



# Impact investing annual report

2020

# Foreword



**Ron Homer**  
Chief Strategist,  
Impact Investing

[Who is Ron Homer?](#)

There is no doubt that 2020 was a year unlike any other, dominated by the COVID-19 global pandemic, civil unrest, and economic turmoil not seen since the Great Depression. Millions of people lost their jobs as businesses across the country were forced to close in order to contain the spread of the virus. School shutdowns meant at-home learning models that created difficult, if not impossible, working situations for those who still had employment and were able to work remotely.

In late May, just as many businesses were preparing to reopen as some of the social distancing measures were lifted, many communities were gripped by civil unrest. The pervasive protests and disruption that ensued further exacerbated economic uncertainty as many already stressed businesses were damaged or destroyed in communities across the nation. Unfortunately, many of these communities were those that were already hardest hit by the coronavirus shutdown and fatalities.

The COVID-19 pandemic and civil unrest experienced across the nation highlighted a number of social and economic inequalities prevalent in the United States, especially within Black, Indigenous and people of color (BIPOC) and low-and-moderate income (LMI) communities, which have borne a disproportionate share of the burden of both the COVID-19 pandemic and civil unrest experienced nationwide. Investors took note, driving extraordinary flows into sustainable and impact investing strategies which are often used as a way to align investment dollars with ethics or values.

Within the US, the election of President Joseph Biden and Vice President Kamala Harris, along with Democratic control, albeit slight, of both chambers of Congress sparked further interest in these issues, holding out a hope that the federal government would be providing more support for furtherance of these strategies in the form of research, funding and regulations. In late January, President Biden issued Executive Orders focused on both racial equity and climate change. A major component of the climate change order tied together environmental remediation and environmental justice in underserved communities.

The American Rescue Plan, proposed on January 14, 2021 and enacted March 11, 2021, provides a wide range of economic support for families impacted by the pandemic; targeted support for those businesses, small and large, hardest hit by the resulting economic fallout; and robust support for increasing the availability and distribution of COVID-19 vaccinations. The plan also contains substantial funding for states that may be used to address disparate impacts of the pandemic.

While it is too early to gauge the long term impact of these and other proposed actions by the new administration in the first half of 2021, there is ground for cautious optimism regarding progress in restoring the economy, reducing racial inequities and addressing climate change in 2021 and beyond. We at RBC Global Asset Management (RBC GAM) aspire to continue playing a meaningful role in the furtherance of each of these goals.

A handwritten signature in black ink that reads "Ronald A. Homer". The signature is written in a cursive, flowing style.

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# RBC GAM's commitment to impact investing

At RBC GAM, we believe that by acting as an active, engaged and responsible asset owner we are better able to enhance the long-term, sustainable performance of our portfolios. Our clients are at the center of what we do and we continually strive to implement creative solutions that meet their needs.

Increasingly, our clients are looking to the business community to stand up, speak out and invest in areas that help drive change for our broader society, including taking action on combating climate change and building a more economically inclusive society. Climate change is a pressing concern and investors have demonstrated continued interest in investment strategies that either avoid environmental harm, or move the dial forward on increased environmental sustainability.

Our firm defines impact investing as the intentional investment in securities that we expect to have a positive impact on the environment and society, all while seeking to deliver competitive financial returns for our clients. Impact investing is a growing and evolving field, one in which we have over 20 years of experience. We are continually learning and growing, and subsequently adapting our approach to impact measurement, how we work with our impact ecosystem partners, and how we report to our investors on the overall impact of their investments. The following pages will provide an in-depth view of our impact-focused strategies, highlighting the change and growth that occurred in 2020 and how we believe our investments are contributing to innovative solutions that seek to mitigate climate change, reduce inequalities, and create a more prosperous society for all.



**Impact Investing  
defined in 5 minutes**

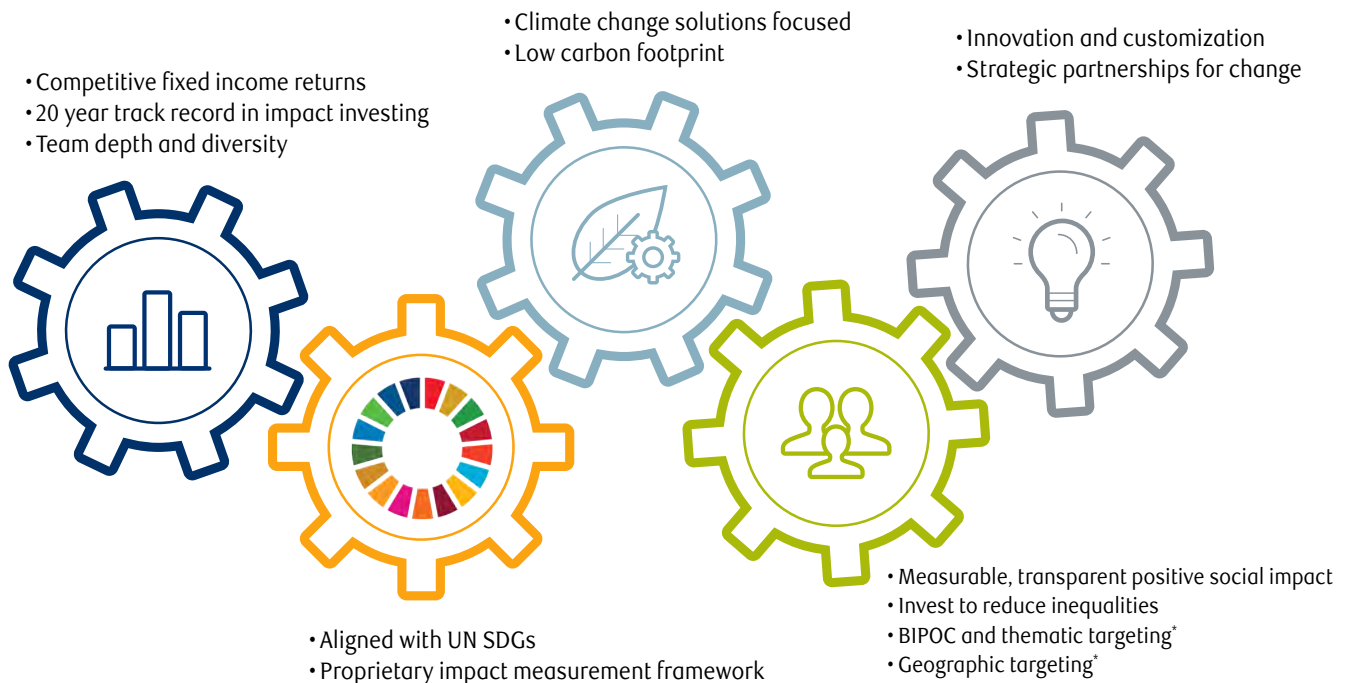


# Summary of our impact investing capabilities

RBC GAM has an established suite of impact investing capabilities in the US, with two primary strategies and a host of customization options:

- **Access Capital Community Investment**, a targeted local investing strategy with a focus on building stronger, more resilient communities by supporting affordable housing, job creation, education, healthcare and sustainable economic development in underserved communities.
- **Impact Bond**, a strategy dedicated to creating measurable positive impacts across multiple impact themes, including affordable housing, education, reduced inequalities and climate change mitigation.

These strategies draw on the expertise of the US fixed income team, utilizing a shared investment philosophy and process and a similar approach to impact management and measurement. Both strategies also rely on the vast Impact Ecosystem the team has worked to develop, and share the goals of seeking to provide competitive financial returns, demonstrated social and/or environmental returns, and a focus on innovation and customization.



\*Targeting options only available in certain vehicles and are subject to investment minimums. BIPOC is an acronym that stands for Black, Indigenous, and People of Color.

# Our impact ecosystem

## Partnerships for change



Responsible lenders like Community Development Financial Institutions (CDFIs), which are private-sector, locally-controlled financial intermediaries with community development as their primary mission, are critical in these efforts.

The strategies outlined above offer distinct solutions to our clients' investment and impact requirements. Integral to our impact investment strategies is our robust Impact Ecosystem.

Developing rich, strong relationships with responsible lenders is a critical component of our impact investing strategies. We believe that a vital element of addressing the needs of any particular community depends largely on organizations that have roots in that community. Such organizations understand the unique opportunities and challenges that are present in their community and can implement a tailored approach that maximizes those opportunities while addressing the challenges. For example, communities in rural America may be facing very different issues than those in inner city America. Responsible lenders like Community Development Financial Institutions (CDFIs), which are private-sector, locally-controlled financial intermediaries with community development as their primary mission, are critical in these efforts. As social purpose lenders seeking to create a more inclusive economy, CDFIs provide access to capital as well as education and guidance to underserved entrepreneurs and communities that have been overlooked by the traditional banking system.

Our impact investing team's connectivity to these types of entities continues to expand such that we have built out a broad base of partners allowing us to more effectively source high impact loans for securitization that provide double bottom line benefits for our clients.

CDFIs with a focus on small business lending were especially challenged this year given the massive temporary shutdowns of small businesses for weeks at a time and many permanent closures. Even the US Treasury's response to the pandemic, the Paycheck Protection Program or PPP, did not provide adequate relief in slowing the rate of small business closures. One of the main reasons for this is that CDFIs were included as PPP lenders late in the process, which was concerning as CDFIs are the primary lenders serving borrowers most in need of help. Late in May 2020, \$10 billion in PPP funding was allocated to CDFIs with the hope that more minority- and women-owned businesses in low-income markets could gain much-needed assistance. While CDFIs and the PPP did provide assistance to many who applied, for others, it was too little too late. As a result, numerous small businesses were forced to close down, including 41% of Black-owned businesses.<sup>1</sup>

What COVID-19 has revealed is that the infrastructure currently in place to provide financial aid and access to those in underserved communities has not met the needs of all. It has become clear that responsible lenders and small businesses are vital to our economy, and it is for this reason that we partner with CDFIs whenever we can and place such high value on these relationships and the role CDFIs play in our investment process.

<sup>1</sup><https://ofn.org/articles/cdfis-outperform-other-paycheck-protection-program-ppp-lenders>



See the impact our clients are making



Homeownership



Rental Housing



Small Business  
& Job Creation



Education



Healthcare



Environmental  
Sustainability



Community  
Infrastructure

# Community Development Financial Institutions (CDFIs): a case study

Lendistry is a Los Angeles-based fintech CDFI that provides a unique way for financial institutions, municipalities and states to deploy capital to underserved markets. As a minority-led CDFI, the company is dedicated to providing economic opportunities and progressive growth for underserved urban and rural small business borrowers and their communities. According to the firm, more than 70% of Lendistry's small business owner borrowers are women, minorities, veterans, or those who operate in underserved areas. Lendistry is a member of the Federal Home Loan Bank of San Francisco and ranks second nationally in the SBA Community Advantage program, which is focused on increasing access to credit for small businesses located in underserved areas.

Early on, Lendistry focused much of its lending activity in southern California, mainly in low-to-moderate income African-American, Hispanic, and Latino neighborhoods. They also focused on high poverty areas, as well as rural communities and metro areas with significant population loss. After establishing proof of concept with their technology-enabled approach, they opened a second office in Baltimore, and expanded lending nationwide.

Lendistry founder and Chief Executive Everett Sands built the firm to address the fallout from the decline of community banking, which has been occurring over the past several decades.<sup>2</sup> In an effort to reverse this trend, which has left behind many small business borrowers who seek lower loan amounts Lendistry's founders created what has been described as a "hybrid institution," a combination of the traditional focuses of smaller community lenders with the technological capabilities of a financial technology (fintech) firm. "We had to literally take years and sit down and think about every point of this," Sands said.<sup>3</sup> That thoughtful approach seems to be working, and that became especially evident in the midst of the COVID-19 pandemic, during which the company worked with 12 different state governments to issue PPP funds, and administered eight different grant programs for county and state governments.<sup>4</sup> This year, Lendistry is set to deploy over \$5 billion to 250,000 small businesses, including nine special programs across the United States related to helping small businesses navigate through the current pandemic.<sup>5</sup>



**Everett Sands**  
CEO  
Lendistry

**lendistry**

RBC GAM's Chief Strategist of Impact Investing, Ron Homer, met Mr. Sands at a conference a few years back, and the beginning of a collaboration was born. Since that time, our investment team has been able to acquire a number of high impact Lendistry-originated Small Business Administration (SBA) backed loans for our clients' investment portfolios. We have invested in a skilled care nursing facility in a low-income, Latinx neighborhood; a Black family-owned auto repair shop in a low-income BIPOC neighborhood; and a Peruvian immigrant-owned restaurant – a sector especially impacted by the pandemic shutdowns. Loans like these that help underserved borrowers build successful businesses to make a living, serve their communities, and create jobs in low-income areas are exactly what investors are looking to support, and these are the types of high caliber loans we have come to expect from Lendistry.

As we all adjust to a post-pandemic world, Sands sees a lot of opportunity for Lendistry. The future of small business lending will continue to evolve, and Lendistry plans to evolve with it. They have recently quadrupled their technology team so that they are ready and able to use fintech solutions to scale lending in a way that serves all borrowers. We look forward to continuing our partnership in the coming years and hope to acquire many more of their high quality, high impact loans for our impact investing clients.

<sup>2</sup> <https://labusinessjournal.com/news/2021/feb/08/lendistry-fills-gap-minority-owned-businesses/>

<sup>3</sup> Ibid

<sup>4</sup> Ibid

<sup>5</sup> E. Sands, personal communication, July 9, 2021



# Access Capital Community Investment

At RBC GAM, we recognize the importance of local investing to create and maintain thriving communities. Our Access Capital strategy invests locally across the US to do exactly this.

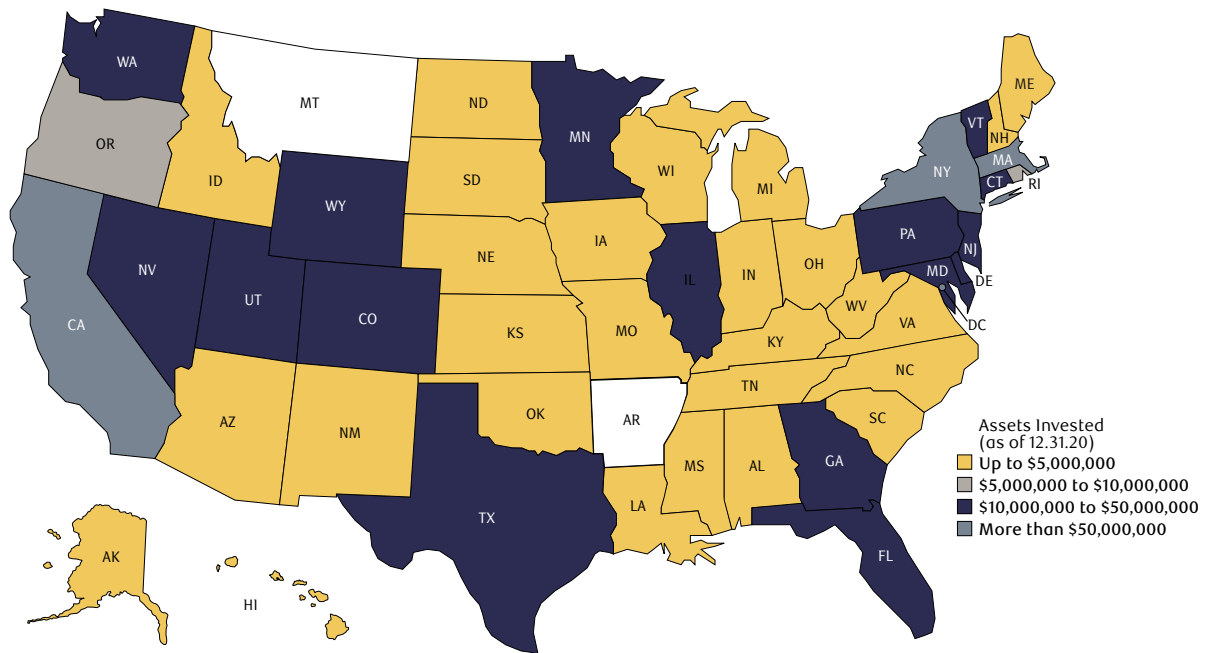
The Access Capital Community Investment strategy has a 20+ year history of supporting low-and-moderate income individuals and communities while allowing investors the opportunity to target the specific communities that are important to them. The strategy is a place-based investment approach that allows investors to direct their investments to certain communities, cities or states – allowing them to witness community development in their own backyards.



**More about  
Access Capital**



## Access Capital results



Access Capital has contributed to impact investments in 49 states and the District of Columbia. Highlights include:

- **18,591** low- to moderate-income home buyers
- **96,397** affordable rental units
- **6,071** nursing home facility beds
- **27** rural properties
- **101** rural enterprises
- **635** small business loans
- **133** community economic development projects
- **17** community-based not-for-profit organizations

### Increased impact in 2020

 **+856**  
low- to moderate-income  
home buyers

**+61**   
small business loans

**+1**   
community economic  
development project

**+3,373**   
affordable  
rental units

# Targeted investments

## New investments made in 2020

The year 2020 provided ample opportunity to invest in targeted areas where needs were most evident. Below, we highlight three examples across these areas — small business lending, affordable housing and community development — where our investors' dollars were directed towards improving their communities.



### Small business

This community of licensed early learning, afterschool and summer camp programs blends a home-based care environment with a unique atmosphere that emphasizes structure. The founder strongly believes in the traditional African proverb “it takes a village to raise a child”. Staff partner with parents to provide the structure and learning needed to develop the whole child. This company is a Black woman-owned small business with two locations in Georgia and one location in Ghana, where the owner is from originally. The owner and her staff have created their own curriculum and follow a calendar schedule each day, ensuring predictability that children need to thrive.



### Affordable housing

MLK Gardens is a housing complex in Englewood, NJ and is comprised of 100 units of affordable rental housing offering 1, 2, 3 and 4 bedroom floor plan options. Residency is restricted to families who earn 80% of the Area Median Income (AMI) or less. Approximately 78% of renters are considered “extremely low-income.” Nearly all, or 94%, of residents are Black and 89% are women-headed households. Average monthly rent for the property is \$443, compared to an average of \$2560 for a 1-bedroom rental in the same area. The need for affordable housing is dire across the country, but particularly in areas where the cost of living is higher than average, including the state of NJ, which ranks ninth in the country for the highest cost of living.<sup>6</sup> While more municipalities are taking steps to remedy the situation, our strategy specifically targets projects that increase the supply of affordable housing.



### City of Seattle

Proceeds of this municipal bond issued by the City of Seattle will be used to fund the design and development of certain elements of Seattle’s capital improvement program, including the City’s Affordable Rental Housing Program and elements of its Overlook Walk Project. The Affordable Rental Housing program will provide permanent supportive housing serving the chronically homeless with disabling conditions. Housing will include case management, mental health, healthcare and addiction services. The Overlook Walk Project will feature public access to the City’s waterfront with gradual slopes and a new elevator; an elevated panorama of Elliott Bay, the Olympics and Mount Rainier; protected areas with food and beverage and seating, slides and other play elements for families; and terraced landscaping with native plants. This is the type of community development that our strategy targets as it is intended to benefit a broad spectrum of City residents, including those that have been typically underserved in the past.

<sup>6</sup><https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state>

# Targeted local investing – a case study

## Philanthropy California Collaborative

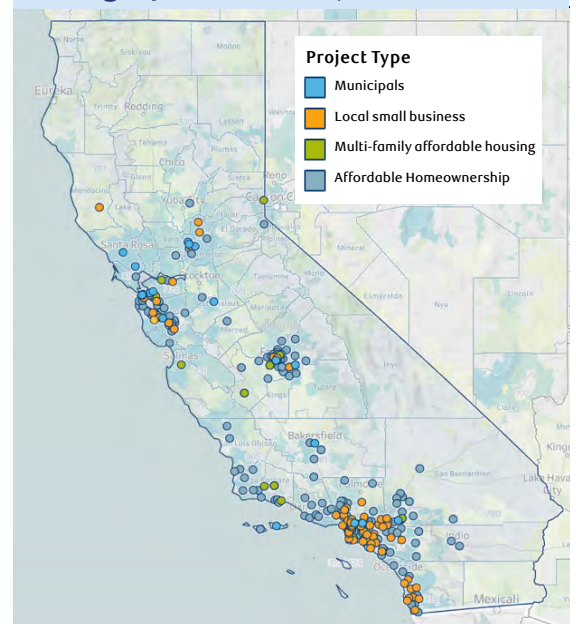
California has the largest economy of any US state and would have the fifth largest economy in the world if it were its own nation. But despite the ability to generate such massive gross domestic product or GDP, the state ranks surprisingly low (32nd of all states) in economic health, which encompasses measures of unemployment and underemployment, poverty, foreclosure rates, and the uninsured population.<sup>7</sup>

In 2020, a coalition of Northern California Grantmakers, Southern California Grantmakers, and Catalyst of San Diego and Imperial Counties partnered with RBC GAM to launch a regional initiative called the Philanthropy California Investment Collaborative. This Collaborative provides a coordinated approach for investors to direct market-rate investments in California with a specific focus on underserved communities and families, catalyzing like-minded investors seeking to support positive social outcomes in California across a breadth of issues, including affordable housing, community development, and small business growth.

While members of Philanthropy California have granted millions of dollars annually to build economic health, its members know that grant dollars alone will not be enough. This is where Access Capital can help. Through its partnership with RBC GAM, Philanthropy California participants can invest in high quality, liquid fixed income securities intended to create positive social and environmental impacts while also seeking a competitive financial return.



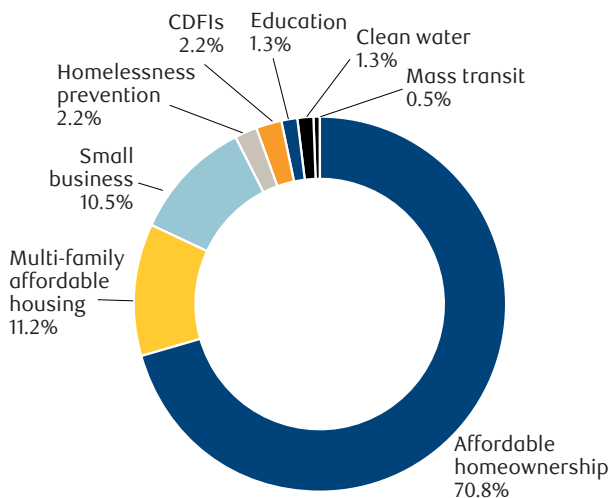
### Geographic summary



As of 12.31.20 Source: RBC GAM, Tableau

### Impact summary

#### Impact sectors by project type



Source: RBC GAM, as of 12.31.20

<sup>7</sup><https://markets.businessinsider.com/news/stocks/california-economy-16-mind-blowing-facts-2019-4>



Read more on  
our Philanthropy  
California initiative



### California investors support:

 **2,086**  
affordable  
rental units

**72**   
small business loans

 **21**  
municipal  
projects

 **2**  
CDFIs

 **506**  
low- to moderate-income  
home buyers

In partnership with



## Beyond deposits Investing in racial equity

In partnership with Philanthropy Northwest, RBC GAM hosted a webinar entitled *Beyond deposits: Investing in racial equity*. This virtual educational forum focused on racial economic disparities in the US and discussed the ‘why’ and ‘how’ of investing liquid assets with a racial equity focus. It featured several key speakers discussing how corporate treasurers can align their fixed income holdings with their firms’ racial equity and community-focused goals.



# Impact Bond

## Thematic impact investing:

Our Impact Bond strategy, which has over a 10 year track record, focuses on thematic impact investing. The underlying investments are all high quality fixed income securities, but they differ from traditional fixed income securities in that they are customized in a way that supports specific impact themes. These themes include affordable housing, small business/ economic growth, health and well-being, environmental sustainability, education, community development, diversity, reduced inequalities, and neighborhood revitalization. Loans for

this strategy are hand-picked for securitization such that they meet our clients' specific impact goals.

The customization of client portfolios allows us to address social and environmental issues in a way that produces measurable results – both in terms of a financial return and an impact return. We have developed a proprietary impact measurement process, discussed in the following section, in order to track the various impacts of these investments.

Impact Bond	
Lead Manager	Brian Svendahl, CFA
Benchmark	Bloomberg Barclays US Aggregate
Strategy launch	October 2009
Total strategy AUM <sup>8</sup>	\$189 million
Available vehicles	Separate Account, US Mutual Fund
Impact targets <sup>9</sup>	Thematic
Impact measurement criteria	UN SDGs



**Impact investing at RBC in 5 minutes**



**More about Impact Bond**

<sup>8</sup>AUM includes all accounts managed in this strategy, including accounts which do not appear in the composite. As of December 31, 2020.

<sup>9</sup>Targeting options only available in certain vehicles and subject to investment minimums.

## SUSTAINABLE DEVELOPMENT GOALS



The SDGs outline the world's most pressing sustainability issues, and thus provide an excellent framework for asset managers and investors to address those issues through tangible investment opportunities that promote sustainability. While many of the SDGs are investible in the US fixed income market, we will highlight here our approach to just a few.

## Importance of impact measurement

Our impact philosophy is guided by the belief that every investment has both positive and negative effects, and that impact measurement is key in understanding the footprint of your portfolio. Without a process to properly measure these impacts, there is no way of knowing if and by how much the good outweighs the bad. With good measurement comes an ability to optimize the positive and minimize the negative impacts in a portfolio.

RBC GAM's Impact Bond strategy approaches impact measurement from two distinct, but related, perspectives: our proprietary "stakeholder lens" and the United Nations' Sustainable Development Goals (SDGs).

The stakeholder lens involves evaluating the impact of our investments in terms of how they positively influence our stakeholders, defined as the environment and individuals or groups of individuals who are considered to be disadvantaged, vulnerable, or underserved in some fundamental way, either socially or economically. Our intention is to invest the highest percentage of dollars possible to create or sustain a positive impact for one or more of our stakeholder groups.

In addition to defining the beneficiary (the stakeholder) of the funds, we evaluate how each project influences the SDGs. Adopted by world leaders in September 2015, the SDGs are a global agenda to end poverty, protect the planet, and ensure prosperity for all by the year 2030.

This deliberately ambitious agenda consists of a set of 17 integrated goals, with 169 underlying targets that provide tangible guidance to institutions and individuals toward improving people's lives and creating a healthier, more prosperous world for all.

Our proprietary impact measurement framework enables us to maximize the positive social and environmental footprint of our impact investing portfolios.

Within a separate account mandate, these themes and focus on specific SDGs can be customized and adjusted to meet client goals. Consider, for example, the goal of environment sustainability. Climate change is on the minds of many of today's investors. More and more are looking to make a positive impact with their investments. Impact investing for climate change solutions offers investors the ability to pursue competitive financial returns while also supporting environmental sustainability and the preservation of our planet's natural resources.

### Stakeholders - Which/Who




The Environment | Low-to-Moderate Income Individuals | People Experiencing Homelessness  
 People with Disabilities | Black, Indigenous and People of Color (BIPOC)  
 Women | Children and Foster Youth | LGBT+ | Domestic Violence Survivors  
 Senior Citizens | Natural Disaster Survivors  
 Rural Populations | Veterans | Immigrants/Migrants | Ill/Infirm



### How - Thematic

Environmental Sustainability  
 Economic Prosperity | Community Development | Safe and Affordable Housing  
 Access to Education | Good Health & Well-Being | Reduced Inequalities



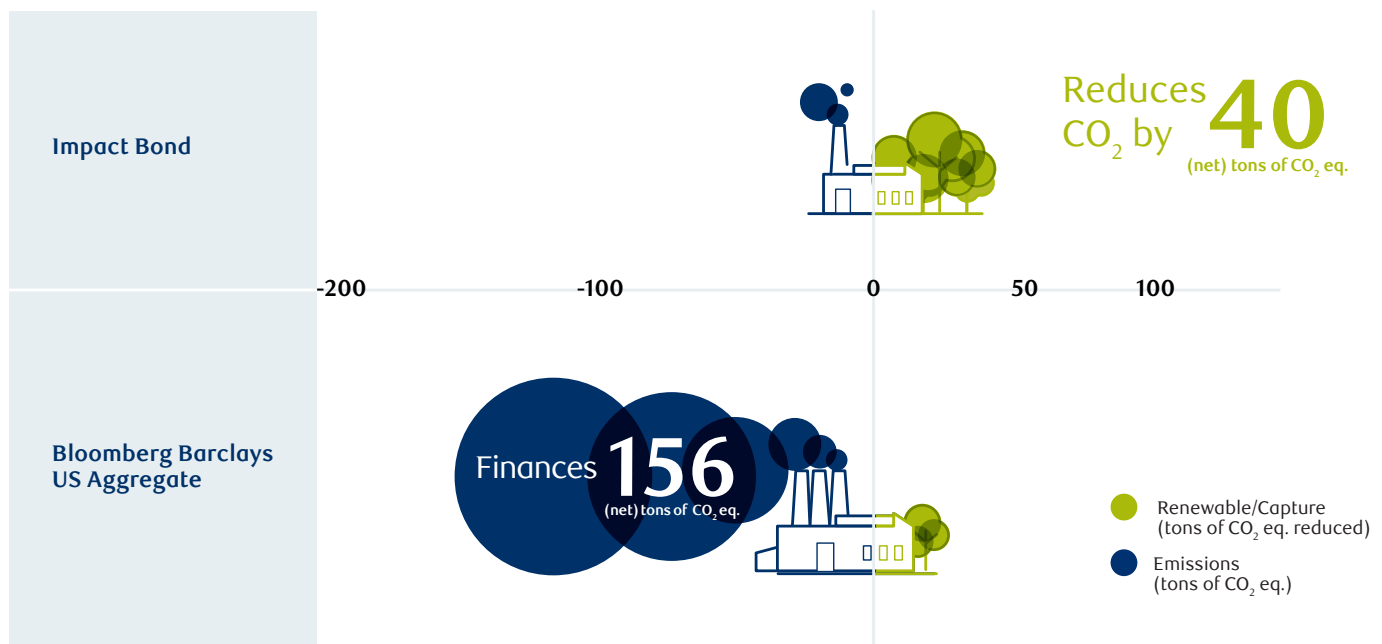
**Impact measurement  
in 5 minutes**



## Investing in climate change solutions and avoiding harm

Understanding both the risks and opportunities that will come with climate change can inform investment decisions. Measuring the climate impact of an investment includes consideration of its contribution to climate mitigation and climate solutions. Passive fixed income strategies can be carbon-heavy – but climate mitigation and solutions-focused strategies are possible, as demonstrated by this comparison of a \$1M investment in the Impact Bond strategy versus a \$1M investment in the general fixed income market:

### Measuring climate impact: net-carbon negative



As of 12.30.20 Source RBC GAM

Per \$1M invested. Based on the representative account, which is the account in the composite that most closely reflects the current portfolio management style for this strategy. Impact is measured using the investment team's proprietary impact measurement methodology. The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index that measures the performance of U.S. investment-grade fixed income securities. An investor may not invest directly in this index.

We define net carbon negative as occurring when the fund's avoided GHG emissions exceed the fund's GHG emissions produced, calculated per million dollars invested (unit = t CO<sub>2</sub> equivalent/\$M invested). Calculations are inclusive of all fund assets, excluding treasury. GHG emissions (t CO<sub>2</sub> eq.) are inclusive of Scope 1 and 2 emissions, and may consider Scope 3 emissions when applicable and available. Multiple data sources are used for GHG emissions data and include: reported data from issuers, reported and estimated data from thirdparty vendors, and sector- and industry-level data from government and academic entities. Gaps in data may exist as climate data and disclosures continue to evolve. Our calculation methodology considers relevant standards and practices, and is proprietary to the Impact Investment team.

We will regularly review and enhance our data inputs and calculation methodology to reflect improvements in climate data availability quality, and advancements in the measurement of climate impact. For more information and details on our methodology, please contact us at

<https://institutional.rbcgam.com/en/us/contact/>

The team employs its proprietary impact measurement framework to both the strategy and its financial benchmark to demonstrate the carbon footprint of a \$1M investment in each. Our Impact Bond strategy goes beyond screening out companies with high carbon emissions; we purposefully invest in projects that promote positive environmental outcomes, including renewable energy, land preservation, efficient natural resource use and environmental remediation projects. This intentionality results in a well-constructed, diversified, and climate focused portfolio that goes beyond traditional ESG integration.

We believe this offers investors a unique and more focused solution for investing in climate change solutions.



Read more about our views on green bonds



Read more about our approach to climate change

## Spotlight on Climate Change Sustainable Development Goal 13: Take urgent action to combat climate change and its impacts

13 CLIMATE ACTION



Sustainable Development Goal 13 aims to create and maintain a more sustainable global economy, focusing on reversing the harmful impacts made to our environment over the last century. Climate change is a global challenge that has the potential to significantly impact economies, markets, and societies worldwide. The effects of climate change are systemic, unprecedented and already apparent. As a result, many investors today are seeking investment strategies that address these issues.

Targets residing under this goal are powerful, and include putting systems in place to better prepare for natural disasters; integrating climate change considerations into national policies; and improving education and awareness on topics related to climate change and mitigating factors.

One example of an investment that aligned with SDG13 this year was a municipal project issued by the Central Utah Water Conservancy District, whose mission is to deliver clean, useable water to their customers by managing the vast Central Utah Project (CUP) and District network of water facilities. They also focus on efficiently using limited water resources by monitoring and tracking precipitation levels and making decisions on how best to serve current customers and store water for future generations. They operate three water treatment facilities, two hydroelectric plants and nine

reservoirs and administer the sale of water to customers in eight counties. They treat more than 100 million gallons and serve 1.5 million customers each day. The impact investing team purchased a municipal bond issued by the District to fund the CUP and additional projects in order to meet the needs of their customers each day.

- Stakeholders impacted: Environment, LMI populations, rural populations
- SDG goals impacted:



8%

↑ Increased investment in the Impact Bond strategy by 8% in 2020 through investment in municipal projects, corporations and foundations with a climate change focus



## Spotlight on Sustainable Development Goal 10: Reduced inequalities

10 REDUCED INEQUALITIES



Sustainable Development Goal 10 seeks to reduce inequalities – particularly related to income, gender, employment and economics – between all countries, but particularly those that are the most vulnerable. While it is still a struggle to obtain equal access to essential services and social opportunities in many developed markets around the world, for emerging markets, these imbalances are multiplied.

Targets for the UN under this goal include achieving income growth of the bottom 40% of the population at a rate higher than the national average by 2030; promoting the social, economic and political inclusion of all, irrespective of personal differences by 2030; and obtaining enhanced representation for developing countries in decision making in global economic and financial institutions. Also included under this goal are targets related to facilitating immigration and migration and improved regulation of global financial markets. These are lofty goals to be sure, and the issues they are targeting for improvement are not new by any means, yet as the COVID-19 pandemic has shown us, inequality on a global scale persists and has become more pronounced than ever before.

We continually seek investments that align with SDG 10 for our Impact Bond strategy. A recent addition to the portfolio was an issuance from the International Development Finance Corporation (DFC). Founded in 1985 by socially responsible investors, the Union Bank of Nigeria, in partnership with the US government and the DFC, launched its 2X Women's Initiative to advance gender equality in lending. Proceeds will be used to support women-led, women-owned, women-supporting and/or women-employed micro/small-medium enterprises in Nigeria. The World Bank estimates that 70% of Nigerian women are considered unbanked, or do not use or have access to traditional banking services, compared to 53.7% of Nigerian men.<sup>10</sup> Union Bank will also use funding to upgrade digital banking products and to grow its business.

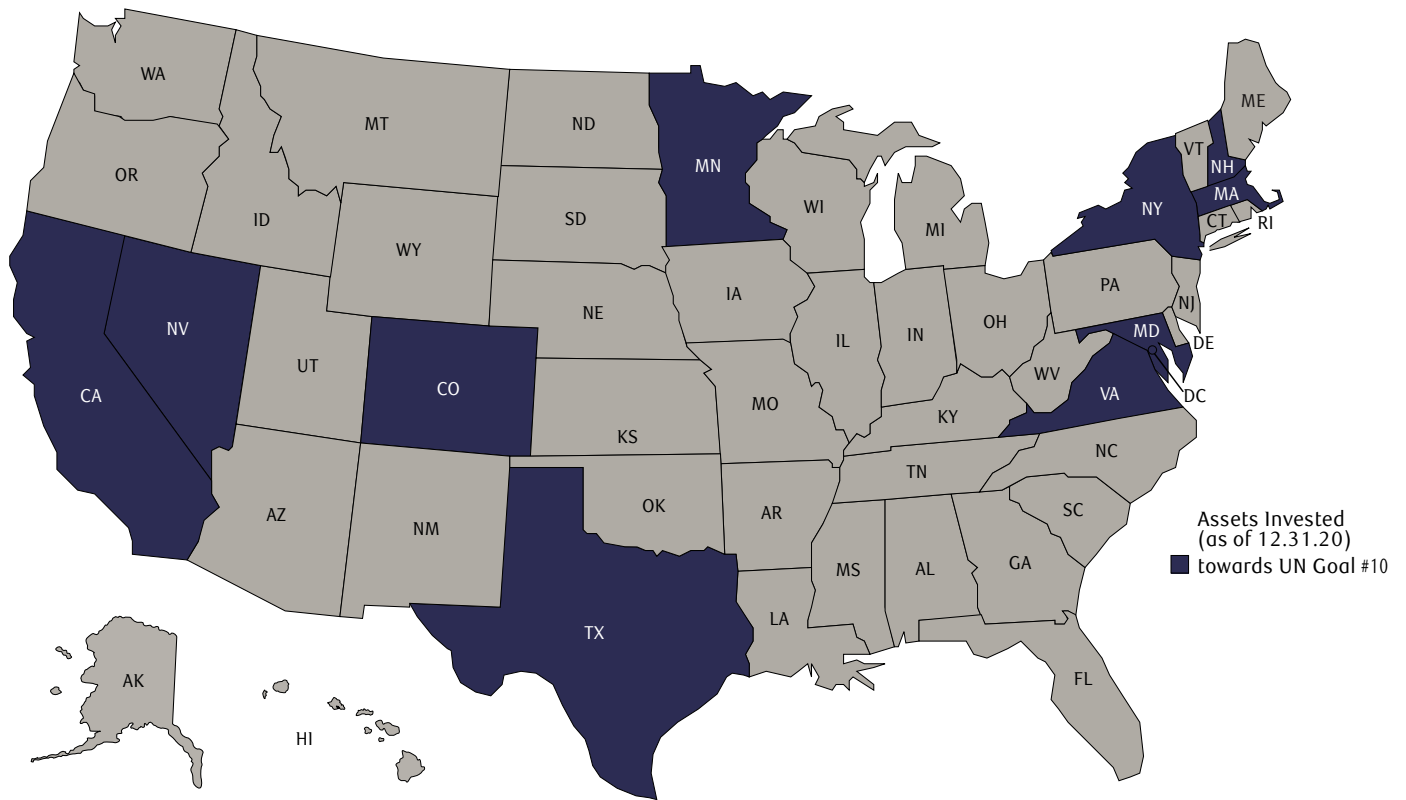
- Stakeholders impacted: women, people of color
- SDG goals impacted:



<sup>10</sup> Source: <https://www.dfc.gov/sites/default/files/2019-08/9000072930.pdf>



## Investments made in 2020 toward reducing inequalities



11 states/territories

# 23%

Increased investment in the Impact Bond strategy by 23% in 2020 through investment in municipal projects, affordable housing and home ownership, small businesses in underserved areas, and through foundations with a focus on reducing inequalities

# The impact of COVID-19

One of the impact themes that took front and center this year was Good Health and Well-being, closely intertwined with Reduced Inequalities. This was no surprise given that since the start of the COVID-19 pandemic in March of 2020, the data showed that the virus disproportionately impacted communities of color in America. Factors that these communities have been dealing with for generations — access to healthcare, occupation, income and housing — can all contribute to viral infection and recovery rates and may also contribute to other underlying health issues that have been known to exacerbate COVID-19 symptoms.

The COVID-19 pandemic has highlighted the need for equal access to healthcare for all populations and all ages. Recent

data shows that Black, Indigenous and Latino populations are being infected by the virus at significantly higher rates than their white counterparts. Reasons for this vary, but it has become evident that this is indeed the case throughout the country, regardless of the type of community lived in or even age. What's more, certain BIPOC populations have been hospitalized four times as often as white people and are nearly three times as likely to die from the virus as white people, the data shows.<sup>11</sup>

The chart below from the CDC compares the infection and disease progressions between BIPOC and white persons in the US.<sup>12</sup>

Rate ratios compared to White, Non-Hispanic persons	American Indian or Alaska Native, Non-Hispanic persons	Asian, Non-Hispanic persons	Black or African American, Non-Hispanic persons	Hispanic or Latino persons
Cases <sup>13</sup>	1.8x	0.6x	1.4x	1.7x
Hospitalization <sup>14</sup>	4.0x	1.2x	3.7x	4.1x
Death <sup>15</sup>	2.6x	1.1x	2.8x	2.8x



**Additional metrics of racial disparities**

<sup>11</sup><https://www.nytimes.com/interactive/2020/07/05/us/coronavirus-latinos-african-americans-cdc-data.html>

<sup>12</sup> Table source: <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>. Accessed November, 2020.

<sup>13</sup> Data source: Data reported by state and territorial jurisdictions (accessed 11/27/2020). Numbers are ratios of age-adjusted rates standardized to the 2000 US standard population. Calculations use only the 52% of reports with race/ethnicity; this can result in inaccurate estimates of the relative risk among groups.

<sup>14</sup> Data source: COVID-NET (<https://www.cdc.gov/coronavirus/2019-ncov/covid-data/covid-net/purpose-methods.html>, accessed 11/25/2020). Numbers are ratios of age-adjusted rates standardized to the 2000 US standard COVID-NET catchment population.

<sup>15</sup> Data source: NCHS provisional death counts (<https://data.cdc.gov/NCHS/Deaths-involving-coronavirus-disease-2019-COVID-19/ks3g-spdg>, accessed 11/27/2020). Numbers are ratios of age-adjusted rates standardized to the 2000 US standard population.

## Spotlight on Sustainable Development Goal 3: Ensure healthy lives and promote well-being for all at all ages

3 GOOD HEALTH  
AND WELL-BEING



Sustainable Development Goal 3 seeks to obtain good health and well-being for all. We recognized the need for considerable investment in this goal in 2020 given the COVID-19 pandemic and its disproportionate impact on underserved populations. SDG 3 focuses on many aspects of health, including the need for more global vaccinations and improved child/maternal health, but also increased access to healthcare, more streamlined funding of health systems and of course, establishing broader preventative measures for global health pandemics. In 2020, this was a particularly important goal as the COVID-19 virus challenged us all.

Targets for the UN under this goal are plentiful and include ending the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases by the year 2030; strengthening the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol; achieving universal health coverage; and by 2020, halving the number of global deaths and injuries from road traffic accidents.

Nationwide Children's Hospital, based in Columbus, OH is a destination academic pediatric medical center designed to manage the most complex of diseases. It supports the

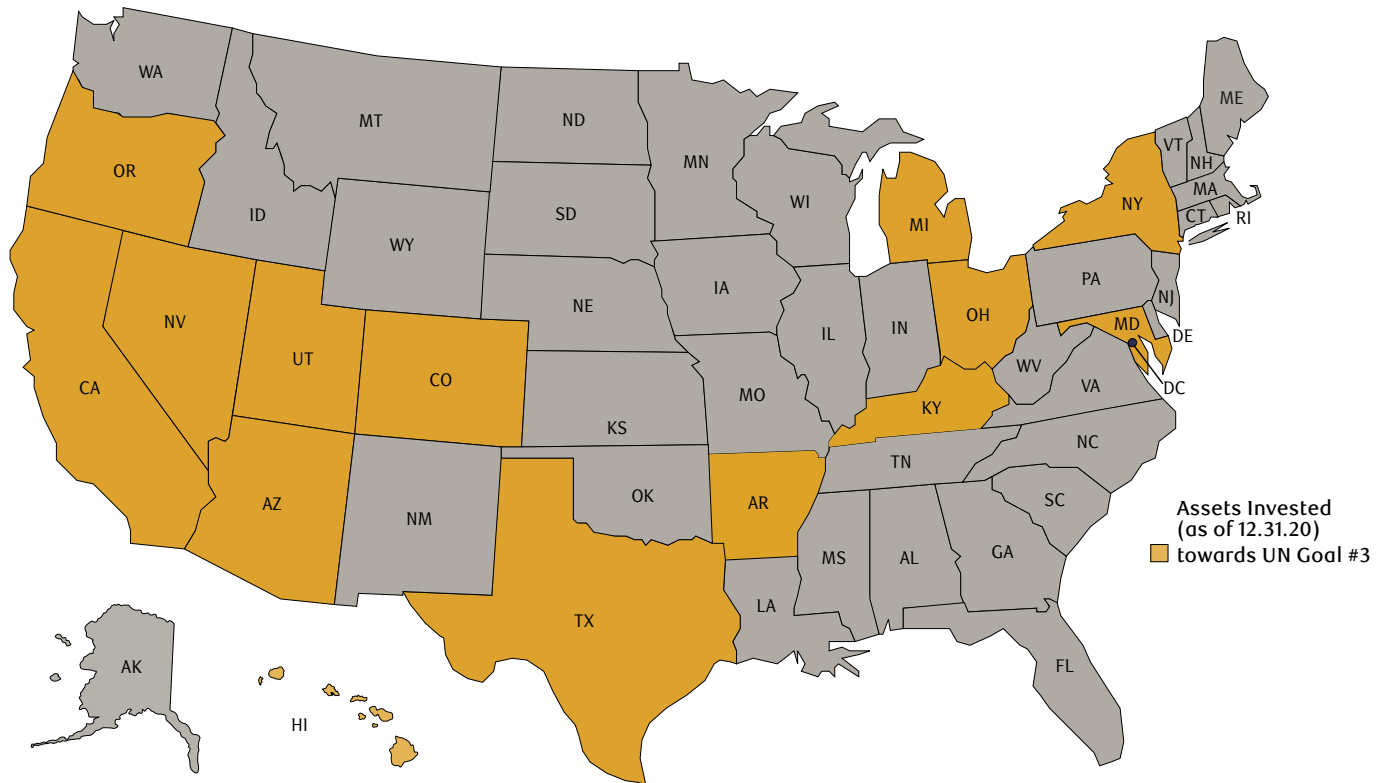
discovery of new knowledge and its translation into novel therapeutics and diagnostic tests to advance pediatric research. The hospital and associated research center invest in building social equity in their communities, work to address the social determinants of health, and develop payment models to better serve unique populations of children. Nationwide is also a teaching hospital, training the next generation of physicians, scientists and healthcare professionals. Our investment team purchased commercial paper issued by Nationwide to support their initiatives and improve access to high level medical care for the young.

- Stakeholders impacted: Children/Ill and infirm
- SDG goals impacted:





## Investments made in 2020 towards Health & Well-being



14 states/territories



### Impact Investing to Help Combat Food Deserts

Low-income and rural communities often suffer from lack of access to healthy food, creating 'food deserts.' Impact investments can help reduce the challenges faced by these populations.

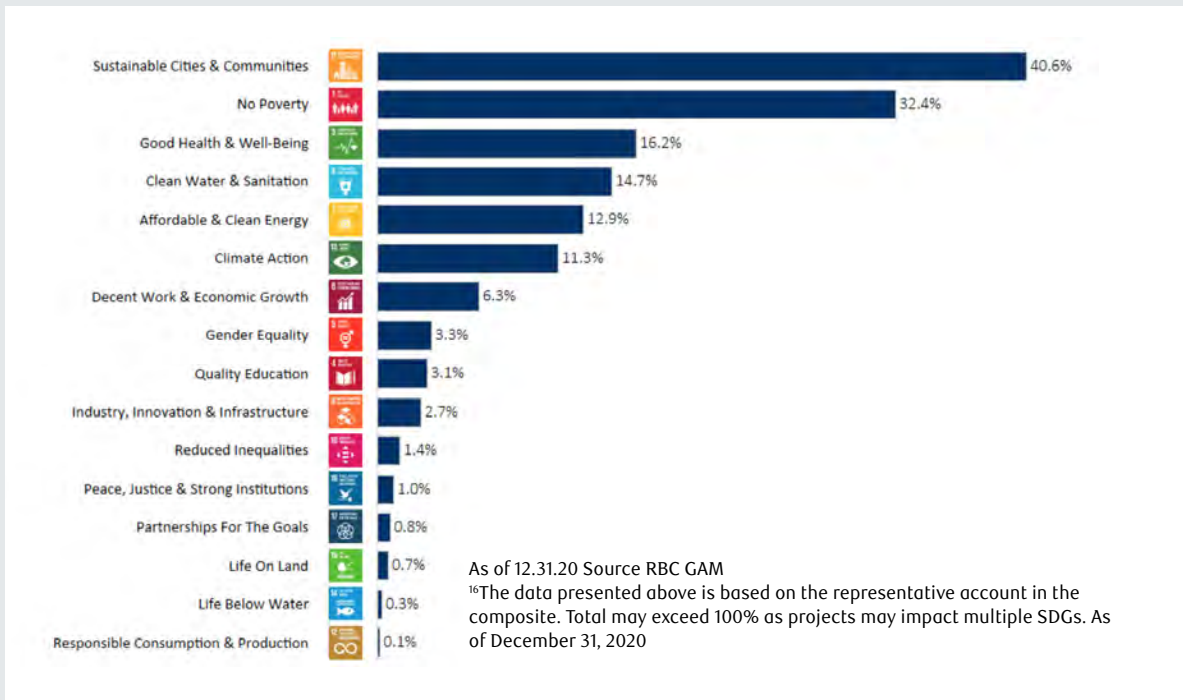
21%



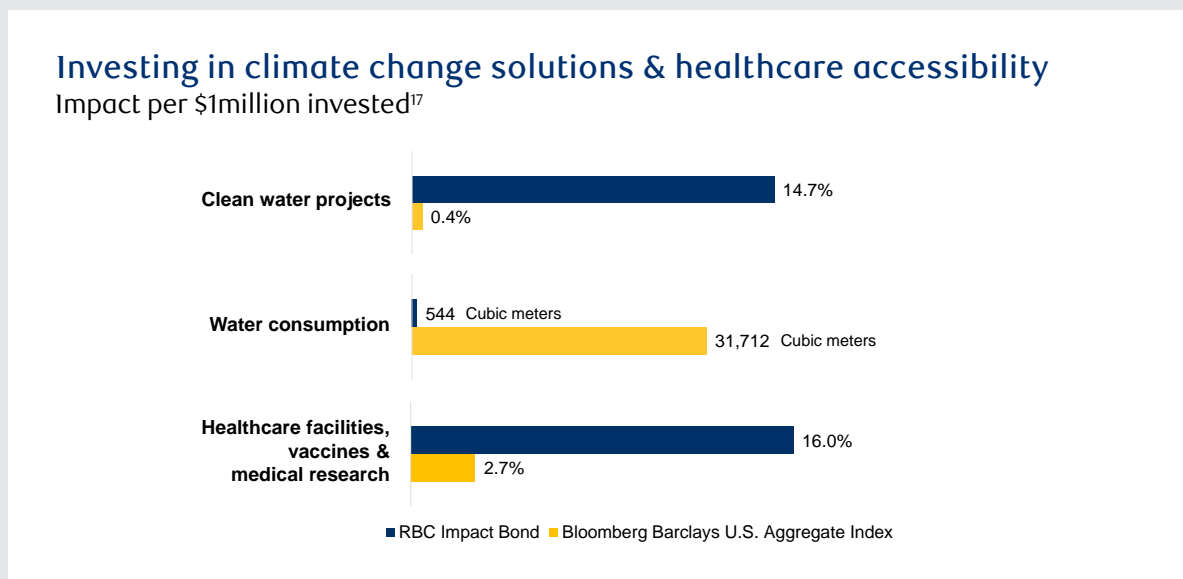
Increased investments in the Impact Bond strategy in projects aligned with SDG 3 by 21% in 2020

## Impact Bond results

The fundamental structure of our impact measurement process has remained consistent over the years, but provides the flexibility to adapt for new inputs. We continue to incorporate newly available information to enhance our impact reporting. We are excited about these ongoing refinements as they enable us to capture and report on additional metrics, including benchmark relative impact metrics.<sup>16</sup> The table below outlines the percentage of our investments made into each of the 17 SDGs:



Further, the following chart outlines the impacts that a \$1 million investment can make on key environmental and healthcare factors. For example, 14.7% of this amount was invested towards clean water projects and 16% towards healthcare facilities, vaccines & research. These percentages are significantly higher than those invested similarly within the benchmark, at 0.4% and 2.7% respectively. In the same way, the Impact Bond portfolio consumed only 544 metric tons of water versus the 31,712 metric tons consumed by investing in the benchmark.



As of 12.31.20 Source RBC GAM

<sup>17</sup> Per \$1M invested. Based on the representative account, which is the account in the composite that most closely reflects the current portfolio management style for this strategy. Impact is measured using the investment team's proprietary impact measurement methodology. For more information on the impact measurement methodology, please contact us at <https://us.rbcgam.com/contact-us/form/default.fs>. The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index that measures the performance of U.S. investment-grade fixed income securities. An investor may not invest directly in this index.

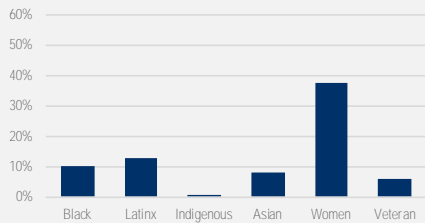


## Investing in underserved communities and people



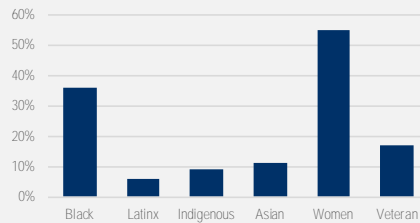
### Small business ownership in the US<sup>18</sup>

- 31% are BIPOC owned



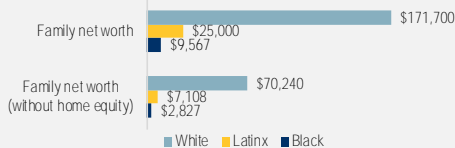
### Strategy small business profile

- 68% of small businesses serve BIPOC communities<sup>20</sup>

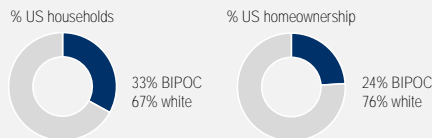


### National homeownership profile

Homeownership is a major component of family wealth<sup>19</sup>

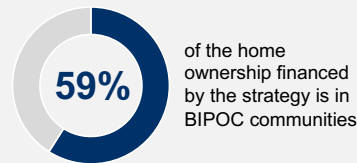


### Homeownership rates by race/ethnicity<sup>18</sup>



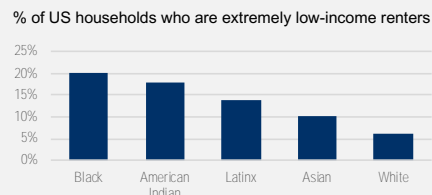
### Strategy homeownership profile

- 100% low-to-moderate income borrowers
- 100% fair lending standards applied



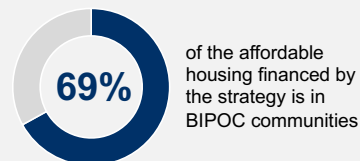
### National rental housing profile<sup>21</sup>

- 40% of low-income people in the US are homeless or pay over half their income on rent
- Most don't receive federal rental assistance due to limited funding
- A disproportionate number of BIPOC families are extremely low-income renters



### Strategy affordable housing profile

- 100% low-to-moderate income
- 74% women head-of-household
- \$16.4k annual income
- \$393/month rent



As of 12.31.20 Source RBC GAM

<sup>18</sup>National data source: <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/03/16095912/Business-Ownership-Demographics-Fact-Sheet.pdf> Federal Reserve: Availability of Credit to Small Business, 2017; <sup>19</sup>Urban Institute, Data as of 2016; <sup>20</sup>US Small Business Administration (SBA) Office of Advocacy: Facts About Small Business, 2018; Federal Reserve: Availability of Credit to Small Business, 2017 <sup>21</sup>National Low Income Housing Coalition (NLIHC): The Gap - A Shortage of Affordable Homes, March 2020

Figures are of the representative account, which is the account in the composite that most closely reflects the current portfolio management style for the Impact Bond strategy. Investors may have the ability to focus their investments on particular areas of the U.S. as their designated target region, depending on the amount invested. The strategy's investments may include BIPOC, low and moderate income communities, affordable housing, support of small business and access to health and education. Investments in each of these communities will be dependent on the investors' election and the strategy may or may not at any given time be invested in each of these preferred geographic focus or target regions.

# RBC GAM impact investing in the news



Ron Homer on CNBC's Closing Bell



Ron Homer on InvestmentNews



NextCity: How Fresno's County Pension Fund Is Helping Finance Its Recovery



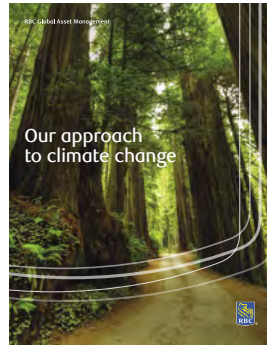
RBC Partners with ServiceNow



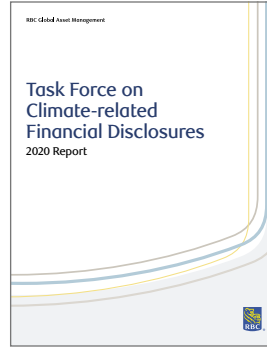
# Related resources



[2020 Corporate Governance and Responsible Investment Annual Report](#)



[Launched in 2020: RBC GAM's Approach to Climate Change Report](#)



[2020 Task Force on Climate-related Financial Disclosures](#)

[2019 Impact investing Annual Report](#)



[2019 RBC Diversity & Inclusion Report](#)



Melanie Adams on GAM's Approach to Climate Change (2 minutes)



2020 Survey Results

Read our previous reports  
2020 | 2019 | 2018

Since 2017, RBC GAM has conducted an annual global Responsible Investment survey focusing on Environment, Social, Governance, and Impact issues. The survey asks key decision makers in the U.S., Canada, Europe and Asia for their thoughts on topics trending within the responsible investment universe. Survey results from the past three years are available here and 2021 results, once compiled, will also be available on our website.

[Subscribe to 2021 Survey](#)

# What's next – 2021 and beyond

We believe that the market's awareness for the value proposition of impact investing is growing and there seems to be a shift from exploring to implementing. Clients are increasingly seeking ways to invest their money in a way that aligns with their personal or institutional values, and impact investing provides such an opportunity.

Our global community has recently experienced a significant and sizeable shock, the likes of which it has never seen before. The COVID-19 virus, which commenced as a global healthcare crisis, spread quickly around the world, impacting not just our health, but our jobs, our financial security and our lives as we know them. Once we began to accustom ourselves to the 'new normal,' events transpired that made it abundantly clear that we have not been doing enough as a society to support and lift up some of our most vulnerable populations. Protests calling for the end of racial inequality and bias pushed the coronavirus off the front page and incited a mass social movement in support of the Black community.

So what do these two events have to do with impact investing? The degree to which the events of 2020 will impact the future has yet to be determined, but what is abundantly clear is that they very quickly elevated the relevance of impact investing in today's world. Foundations, public entities, family offices and corporations have begun to take a greater interest in using their investable assets to improve their communities – all without trading off the opportunity to earn a financial return.

As society begins to right itself in the wake of recent global events, the need to maintain focus on what is important – community, health, justice – is imperative. Looking ahead, we believe that the events of this past year can shine a light on how impact investing can help keep us moving forward, and make a bigger impact where it is needed most.



# Additional information

## Corporate citizenship at RBC

RBC is one of North America's leading corporate citizens. RBC's list of affiliations below confirms its dedication to being a leader in corporate citizenship.

### RBC Corporate Affiliations

- Dow Jones Sustainability North American Index member
- FTSE4Good Index member
- Best Workplaces in Canada - Great Place to Work® Institute Canada
- Top 100 Global Companies for Gender Equality - Equileap
- Member of the Bloomberg Gender-Equality Index
- Member of the Refinitiv Diversity and Inclusion Index

### Commitments & Partnerships

- Business Renewable Centre Canada
- Carbon Pricing Leadership Coalition
- CDP
- Climate Bond Initiative
- Futurpreneur
- Green Bond Principles
- Public Policy Forum
- RBC Emerging Artists Project
- RBC Tech for Nature
- RBC Youth Mental Health Project
- Smart Prosperity
- TCFD Recommendations
- The Equator Principles
- United Nations Environment Programme - Finance Initiative
- United Nations Principles for Responsible Investment

### RBC ESG Strategies & Disclosures

- 2017 Climate Change Position & Disclosure Statement
- RBC Climate Blueprint
- 2019 Diversity and Inclusion
- Modern Slavery Act (MSA) Statement
- 2020 RBC ESG Performance Report
- 2020 RBC TCFD Report

## Responsible investment commitments at RBC GAM

In order to support our continued leadership position in this area, we have a dedicated Corporate Governance and Responsible Investment (CGRI) team whose role is to advance responsible investment by working with investment teams on ESG integration, managing and coordinating ESG research, engaging with our investee companies on ESG-related issues, overseeing all of our proxy voting, collaborating with like-minded investors and engaging with lawmakers or regulators.

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### Collaborations

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#### 30% Club Canadian Investor Group

RBC GAM is a signatory to the 30% Club Canadian Investor Group. The group is a coalition of Canada's largest institutional investors with the objective to achieve a minimum of 30% women on the boards and in senior management roles of S&P/TSX Composite Index companies by 2022. For more information on the investor group's commitment to gender diversity, please see its [Statement of Intent](#).



#### Canadian Coalition for Good Governance

RBC GAM is a founding member of Canadian Coalition for Good Governance (CCGG). The CCGG promotes good governance practices in Canadian public companies and works to improve the regulatory environment to best align the interests of boards and management with their shareholders. RBC GAM's Chief Investment Officer is a past Chair of the CCGG board. RBC GAM's head of CGRI also sits on the CCGG's Policy Committee and on the E & S Committee.



#### CDP

RBC GAM is a signatory to the CDP, formerly known as the Carbon Disclosure Project. The CDP runs the global disclosure system that enables entities to measure and manage their environmental impacts and strives to advance environmental disclosure.



#### Council of Institutional Investors

RBC GAM is a member of the Council of Institutional Investors (CII). The CII aims to promote effective corporate governance, strong shareowner rights and vibrant, transparent and fair capital markets.



#### Climate Action 100+

RBC GAM is a signatory to the Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.



#### Global Impact Investing Network

RBC GAM is a member of the Global Impact Investing Network (GIIN). The GIIN is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world.



#### International Corporate Governance Network

RBC GAM is a member of the International Corporate Governance Network (ICGN). The ICGN aims to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. RBC GAM's head of CGRI is also a member of the ICGN Transparency and Disclosure Committee.



### Investor Stewardship Group

RBC GAM is a founding member of the Investor Stewardship Group (ISG). The ISG is a collective of institutional investors brought together to establish a framework of basic standards of investment stewardship for institutional investors and corporate governance principles for U.S. listed companies. The Head of the CGRI team is a member of the board.



### Mission Investors Exchange

RBC GAM is a member of the Mission Investors Exchange, the leading impact investing network for foundations dedicated to deploying capital for social and environmental change.



### Responsible Investment Association

RBC GAM is a sustaining member of the Responsible Investment Association (RIA). The RIA is Canada's membership association for responsible investment. The head of the CGRI team is the Vice-Chair of the RIA Board.



### Sustainability Accounting Standards Board

RBC GAM is a member of the Sustainability Accounting Standards Board (SASB) Alliance and SASB's Investor Advisory Group. SASB's mission is to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors.



### UN Principles for Responsible Investment

RBC GAM is a signatory to the UN Principles for Responsible Investment (PRI). We are committed to putting the UN PRI's six Principles of Responsible Investment into practice and believe that they are aligned with our existing approach to responsible investment. We are also a signatory to the PRI Statement on ESG in Credit Ratings, which encourages credit rating agencies to proactively take ESG factors into consideration for relevant issuers. RBC GAM's head of CGRI also sits on the PRI's Policy Committee.



### US SIF - The Forum for Sustainable and Responsible Investment

RBC GAM is an institutional member of US SIF, through our Access Capital strategies. US SIF is the leading voice advancing sustainable, responsible and impact investing across all asset classes. Its mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts.

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## Commitments



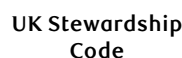
### Japanese Stewardship Code

RBC GAM is a signatory to the Japanese Stewardship Code. The Code sets out the principles that institutional investors should adhere to in order to fulfill their stewardship responsibilities to clients, beneficiaries and investee companies.



### Task Force on Climate-related Financial Disclosures

RBC GAM is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and commits to producing annual climate-related financial risk disclosures aligned with the recommendations of the TCFD.



### UK Stewardship Code

RBC GAM is a signatory to the UK Stewardship Code. The Code aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders.

## Impact investing team biographies



**Brian Svendahl, CFA**  
Managing Director, Co-Head US Fixed Income

Brian Svendahl oversees our fixed income research, portfolio management and trading. In addition to shaping our overall fixed income philosophy and process, he is a portfolio manager for our Impact Investing strategies and many of our government mandates. Brian joined RBC GAM-US in 2005 and most recently led the mortgage and government team before being promoted to Co-Head in 2012. He held several risk management, research and trading positions at Wells Fargo. Brian's experience also includes liability management and implementing balance sheet hedging strategies. He first started in the investment industry in 1992. He earned a BS in economics from the University of Minnesota and a BBA in finance and an MBA from the University of Minnesota Carlson School of Management. Brian is a CFA charterholder.



**Ronald A. Homer**  
Chief Strategist, US Impact Investing  
President, Access Capital Community Investment Fund

Ron Homer leads RBC GAM's impact investing effort. Ron is responsible for servicing the firm's impact investing clients and ensuring that investment solutions are implemented based on each client's customized impact requirements. Ron's background and extensive experience in community investing enables him to identify a broad range of impact investment solutions for clients. Before joining RBC GAM-US, Ron was co-founder and chief executive officer of Access Capital Strategies LLC, an investment adviser specializing in community investments that was acquired by RBC GAM-US in 2008. Previously, Ron enjoyed an extensive banking career including thirteen years as president and chief executive officer of the Boston Bank of Commerce. As an industry veteran who has worked in the financial services industry since 1969, Ron is often sought to consult with leading government officials on a variety of community impact issues. Ron chaired the board of MassHousing—an industry leader among state housing finance agencies—since the height of the housing crisis in 2009 through 2016. He has also held several other leadership positions for industry trade associations and served on the boards of numerous organizations including Sallie Mae, Nynex Telephone, the Boston Foundation. Ron is vice chair and a founding board member for the Initiative for a Competitive Inner City, a research organization founded and chaired by Harvard Professor Michael Porter to promote private sector investment in America's inner cities. He earned a BA from the University of Notre Dame, an MBA from the University of Rochester, and holds FINRA Series 7 and 63 licenses.



**Mindy Frye**  
Institutional Portfolio Manager

Mindy Frye is an institutional portfolio manager within our fixed income group's client service team. She serves as the day-to-day point of contact for our institutional impact investing clients while working closely with the fixed income investment team to meet each client's customized impact requirements. She also serves as a product specialist for our impact investing strategies and supports the efforts of our Chief Strategist of Impact Investing. Before joining RBC GAM in 2017, Mindy was a senior manager at a global, U.S.-based asset management firm where she led a team responsible for performance and asset reporting; she also worked as senior investment analyst at a private investment firm and as a manager of client service for a registered investment advisory. Mindy started in the financial industry in 2002. She earned a BA in economics from Macalester College and MBA from the University of Minnesota's Carlson School of Management. She holds a FINRA Series 7 and 63 licenses.



**Eric Hathaway, CFA**  
Senior Portfolio Manager

Eric Hathaway is a member of the mortgage and government research team in our US fixed income group. He oversees the asset-backed securities effort at RBC GAM-US as well as supporting our mortgage-backed mandates. He also plays a key role in managing our impact investing strategies. He joined RBC GAM-US in 2006 and served as an analyst researching all areas of the rates market before being promoted to Portfolio Manager. Prior to joining RBC, Eric held various positions at Piper Jaffray in treasury and risk management. He has worked in the investment industry since 2001. He earned a BA in business administration from the University of South Dakota and an MBA from the University of Minnesota Carlson School of Management. Eric is a CFA charterholder.



**Raye C. Kanzenbach, CFA**  
Senior Managing Director, Senior Portfolio Manager

Raye Kanzenbach leads the municipal research team in our fixed income division. He researches various tax- and revenue-backed municipal bonds and is a portfolio manager for several of our tax-exempt and community investing mandates. Raye has worked in fixed income research and portfolio management since joining the firm in 1983 and helped launch the RBC Money Market Funds. He previously worked at First Bank System (now U.S. Bank), where he managed municipal bond and money market funds and supervised municipal and credit research. Raye was also an investment officer at The St. Paul Companies (now The Travelers Companies). Raye joined the investment industry in 1973. He earned a BA in economics from Lawrence University and an MBA in finance from the University of Michigan. Raye is a CFA charterholder.



**Scott Kirby**  
Vice President, Senior Portfolio Manager

Scott Kirby is a member of the mortgage and government research team in our fixed income group and serves as co-portfolio manager for our community investment strategy. Scott joined RBC GAM-US in 2012 and most recently served as manager of investments of a broad-based asset portfolio for a large foundation, supporting its mission to reduce poverty. Previously, he led the structured assets investment team of Ameriprise Financial/Riversource Investments, where he served as senior portfolio manager for more than \$20 billion in agency and non-agency mortgage-backed, commercial mortgage-backed and asset-backed securities. He joined the investment industry in 1981. He earned a BS in finance and an MBA in finance from the University of Minnesota Carlson School of Management.



**Valinie A. Dayaljee**  
Analyst

Valinie is an analyst on the US Fixed Income team, working as both a money market trader and a municipal analyst. Before joining our Fixed Income team, Valinie was an investment policy and data analyst for our investment policy compliance team. Before joining RBC GAM-US in 2015, she worked on the funding desk as an operations funding associate at U.S. Bancorp. She has been in the financial industry since 2014. She earned a BS in finance and accounting from Concordia University.



**Karen Ly**  
Analyst

Karen Ly is an analyst in our US Fixed Income team. She maintains a dual role as both data analyst and money market trader. She provides insight into markets, portfolios and impact investment using data science to extract meaning from large data sets. Before joining RBC GAM-US and the financial industry in 2017, she was a summer equity research intern at a local bank. She earned a BA in biology, society and environment from the University of Minnesota. Karen holds a HBX Certificate of Readiness from the Harvard Business School. She is a Level I CFA candidate.



# RBC Global Asset Management



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