A guide to your questions on CRM2

August, 2016

Under new industry regulation—Client Relationship Model, Phase 2 (CRM2)— all investment dealers in Canada will provide two new detailed reports to clients regarding their account performance and fees by early 2017.

This is good news for investors and our industry in general because it will result in more information and enhanced transparency for investors. For some, it may be a level of detail on the performance and fees of their portfolios that they have not seen before.

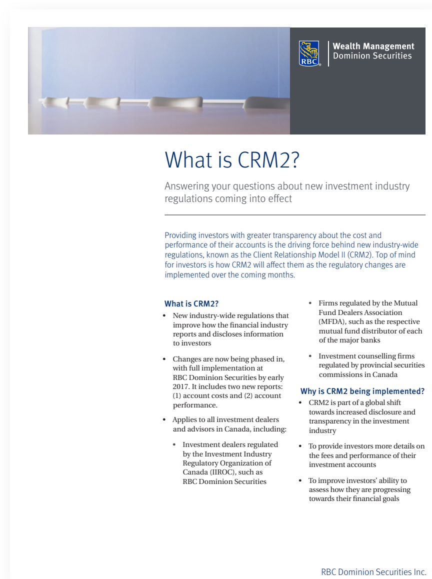
To help answer any questions you may have about these new reports, we have prepared some straightforward factsheets with helpful answers to questions such as:

"Why am I getting all this paper?"

The regulators have requested that you receive two separate reports for each and every account that you hold – one Annual Performance Report and one Statement of Charges and Compensation. Clients with multiple accounts will receive multiple reports.

"Are these new fees I'm paying?"

It is important to know that there is no change to the costs that you are paying as a result of these new reports. They are meant to provide a detailed and transparent disclosure of the cost of investments.



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What is CRM2?

Answering your questions about new investment industry regulations coming into effect

Providing investors with greater transparency about the cost and performance of their accounts is the driving force behind new industry-wide regulations, known as the Client Relationship Model II (CRM2). Top of mind for investors is how CRM2 will affect them as the regulatory changes are implemented over the coming months.

What is CRM2?

- New industry-wide regulations that improve how the financial industry reports and discloses information to investors
- Changes are now being phased in, with full implementation at RBC Dominion Securities by early 2017. It includes two new reports: (1) account costs and (2) account performance.
- Applies to all investment dealers and advisors in Canada, including:
  - Investment dealers regulated by the Investment Industry Regulatory Organization of Canada (IIROC), such as RBC Dominion Securities
  - Firms regulated by the Mutual Fund Dealers Association (MFDA), such as the respective mutual fund distributor of each of the major banks
  - Investment counselling firms regulated by provincial securities commissions in Canada

Why is CRM2 being implemented?

- CRM2 is part of a global shift towards increased disclosure and transparency in the investment industry
- To provide investors more details on the fees and performance of their investment accounts
- To improve investors' ability to assess how they are progressing towards their financial goals

RBC Dominion Securities Inc.

For more information on CRM2 basics, ask for our "What is CRM2?" factsheet.

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"Why don't my returns match up?"

If the performance return shown on your new report doesn't match up with your existing account statement, it may be because the new performance reports are required to use the "money-weighted rate of return" calculation method as opposed to the "time-weighted rate of return" calculation method which has been widely used as the industry standard for reporting performance in the past. Both are valid measures of performance, but use different calculation methods to generate your rate of return.

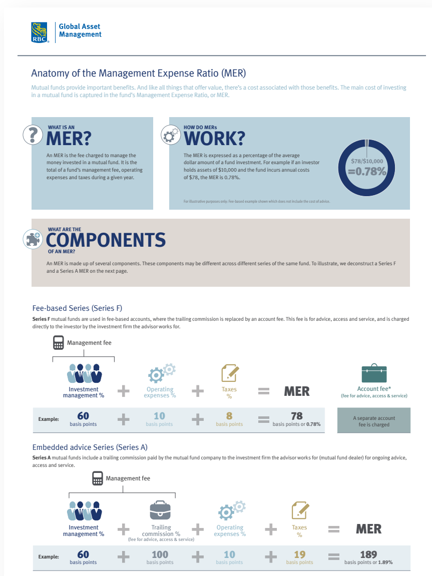
"What are these trailing commissions I'm paying?"

A trailing commission can be included as a component of the mutual fund MER fee for some mutual funds. In these instances, fund companies pay ongoing fees called trailing commissions, to the firm for which your advisor works - in our case RBC Dominion Securities. The trailing commission pays for value-added activities that your advisor and their firm provides with respect to the mutual fund including: the infrastructure required of your advisor's firm to support the distribution, sales and servicing of the mutual fund, monitoring and portfolio re-balancing, and ongoing and regulatory client communications and activities.

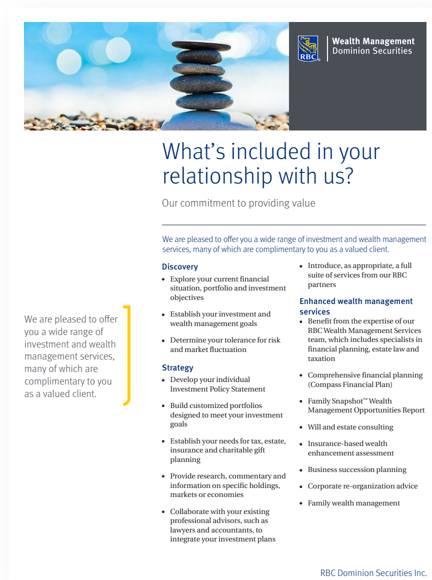
"What do my investment costs pay for?"

There are a host of benefits and functions that are covered by the costs that you pay for your investment accounts. The advice and service provided to you on a day-to-day basis, the protection and privacy of your information and assets, the ability to access accounts online, capital markets research, back-office transaction processing, custody statements, tax reporting, risk controls and regulatory compliance to name a few. We are focused on achieving the best results for your wealth management experience and infrastructure we have in place provides a premiere offering to help you realize your financial goals.

For more information, ask for our factsheet "Time-weighted vs. money-weighted rates of return".



For more information, ask for our factsheet "Anatomy of the Management Expense Ratio" or "Understanding the Costs of Mutual Fund Investing".



For more information, please contact me and we can discuss. We can start with our factsheet "What's Included in your relationship with us".

Please contact me if you would like to discuss any questions or if you would like to discuss anything further about these new reports. Together we can help you understand these these new reports and what they mean for you.