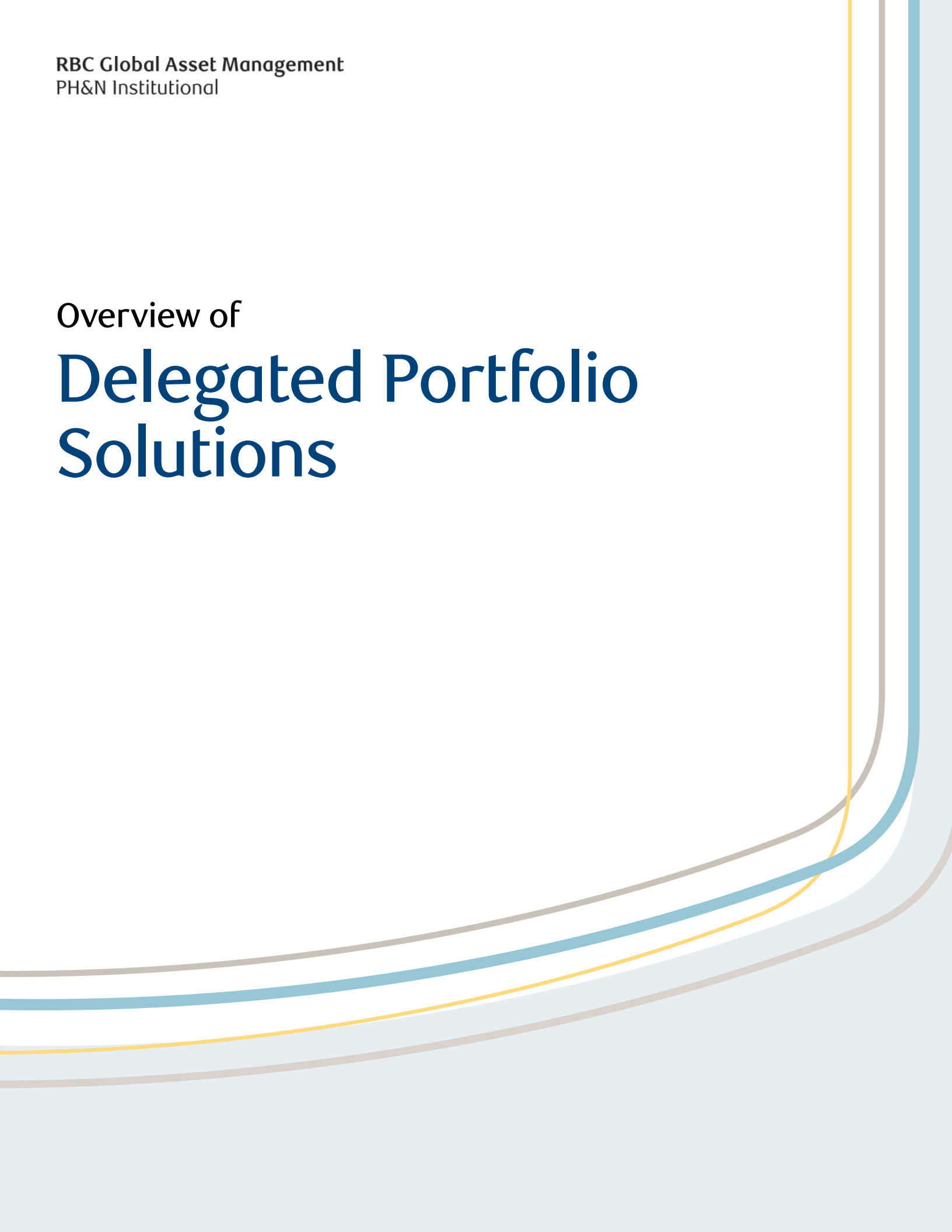


Overview of

# Delegated Portfolio Solutions



# Contents

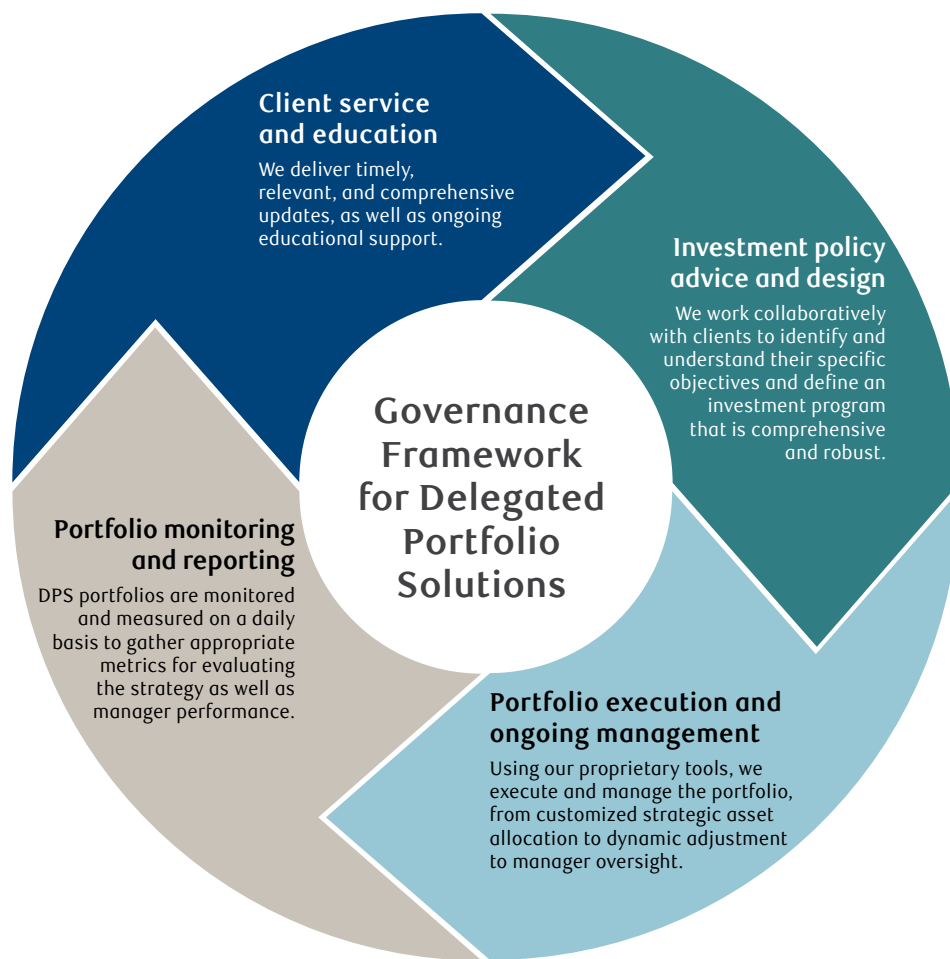
Executive summary .....	3
Competitive advantage .....	4
Our approach to outsourced CIO .....	5
DPS process .....	6
Investment policy advice and design .....	6
Portfolio execution and ongoing management .....	7
Portfolio monitoring and reporting .....	11
Client service and education .....	13
Fees .....	14
Summary .....	15
Appendix 1 .....	17

## Executive summary

PH&N Institutional is one of Canada's most established institutional asset managers with a reputation for conservative active management and consistent high-quality service. For over 60 years our firm has been providing customized investment solutions to institutional investors that address their unique needs and objectives.

Today, PH&N Institutional is the business within RBC Global Asset Management<sup>1</sup> (RBC GAM) dedicated to serving Canadian institutional investors. Building on our rich history and leveraging the investment strength, operational excellence and scope of RBC GAM, our services, capabilities, and infrastructure have evolved beyond investment strategy manufacturing to include strategic investment policy advisory, dynamic and tactical risk management, and governance services. In response to growing investor interest to access the full range of our capabilities, we have established a distinct service offering that allows our clients to delegate the execution of key investment management and governance functions to PH&N Institutional who in turn assumes greater fiduciary responsibility for these activities.

Similar to our existing approach to partnering with our clients, our Delegated Portfolio Solutions (DPS) offering provides comprehensive and tailored solutions that address each client's unique objectives and challenges. The key distinction is the discretion PH&N Institutional assumes in executing various investment management and governance functions on behalf of institutional trustees. Our full range of delegated capabilities that we can deliver to clients is illustrated in the diagram below:



<sup>1</sup>PH&N Institutional is the institutional business division of RBC Global Asset Management Inc.

## Competitive advantage

DPS provides institutional investors with a comprehensive, customized, and cost-effective solution that leverages RBC GAM's full depth of resources and experience. Our philosophy and approach to delegated investment management services developed organically, driven by the evolving needs of our institutional clients and was facilitated by our specialized internal expertise and robust operational infrastructure. Our DPS program reflects this background and is distinguished by the following:

**Perspective:** PH&N Institutional has over 60 years of experience working with institutional clients and directly participating in capital markets. Addressing the unique and complex challenges our clients face has been, and always will be, our priority. This commitment is reflected in the considerable resources we have developed, in both people and technology, to support our investment management services.

**Breadth of investment capabilities:** Worldwide, RBC GAM is home to 17 investment teams that manage over \$641 billion of client assets.<sup>2</sup> RBC GAM's global capabilities span the entire spectrum of asset classes, including fixed income, equities, and alternatives, with a range of diversified strategies that each offer distinct management styles and value propositions. Many of our clients take advantage of our ability to actively manage portfolios that combine these strategies, which is reflected in the over \$155 billion in multi-asset mandates that RBC GAM currently manages.<sup>3</sup>

**Strategy design and advisory services:** We have built a dedicated group of experts with significant experience advising institutional clients<sup>4</sup> on all matters of investment policy design, portfolio execution, risk management and governance. Furthermore, DPS draws upon the expertise of our dedicated Institutional Portfolio Solutions (IPS) group, which provides rigorous portfolio analytics and quantitative risk modelling to help stakeholders assess the risk/reward impact of different strategic investment decisions.

**Recognized performance:** RBC GAM funds have been regularly recognized for delivering strong risk-adjusted returns. This includes many of RBC GAM's actively managed multi-asset class funds, in which they have discretion over fund and manager selection.<sup>5</sup>

**Robust governance & infrastructure:** As should be expected from a leading global asset manager subject to strict regulatory controls and oversight, our firm has an extensive and robust infrastructure that supports all governance and risk management aspects of our delegated investment services model. Through our global Chief Investment Officer (CIO) platform, we have direct access to all RBC GAM investment teams. This allows us to provide effective, real-time portfolio monitoring and oversight for our delegated investment services clients, compared to an externally held Outsourced Chief Investment Officer (OCIO) alternative that relies on external fund manager inputs for decision making on a lagged basis.

**Exceptional client service:** Our firm is distinguished by our service-oriented culture, which is based on partnering with clients to deliver relevant investment solutions and reporting, as well as educational support to understand the decisions that are implemented in their portfolios. As a testament to the high standard of client service that we provide, we have won the Greenwich Quality Leader award every year for the last 10 years.

**Transparent fees:** DPS clients only pay investment management fees based on the fulfilment of the strategic investment policy through our strategies. There are no additional fees for advisory services, distribution or execution of governance activities, regardless of the amount of work involved in servicing the account.

<sup>2</sup>As at June 30, 2024.

<sup>3</sup>As at June 30, 2024.

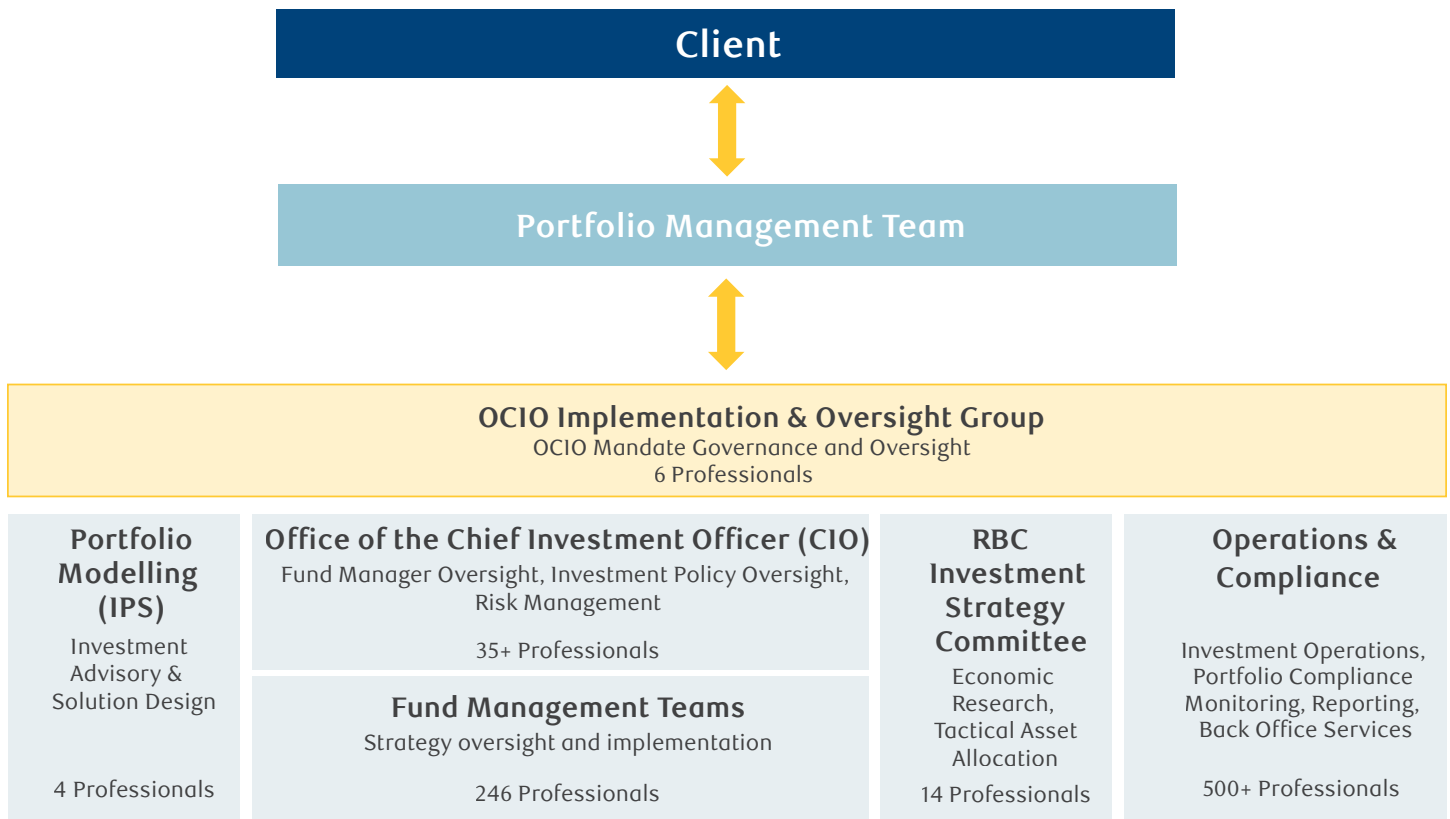
<sup>4</sup>[Link](#)

<sup>5</sup>PH&N Institutional was named a 2023 Greenwich Leader in Overall Canadian Institutional Investment Management Service Quality (details available [here](#)). Greenwich Quality Leaders are distinguished for providing the industry's highest-quality service as determined by Canadian institutional investors. We have been recognized as a Greenwich Quality Leader for the past ten years and the sole winner of the 2023 Greenwich Quality Leader in Canada.

# Our approach to outsourced CIO

As a longstanding and trusted partner to numerous Canadian institutional investors, we understand that each entity faces unique investment challenges that are central to their operational model. Furthermore, we understand that multi-stakeholder entities with differing degrees of sophistication, governance risks, and fiduciary obligations require more than strong-performing investment products. They require investment solutions tailored to the particularities of the unique and evolving world in which they operate, as well as guidance on how to navigate the intricacies of strategic investment policy and fiduciary responsibility.

DPS represents our delegated investment management service model that brings the best of RBC GAM (through PH&N Institutional’s client servicing) to our clients by leveraging the comprehensive resources and experience of a leading global asset manager. Our clients draw upon the entire infrastructure and professional talent that RBC GAM has to offer, all of which are accessible through our institutional portfolio management team. This is illustrated below:



As of June 30, 2024

Partnering with our clients to develop solutions for their fundamental investment challenges and delivering value beyond investment performance have been core missions at PH&N Institutional for over 60 years. DPS is the ultimate embodiment of these objectives inasmuch as PH&N Institutional assumes certain key plan governance and reporting responsibilities in addition to fiduciary accountabilities. Under a DPS service model, PH&N Institutional can be responsible for all aspects of the institutional client’s asset management, including implementation, fund selection and turnover, rebalancing, monitoring, reporting, and governance.

## DPS process

### Investment policy advice and design

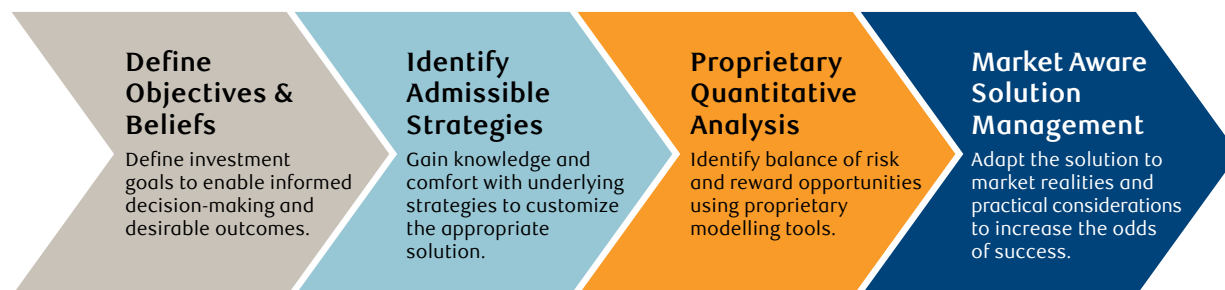
Our firm has a long history of applying our analytical capabilities to support of client objectives. We believe that providing support to trustees to assist with these decisions and act in a confident and informed fashion is an integral part of our DPS offering. We formalized this practice through the establishment of our Institutional Portfolio Solutions (IPS) group. The IPS group is our specialized team dedicated to providing rigorous and quantitatively driven investment frameworks. The IPS group's analysis is informed by their proprietary modelling and analytics tools, as well as team members' extensive experience working with some of the largest pension plans, endowment funds and other types of institutional investors in Canada (and beyond) to create capital market expectations, conduct portfolio and risk modeling analyses and help clients navigate the intricacies of strategic asset mix design. The tools that are employed by the IPS group to test different strategies and optimize asset allocations under constraints are all developed and

maintained internally, which provides us with significant flexibility to adapt them to every client's unique situation and make portfolio adjustments as needed.

PH&N Institutional clients access the IPS group through their institutional portfolio manager (IPM) and can therefore take advantage of the group's three key offerings:

- **Portfolio Solutions Consulting:** Working with investors to design customized investment strategy decision frameworks
- **Asset Mix Modeling & Risk Analytics:** Providing quantitative analysis based on leading-edge methodologies that are rigorous, coherent, and appropriate
- **Thought Leadership & Investment Innovation:** Monitoring developments and trends in global investment markets to identify new and innovative ways to address client challenges

Our strategy for solution design follows a four-step process:



### Define investment objectives & beliefs

Correctly defining client investment objectives and risk tolerance is critical to the long-term success of any investment management program. Therefore, our first step is to fully understand clients' specific situation, including overall objectives, what constitutes risk and reward, the applicable regulatory/legislative regime, and specific investment beliefs, as well as clients' ability and willingness to take on risk.

### Identify admissible strategies

The ability of the long term investment policy to support key investment objectives may require a wider array of asset classes than currently held in the existing portfolio. The range of potential strategies for consideration will also depend on clients' specific risk management goals, as well as investment

beliefs and fee sensitivity. In working with clients to determine the appropriate opportunity set, PH&N Institutional always acts objectively and does not allow any potential self-dealing to influence the selection. This is accomplished by ensuring that the fundamental characteristics and risks associated with different strategies are clearly understood, that stakeholders are comfortable with such features, and by consistently illustrating an array of potential solutions that vary in scope, complexity, and fees. While PH&N Institutional is committed to making objective and well-reasoned recommendations, we do not assume delegation with respect to the SIP&P and therefore acknowledge clients' ultimate authority on investment policy selection. Operating in full transparency so that clients can assess the cost-benefit proposition of different asset classes and portfolio structures is therefore fundamental to the process.

### Proprietary quantitative analysis

Based on clients' objectives, the established asset class opportunity set, and selected risk considerations, the IPS group will employ its proprietary modelling tools to build a quantitative decision framework that best reflects the fundamental risk/reward trade-off and translate the results into a relatable format.

By ensuring that the key risk factor exposures are realistically captured in the modelling framework, we are able to optimize the risk/reward trade-off and illustrate portfolio options that provide the ideal balance. Clients will in turn be in a position to understand the impact of different investment decisions on risk and maximize the probability that the expected reward for bearing these risks are sufficient.

### Market aware solution management

It is important to acknowledge that the results of any optimization are highly dependent on the underlying assumptions. While we endeavour to create best-estimate assumptions that are realistic and err on the side of conservatism, the fact remains that these crucial inputs are always characterized by some degree of uncertainty. Consequently, we prefer to think of the efficient frontier as a theoretical reference point that helps to define an efficient zone in the risk-reward space. A portfolio that is sufficiently close to the frontier (but not necessarily on it) may be preferable since the underlying allocation might be

more feasible from the standpoint of implementation and governance.

The strategic investment policy advisory services we offer as part of DPS are meant to be collaborative and informative. Often, several iterations and minor adjustments are required before identifying the ideal solution. We work in partnership with clients to develop the right solution and make sure that the strategic investment policy decision is made with confidence and in the best interest of clients and stakeholders.

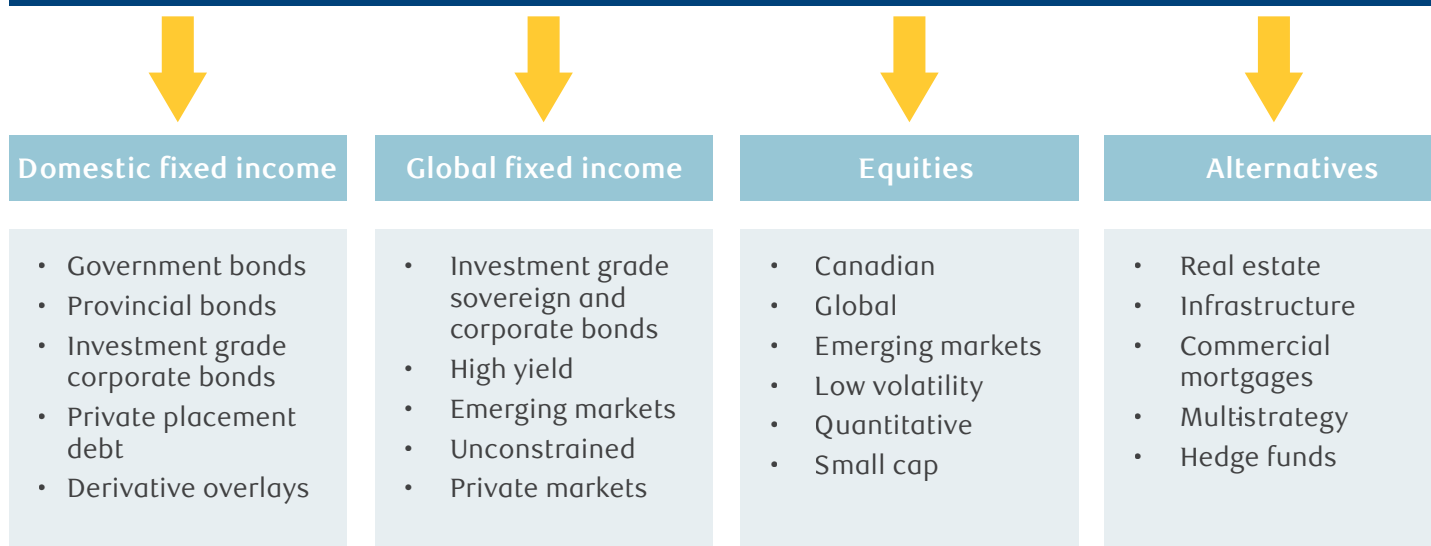
### Portfolio execution and ongoing management

#### Investment capabilities

Clients of PH&N Institutional have access to the full range of RBC GAM's global investment capabilities, which include 17 specialized investment teams located in Canada and around the world that collectively manage more than \$641 million of client assets.<sup>6</sup> These specialized teams manage a full spectrum of asset classes, which spans fixed income, equities, more sophisticated strategies such as liquid alternatives and quantitative investments, as well as private market strategies such as real estate and infrastructure private equity, and commercial mortgages. Supporting these teams is an elaborate network of systems, policies, and procedures that help manage risk and identify opportunities.

The full spectrum of our capabilities is summarized below:

## RBC GAM investment opportunity set



<sup>6</sup>As at June 30, 2024.

### Portfolio construction

Once the strategic asset allocation is established, the client’s IPM implements the desired exposures through our proprietary platform, which comprises of RBC GAM’s full suite of strategies. The process is overseen by the DPS Implementation Group (IG) to ensure consistent and systematic implementation across all DPS clients. The IG is comprised of key members of the Chief Investment Officer’s (CIO) office, senior institutional portfolio management capability specialists and both the DPS and IPS initiative leaders. The IG’s responsibilities include the selection of all investment strategies that are admissible to DPS client portfolios, ensuring that they are appropriate and reflect the best of what RBC GAM has to offer, and monitoring all DPS mandates for consistent fund fulfillment.

The approach used to construct our DPS clients’ portfolios is guided by our considerable experience in designing, implementing, and monitoring multi-asset class strategies. Our proprietary risk and portfolio management systems actively monitor the relative weights within these strategies to ensure that the asset mix remains appropriately positioned. These systems also allow us to track a variety of performance and risk statistics to keep us informed of the risks that we are taking and of the potential impact on the performance of the funds under our care. Further, our active monitoring ensures that we can quickly and efficiently rebalance portfolios when required, even on a daily basis.

### Our philosophy in action – RBC GAM’s manager oversight approach

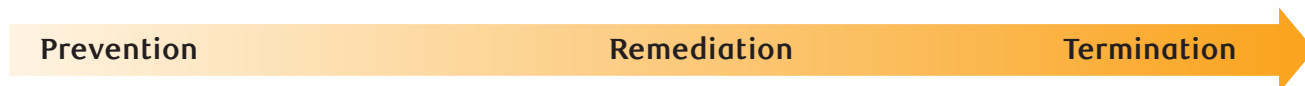
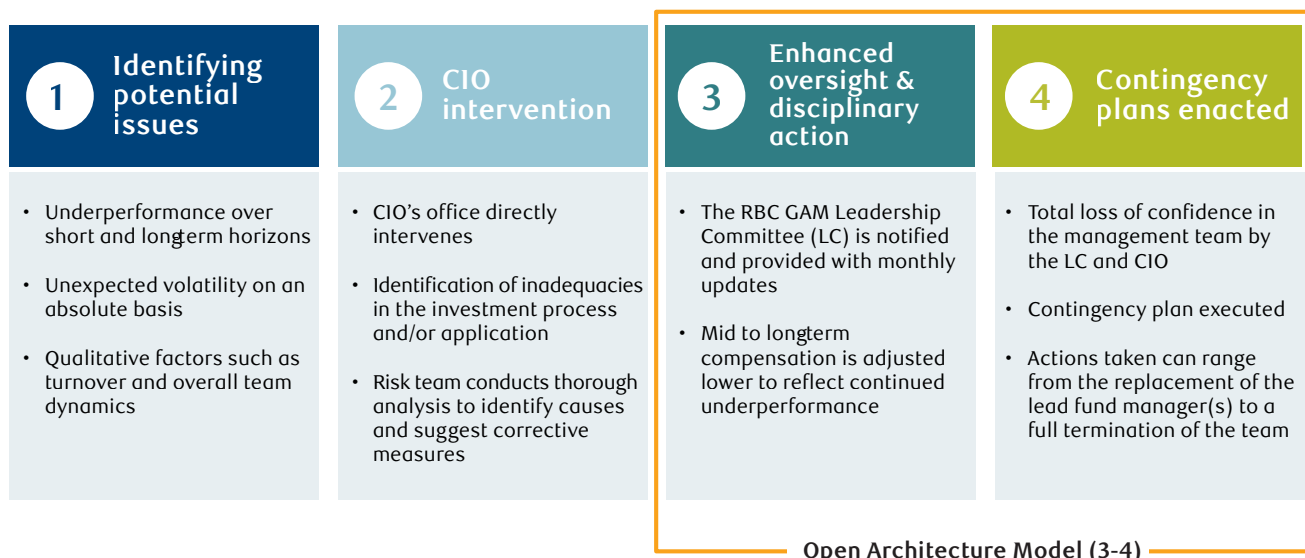
Manager oversight and evaluations are an ongoing process and are generally meant to be constructive for the investment teams so that they can deliver on their objective and provide value to our clients. These can, however, result in a decision to terminate a manager or entire team, should we determine that such actions would ultimately benefit our clients.

### Fund manager selection & monitoring

One of the benefits of engaging PH&N Institutional for a delegated investment management services mandate is our robust and tested manager selection, monitoring, and governance regime, and the infrastructure that we have developed to support it. Our approach in this area is informed by many years of building multi-asset solutions. For example, RBC GAM manages over \$155 billion<sup>7</sup> of standalone multi-asset funds that utilize a variety of asset classes to achieve specific objectives, such as absolute return, diversified total return growth, target education and target retirement date, and traditional active balanced. In relation to our approach to delegated mandates, these solutions benefit from our ability to source the appropriate expertise internally from RBC GAM’s 17 investment teams, whose compensation is explicitly tied to their performance.

In addition, the transparent nature of this structure provides the CIO with the opportunity to intervene, advise, and influence corrective measures before performance is materially impacted. All of our portfolios are subject to comprehensive internal review, performance monitoring, and a high degree of oversight and risk management.

Below is a summary of our philosophy and approach to manager oversight in practice:



<sup>7</sup>As at June 30, 2024.



### Open vs. Closed Architecture Investment Platforms

One of the important differences between various delegated investment management service providers is the investment platform with respect to internal and external managers. Providers who have limited experience trading in markets and do not have internally managed investment capabilities must source all of their funds externally. Proponents of open architecture argue that the setup allows for best-in-class manager sourcing and a vast array of substitutes. DPS uses a closed architecture platform and sources all investment capabilities from the internal strategies managed by RBC GAM's 17 global investment teams.

While the landscape of delegated investment service models has thus far favoured the use of open architecture platforms, the practical realities and realized performance of these structures suggest there are compelling reasons for not discounting a closed model.

- **Open architecture does not guarantee “best-in-class managers”:** The pricing model associated with an open architecture delegated offering will typically have two components: the investment management fees and the delegated service fees that cover consulting and related work. In order for this model to be viable from a cost perspective, the sum of the two fee components must be reasonable and permit a sufficient margin for the consultant. Since many of the best performing managers are typically unwilling to cut their fees (or cannot due to client fairness policies), it is not unusual to find a consultant's top-rated managers excluded from their platform. Consequently, these open architecture platforms often do not always end up accessing best-in-class managers and the pool of such managers from which to choose is significantly reduced.
- **Investment consultants have a questionable track record in selecting managers and products:** A recent study on the performance record of investment consultants by the UK's Competition & Markets Authority (CMA) found that with respect to manager and product selection, 'recommended' products did not outperform 'non-recommended' products on an after-fee basis. The CMA concluded that investment consultants were historically not able to pick out products “that significantly outperformed (against benchmark) other products.”<sup>8</sup>

- **Our structure offers a more dynamic and responsive approach to manager turnover and risk:** When using third party products, it is almost impossible for the delegated investment management service provider to have real-time access to key fund data or management teams for all of their strategies. Yet, this information is critical to a comprehensive performance oversight and risk management program. It can therefore take considerably longer to identify potential problems and implement corrective action. Conversely, having sufficiently broad internal capabilities with direct access to the various management teams, total fund oversight, and a holistic perspective on positions across all funds manufactured by the firm permit a quicker response time when issues are identified. It also allows for a broader range of corrective measures before resorting to replacing the underperforming product or team.

### Asset allocation

We have extensive experience providing tactical asset mix and allocation guidance to our institutional clients.

#### *RBC Investment Strategy Committee*

Our strength in asset allocation is derived from the expertise and resources we have committed to this activity. The RBC Investment Strategy Committee (RISC) is our most senior investment strategy committee. Chaired by RBC GAM's CIO, RISC comprises our chief economist and senior investment leaders from our currency, quantitative research, Canadian, U.S. and global equities, fixed income, and risk management teams. The committee meets at least once a quarter to provide an assessment of global fiscal and monetary conditions, projected economic growth and inflation, as well as the expected course of interest rates, major currencies, corporate profits, and stock prices.

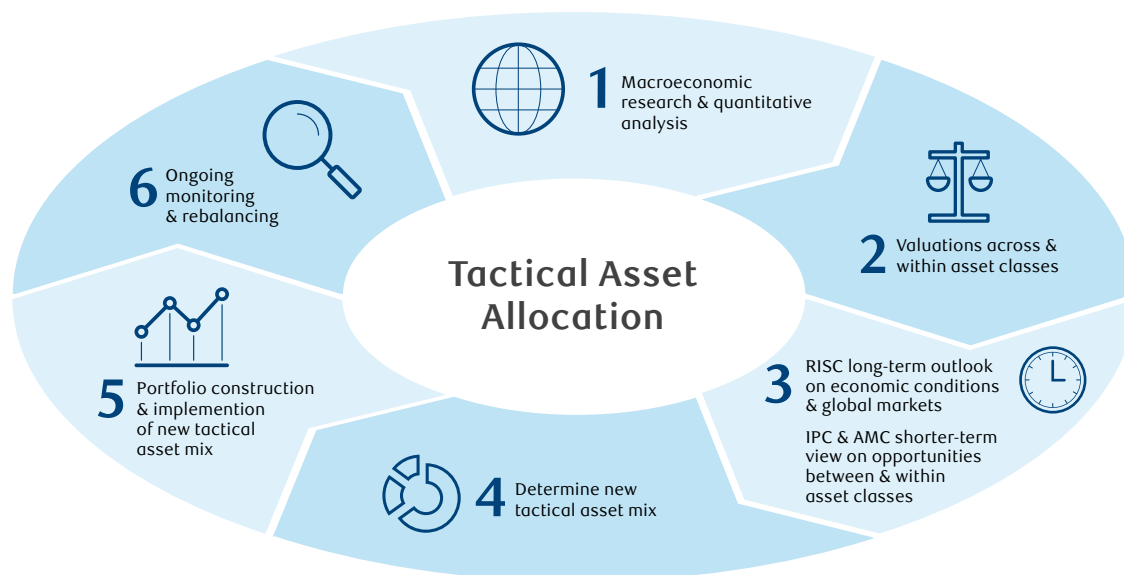
The views expressed by RISC determine any tactical deviations that are applied to our multi-asset investment mandates.

<sup>8</sup>[Link](#)

## Tactical

Active and tactical asset allocation approaches can be implemented in a DPS program if desired by the client.

The DPS IG is responsible for ensuring consistent application of all tactical views originating from RISC across those DPS client portfolios which have authorized and delegated tactical asset mix management to PH&N Institutional. RISC's tactical evaluation process is depicted below:



The tactical asset mix decisions we make incorporate a risk budgeting approach to determine the size of adjustments around the strategic weights. A key feature of our approach to asset mix is that we do not attempt to time the markets using aggressive shifts. Instead, our strategy is designed to add consistent and more stable paths of return over time through smaller deviations that have a more predictable outcome. We also reconsider asset allocation regularly and are disciplined about rebalancing portfolios back to target weightings when market movements cause them to deviate.

## Risk management

Risk management is fundamental to everything we do, both at a firm-wide level and within the investment mandates that we construct and manage. We believe that strong investment risk management controls begin with the identification of appropriate risk ranges for a given expected outcome. In our DPS program, there are three dimensions of risk management that are closely monitored, namely, the extent to which:

1. The strategic investment policy is supporting the plan's long-term objectives
2. The underlying funds used in the fulfillment are meeting their individual performance objectives
3. The ensemble of funds are characterized by systematic global risk factor exposures

With respect to the strategic investment policy, we provide comprehensive periodic updates of the analytical and advisory work to ensure that the long-term asset mix continues to support investor fundamental objectives. This process is part of the ongoing advisory services we offer through the DPS program and is meant to reflect changes in capital market conditions, regulations, sponsor situation and/or risk tolerance.

At the underlying fund level, we previously described the rigorous oversight process put in place by the CIO to closely monitor fund underperformance if and when it arises, as well as the systematic measures that are taken when flags are raised. Additionally, the actual fund managers themselves are aided in their day-to-day risk management by the proprietary systems we use to conduct our investment research and risk management processes. These systems allow our investment teams to identify and measure risk at the individual security and sector level, as well as to understand the portfolio's exposure to various factors.

At a firm level, investment risk management is managed by the Investment Risk Management team. This team provides risk oversight across RBC GAM's extensive global platform. Having this centralized approach offers a number of benefits, particularly in the areas of control, oversight and performance measurement across our entire global network. Their tools take into account a wide number of economic and market risks including real activity, risk aversion, inflation, monetary policy, liquidity, and equity market conditions and seek to assess the extent to which there are systematic, latent risk exposures across the entire book of RBC GAM's business. It allows for thorough, on-going due diligence on a continuous

basis by our CIO and their delegates. Further, this approach allows us to maintain a standardized approach to fund management monitoring and review. The Investment Risk Management team is independent of the investment teams.

**Research and development**

Maintaining our position as an industry leader is a key objective of our firm, and is reflected in the continued expansion and evolution of our strategic capabilities. Our ability to offer DPS demonstrates the considerable expertise that we have developed over the years.

We have expanded our strategy offering across all key asset classes to better meet the changing needs of our institutional clients. Recognizing the growing willingness and ability of Canadian institutional clients to diversify outside of Canada, RBC GAM has invested heavily to expand its global and emerging market capabilities. We have also leveraged our extensive proficiency in derivatives and risk management to create new vehicles that can add value in changing market conditions, which are underpinned by sophisticated risk mitigating strategies.

In fixed income, we have developed innovative solutions that seek to provide our clients with additional sources of yield while actively managing the associated risk. Similar to our approach in equities, much of this development has been driven by our ability to leverage RBC GAM’s global network, which includes emerging market debt and liquid alternatives specialists on the BlueBay Fixed Income team. The BlueBay Fixed Income team has also been instrumental in the continued expansion of our alternatives solutions, which now include niche strategies such as event-driven opportunities.

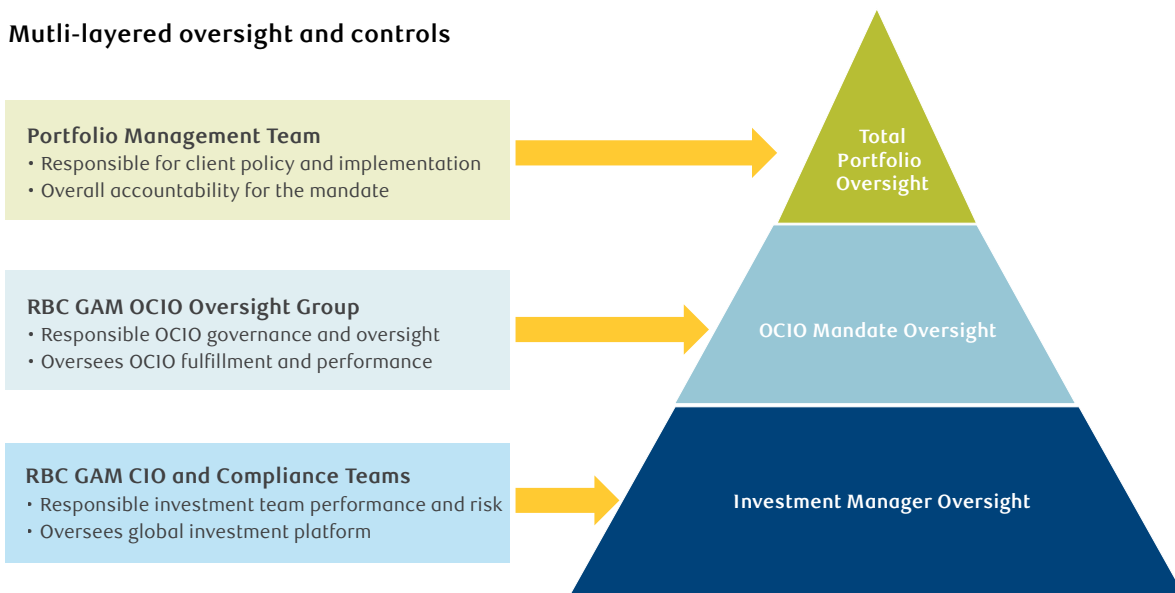
We are also investing heavily in our private markets and real asset capabilities. In 2018, we established a private markets practice with the hiring of Michael Kitt. Michael has led RBC GAM’s expansion in the private markets space and has built a team to structure and manage global real assets strategies, including private Canadian commercial real estate, mortgages, and global infrastructure private equity. He, alongside the three RBC GAM Private Markets teams’ other lead portfolio managers, brings decades of experience in managing real assets.

Finally, we are committed to investing in resources that complement our investment professional roster and technological capabilities. For example, we are continuously expanding the capabilities of BondLab, our proprietary trading analytics tool that enables us to identify, measure, and manage the risks that impact the value of fixed income portfolios on a daily basis. We have also continued to expand the capabilities of eLab, our proprietary real-time information analytics platform, allowing our investment teams to monitor portfolio characteristics, portfolio exposures, and portfolio tracking error.

**Portfolio monitoring and reporting**

All investment strategies available through the DPS program are rigorously monitored by the CIO’s office, and actions are promptly taken when issues are identified. We maintain a clear investment management oversight structure designed to ensure adequate internal controls and responsible reporting relationships. All of our strategies are monitored on a daily basis by our dedicated risk management and compliance teams, and on a quarterly basis by the RBC GAM Executive Committee (EC), which sets and oversees our strategic and operational direction.

**Mutli-layered oversight and controls**



**Portfolio level monitoring**

Our systems are able to provide a full range of reporting metrics. The client’s IPM will work with the reporting and analytics specialist in the DPS group to establish customized reporting that is specific to the client if desired.

*Portfolio performance vs. objectives*

Our firm has invested significant resources in our portfolio monitoring and performance measurement regime, bringing together professional expertise and leading-edge technology. We maintain a clear investment management oversight structure designed to ensure adequate internal controls and responsible reporting relationships. Investment policy compliance is maintained by our trade compliance oversight systems. In the investment portfolios, valuations are performed independently of the investment teams, and directly overseen by our CFO/COO, while trade oversight committees manage and approve brokers and counterparties.

On the performance side, our firm is also able to provide two levels of performance attribution: the client’s total portfolio attribution and a detailed fund-level attribution.

The total, top-level client portfolio attribution provides a breakdown between asset allocation and security selection.

Asset allocation shows our ability to add value through the tactical asset mix decisions. Security selection shows our ability to outperform at an asset-class level by showing performance relative to each asset class’ respective benchmark.

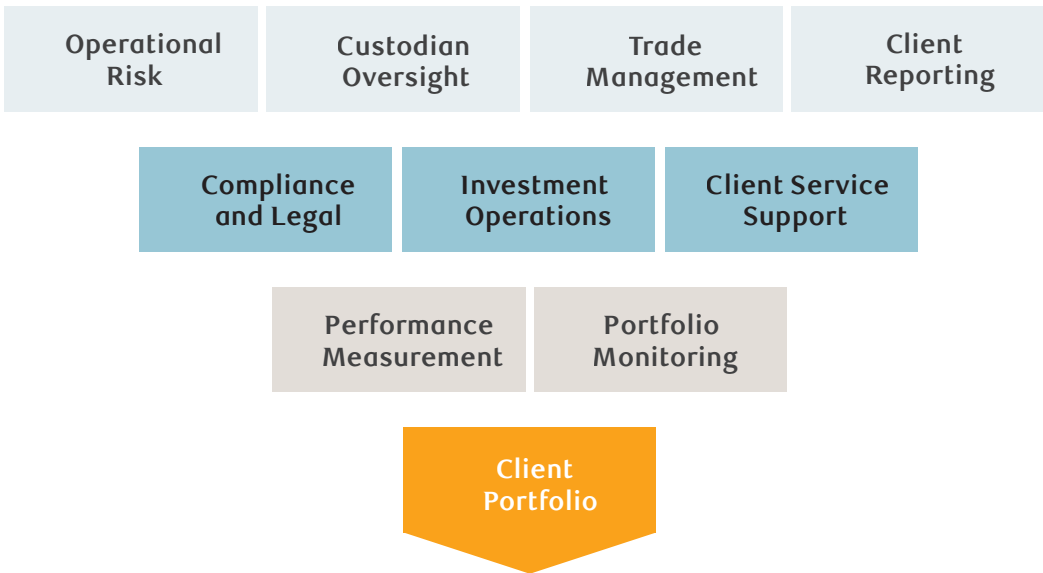
The second level of comprehensive attribution analysis is for each strategy held in the client’s portfolio. This attribution gives a detailed breakdown between sector allocation and security selection.

Our Compliance department also conducts periodic reviews of investment policies. We employ a wide range of sophisticated proprietary and third party technology and information systems in our firm’s risk management, compliance, trading, and client relationships.

*Compliance & operations*

Our firm is supported by a team of over 500 dedicated back and middle office professionals that support the firm’s business units regarding risk, compliance, and operations, spanning functions including operational risk, compliance, investment operations, and client reporting. Our various internal teams are independent of investment and client teams and are subject to strict internal controls, external audits, and regulatory oversight.

**RBC GAM Risk, Operations & Compliance**



- ✓ 500+ dedicated back and middle office professionals
- ✓ Independent of investment and client teams
- ✓ Subject to strict internal controls environment and regulatory oversight
- ✓ Annual external audit of our internal controls (CSAE 3416)

## Individual strategy level monitoring

### Office of the CIO

RBC GAM's CIO is supported in his oversight responsibilities by the RBC GAM Investment Policy Team, a specialized group comprising a diverse range of professionals, including experts in quantitative and fundamental investment risk and analysis, governance, performance measurement, and communications. This team is led by the VP of Investment Policy, who reports directly to the CIO and is also a member of the DPS IG.

Consistent with our firm's integrated approach to risk management, the Investment Policy Team is involved in all aspects of the investment process, from the initial design and review stage of new strategies, to fund monitoring and analysis, to performance measurement. The team also serves as a key research and analysis conduit for the firm, helping to inform the firm's internal and external policy initiatives, such as regulatory commentary, trading strategy, and risk management.

### Written and in-person reporting

PH&N Institutional maintains high standards of client service and strives to make all of our communications clear, comprehensive, and timely. Our IPMs are highly accessible on both a formal and informal basis, and will engage with clients in person or over conference calls to discuss any issues surrounding portfolio management or reporting.

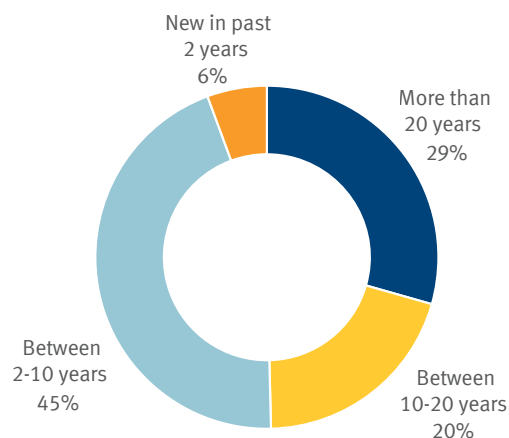
Clients of PH&N Institutional receive a comprehensive quarterly written report that includes a summary of investment performance, compliance and security transaction reports, our outlook for the economy and markets, and the portfolio's positioning for the near term.

In addition to standard quarterly reporting, we also provide customized reports for DPS clients that can cater to specific investor objectives, strategies, and composition. The reports can be delivered on a periodic basis or as needed when meaningful changes occur within the plan. Further, we can tailor the content for both internal staff and the investment board.

Further to informal communications and quarterly reporting, we periodically produce research articles and commentaries to assist clients in understanding their fiduciary duties and to provide insight on investment decision-making.

As a testament to the high standard of client service that we have set in the Canadian institutional space, we have won the Greenwich Quality Leader award every year for the last 10 years. Client tenure is also a reflection of our client-service focus; our many decades-long client relationships are built on a foundation of strong servicing.

## Our client tenure



Source: PH&N Institutional as at December 31, 2023

## Client service and education

PH&N Institutional is distinguished by – and has been consistently recognized for – our service-oriented culture<sup>9</sup>, which is based on partnering with clients to deliver relevant investment solutions and reporting, as well as educational support to understand the decisions that are implemented in their portfolios. Below, we highlight some of the key services that we provide to our clients.

### Economic and capital market research

In addition to ongoing macroeconomic reports from our Chief Economist, and the Capital Markets Outlook updates from our CIO, each quarter RBC GAM publishes its Global Investment Outlook, which outlines the latest views of the RBC GAM Investment Strategy Committee on the global economy and how the current economic environment is impacting investors.

<sup>9</sup>Phillips, Hager & North Investment Management (now known as PH&N Institutional) was named a 2019 Greenwich Quality Leader in Canadian Institutional Investment Management Service. Greenwich Quality Leaders are distinguished for providing the industry's highest-quality service as determined by Canadian institutional investors. PH&N Institutional has been recognized as a Greenwich Quality Leader for the past six years. PH&N Institutional is a division of RBC GAM.

### Thought leadership and market commentary

RBC GAM's investment professionals deliver leading research, global expertise, and a unique perspective in thought leadership publications. These articles address key issues of relevance to our institutional clients. Recent publications have touched on topics such as de-risking, home country bias, central bank participation in the markets, and corporate bond trends.

In addition, RBC GAM's Chief Economist publishes ongoing editions of the Economic Compass, which features comprehensive and insightful examinations of timely economic issues.

### Client and board education

We believe that providing our institutional clients with education about investment themes and strategies is part of a comprehensive service offering.

PH&N Institutional hosts an annual Investment Perspectives conference in nine cities across Canada. These seminars cover timely investment management topics that are of interest to fiduciaries. In recent years, our seminars have touched on the role of central banks, the impact of changing market liquidity, the role of environmental, social, and governance factors in an institutional portfolio and the case for incorporating higher yield strategies into Canadian fixed income portfolios.

For clients less comfortable with financial complexities, we also provide education on investment themes to enhance their ability to meet fiduciary responsibilities. This can be in the form of a customized presentation to the board of directors or to a larger group of stakeholders.

### Strong commitment to environmental, social and governance (ESG) integration

Our firm has long believed that being an active, engaged and responsible owner empowers us to enhance the long-term, sustainable performance of our portfolios. We recognize that the rights we have as a large, global investor come with the obligation to actively use those rights in a responsible way.<sup>10</sup>

We believe that the proper disclosure and consideration of ESG risks and opportunities by the companies or countries in which we are invested is critical to strengthening the overall performance of our portfolios. As signatories to the United Nations-supported Principles for Responsible Investment (UN PRI), all of our investment teams must consider material ESG factors when they have the potential to impact the value of our investment.<sup>11</sup>

We also have a dedicated Responsible Investment (RI) team whose role is to advance ESG integration by managing and coordinating ESG research, engaging with investee companies on ESG-related issues, overseeing all of our proxy voting, collaborating with like-minded investors, and engaging with lawmakers or regulators.<sup>12</sup>

## Fees

The fees for a DPS mandate are assessed exclusively based on the client's investment policy and the associated fulfillment (i.e. investment management fees only). There are no additional layers of fees or charges for advisory work, consulting, reporting, governance, fund packaging, or any other service that falls under the scope of a DPS mandate. PH&N Institutional therefore assumes the cost of client reporting, including advisory services, reports, meetings and the associated travel expenses of our investment professionals if applicable. Furthermore, all clients with similar mandates are treated equally from a fee perspective, delegated or not.

Therefore, clients who engage us for DPS mandates are subject only to our standard fee schedule for investment management that non-delegated accounts would pay.

<sup>10</sup>In certain instances involving quantitative investment, passive and certain third-party sub-advised strategies, there is no direct engagement with issuers by RBC GAM.

<sup>11</sup>Our investment teams focus on those ESG factors that they have determined may impact the value of the investment. The extent of these impacts depends on the issuer, the industries and geographies in which it operates, and the nature of the investment strategy for which it is purchased.

<sup>12</sup>Certain investment strategies or asset classes do not integrate ESG factors, including but not limited to money market, passive and certain third-party sub-advised strategies. In certain instances involving quantitative investment, passive and certain third-party sub-advised strategies, there is no direct engagement with issuers by RBC GAM.

## Summary

Our philosophy and approach to delegated investment management services developed organically, driven by the evolving needs of our institutional clients and facilitated by our specialized internal expertise and robust operational framework of a leading global asset manager. Our delegated investment manager offering, as represented by our DPS program, reflects this background and comprises the following components:

		Traditional OCIO Model		PH&N Institutional OCIO Model	
		Trustees	OCIO Provider	Trustees	PH&N Institutional
Strategy	<b>Overall plan governance</b>	✓	Ongoing Support		Ongoing Support
	<b>Investment Policy</b> <ul style="list-style-type: none"> <li>▪ Define investment objectives</li> <li>▪ Establish strategic asset mix policy</li> </ul>	✓	Advice		Strategic Advice from PH&N Institutional
Operational Services	<b>Implementation</b> <ul style="list-style-type: none"> <li>▪ Portfolio construction</li> <li>▪ Rebalancing and tactical shifts</li> <li>▪ Cash flow management and trade execution</li> <li>▪ Risk management</li> <li>▪ On-going research and innovation</li> </ul>	✓	Advice from Consultants Asset Managers execute with direction from Trustees	Delegated to PH&N Institutional	✓
	<b>Monitoring</b> <ul style="list-style-type: none"> <li>▪ Total Portfolio Performance &amp; Compliance</li> </ul>	✓		Delegated to PH&N Institutional	✓
	<b>Reporting</b> <ul style="list-style-type: none"> <li>▪ Written and in-person reporting of results</li> <li>▪ Economic and capital market updates</li> <li>▪ Fiduciary education sessions</li> </ul>	✓		Delegated to PH&N Institutional	✓

PH&N Institutional has been working with institutional clients and directly participating in capital markets for more than 60 years. Addressing the unique and complex challenges faced by our clients has been a key area of focus for our firm throughout our history. This commitment is reflected in the considerable resources – both in people and technology – we have developed in support of our investment management services.

We have professionals dedicated to investment strategy, policy, tactical asset allocation, risk management, and governance, and we are often consulted by institutional clients to provide expert opinion in these areas. As an

industry thought leader, we complement our investment-related services with educational initiatives that include in-depth seminars, targeted thematic presentations for specific client constituents (boards, sub-committees, and groups within client organizations), and thought leadership publications.

PH&N Institutional is committed to delivering the appropriate expertise and insight to clients for creating and managing a delegated investment services model. We are capable of providing a full spectrum of relevant investment solutions, and understand the importance of effective communication and responsive service.

### What distinguishes PH&N Institutional?

Investment performance, governance, and service

Key considerations	PH&N Institutional advantage
Breadth of investment capabilities	✓ Access to a wide range of asset classes and management styles
Investment performance	✓ A history of strong performance and timely intervention when necessary
Governance and monitoring	✓ Robust oversight of funds, holistic risk management and direct access to investment teams
Fees	✓ No additional fees for any of our advisory or custom reporting services
Client service	✓ Experienced investment professionals focused on excellence in client service



# Appendix 1

## Biography table

Name & title	Investment function	Credentials	Date joined RBC GAM	Date joined industry
<b>DPS Implementation and Oversight Group</b>				
<b>Étienne Dubé</b> Managing Director & Co-Head of DPS Implementation and Oversight Group	Portfolio management	FSA (2005); FCIA (2005); MMath (2000), Université de Montréal	2012	2000
<b>Ivor Krol</b> Vice President & Team Lead, IPS Group	Portfolio advisory & analytics	BA (2006), Concordia University	2013	2006
<b>Sarah Riopelle</b> Managing Director & Senior Portfolio Manager, Investment Solutions	Portfolio management	CFA (2001); BComm (1996), University of Ottawa	2003	1996
<b>Milos Vukovic</b> Managing Director & Head of Investment Policy	Corporate strategy & investment policy	CFA (2004); MBA (2006), Schulich School of Business	2003	1998
<b>Dylan Rae</b> Institutional Portfolio Manager	Institutional Portfolio Management	CFA (2015); BA (2006), University of Toronto	2012	2007
<b>DPS Strategic Leadership Group</b>				
<b>Andrew Sweeney</b> Managing Director & Co-Head of DPS Implementation and Oversight Group	Portfolio management	CFA (1996); CPA, CA (1994); BBA (1993), Simon Fraser University	2007	1995
<b>Étienne Dubé</b> Managing Director & Co-Head of DPS Implementation and Oversight Group	Portfolio management	FSA (2005); FCIA (2005); MMath (2000), Université de Montréal	2012	2000
<b>Martin Leclair</b> Vice President & Institutional Portfolio Manager	Portfolio management & business development	CFA (2000); BBA (1996), Université du Québec à Montréal	2017	1996
<b>Ivor Krol</b> Vice President & Team Lead, IPS Group	Portfolio advisory & analytics	BA (2006), Concordia University	2013	2006
<b>Paul Purcell</b> Managing Director & Head of Pension Plan De-Risking	Fixed income research & portfolio management	CFA (1996); FSA (1989); FCIA (1989); BSc Actuarial Science (1987), University of Western Ontario	2015	1987
<b>John Skeans</b> Managing Director, RBC GAM Head of Consultant Relations - Canada	Consultant relations	CFA (2003); BComm (1997), McGill University	2001	2000
<b>Dylan Rae</b> Institutional Portfolio Manager	Institutional Portfolio Management	CFA (2015); BA (2006), University of Toronto	2012	2007

Name & title	Investment function	Credentials	Date joined RBC GAM	Date joined industry
<b>IPS Group</b>				
<b>Ivor Krol</b> Vice President & Team Lead, IPS Group	Portfolio advisory & analytics	BA (2006), Concordia University	2013	2006
<b>Joanna Mejza</b> Senior Manager, Institutional Portfolio Solutions	Portfolio advisory & analytics	ASA (2015); MSc (Financial Engineering) (2011), HEC Montreal; BSc (2008) Concordia University	2015	2012
<b>Ali El Ouahchi</b> Senior Analyst, Institutional Portfolio Solutions	Portfolio advisory & analytics	FRM; B.Sc. (Actuarial Science) (2006), Université de Montréal	2022	2008

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