest and safest banks in the world*

*Ratings: S&P: AA-, Moody's: Aa3 (Bloomberg, 30.09.16). Ranked 5th largest bank in North America and 11th globally based on market capitalization (Bloomberg, 30.09.16).

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

¹Supplemental information complements the RBC US Mid Cap Value Equity composite presentation as provided in the "Performance Presentation & Disclosures". The information presented is derived from the representative account of the strategy. The representative account is the account in the composite that most closely reflects the current portfolio management style for the strategy.

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Risk Characteristics

10 Years Through 30.9.16

	Alpha (%)	Beta	Standard Deviation (%)	R-Squared (%)	Upside Capture (%)	Downside Capture (%)	Sharpe Ratio
Strategy (Gross)	1.9	1.0	18.5	88.9	107.9	98.7	0.5
Benchmark	-	1.0	18.1	100.0	100.0	100.0	0.4

Portfolio Characteristics¹

	Strategy	Benchmark
Profitability		
Return on Equity (Trailing 12 Months)	13.3%	9.2%
Fundamentals		
EPS Growth (Forward 12 Months)	3.7%	2.5%
EPS Growth (Trailing 12 Months)	12.0%	-2.8%
Sales Growth (Trailing 5 Years)	11.5	3.9
EPS Growth (Trailing 5 Years)	16.4%	6.4%
Valuation		
Price/Earnings Ratio (Forward 12 Months)	12.4	17.5
Price/Book Ratio (Trailing 12 Months)	2.1	2.1
Price/Sales Ratio (Trailing 12 Months)	1.6	2.1
Price/Earnings to Growth Ratio (Forward 12 Months)	1.2	2.2
Other		
Long-Term Debt/Total Capitalization (Trailing 12 Months)	37.9%	42.2%
Weighted Average Market Capitalization (Millions)	\$9,089	\$12,656
Number of Holdings (Excluding Cash)	73.0	561.0
Active Share	89.1%	-

Sector Allocation¹

	Strategy (%)	Benchmark (%)
Financials	22.9	17.6
Consumer Discretionary	18.2	9.6
Information Technology	14.4	8.9
Health Care	12.1	4.7
Energy	10.7	10.3
Real Estate	5.7	15.2
Utilities	5.6	11.6
Industrials	5.4	11.1
Materials	4.9	6.1
Consumer Staples	0.0	3.3
Telecommunication Services	0.0	1.4

Top Ten Holdings¹

Company Name	Weight (%)
AmTrust Financial Services Inc	4.7
National General Holdings Corp	4.7
Jazz Pharmaceuticals PLC	3.8
DTE Energy Co	3.6
Synchrony Financial	3.4
Lam Research Corp	2.8
Centene Corp	2.5
Toll Brothers Inc	2.4
Parsley Energy Inc	2.3
ILG Inc	2.2

Inception Date: January 1, 2001
Benchmark: Russell Midcap Value 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)
2006	19.57	18.85	20.22	10.27	8.65	2	-	13.6	158,983.2
2007	6.42	5.89	-1.42	10.15	9.13	2	0.17	12.4	207,926.9
2008	-30.64	-30.99	-38.44	18.88	18.74	2	0.32	8.6	164,090.1
2009	33.38	32.65	34.21	21.88	25.01	3	0.04	19.9	228,136.6
2010	26.91	26.17	24.75	24.52	27.11	4	0.08	134.4	252,397.6
2011	-2.81	-3.17	-1.38	22.07	22.78	6	0.16	222.6	244,857.4
2012	17.28	16.84	18.51	20.50	16.76	6	0.03	362.0	279,416.3
2013	33.95	32.81	33.46	17.66	13.69	7	0.52	616.7	296,003.0
2014	18.12	17.12	14.75	11.83	9.81	6	0.40	578.0	302,064.4
2015	-4.36	-5.17	-4.78	11.99	10.71	9	0.27	719.7	276,979.3
YTD 2016	7.57	6.88	13.72	13.72	10.95	9	0.18	847.6	297,903.2

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.

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, 2015. 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 Value Equity composite has been examined for the periods January 1, 2002 - December 31, 2015. The verifier report(s) is/are available upon request.

Composite Description: The Mid Cap Value Equity Composite contains accounts that invest in a diversified portfolio of mid cap companies that we believe are undervalued by the market.

Benchmark: The benchmark for this composite is the Russell Midcap Value Index, which measures the performance of those Russell Mid-Cap companies with lower price-to-book ratios and lower 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. Prior to May 8, 2006, net of fee performance reflects the maximum annual fee of 0.85% calculated and applied monthly. Beginning May 8, 2006 and continuing through December 31, 2009, one non-fee paying account was included in the composite. This account represented 19% of composite assets as of year-end in 2006, 22% in 2007 and 2008, and 13% in 2009.

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; 0.65% on next \$25 million; 0.60% 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 January 1, 2001.

Composite History: Performance through May 5, 2006 represents the Mid Cap Value Equity track record established by the Portfolio Management Team while affiliated with a prior firm. From May 8, 2006 forward, composite performance represents accounts managed by the same team of investment professionals at RBC GAM using the same philosophy and process.

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