

Supporting BIPOC* Communities through Impact Investing

June 30, 2020

*BIPOC is an acronym that stands for Black, Indigenous, and People of Color.



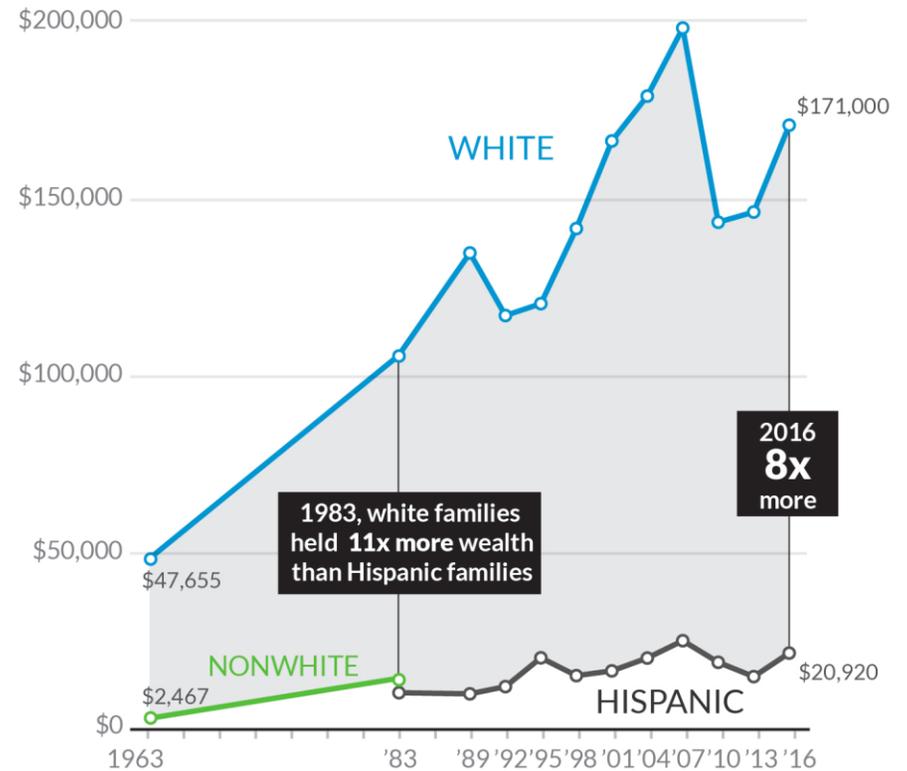
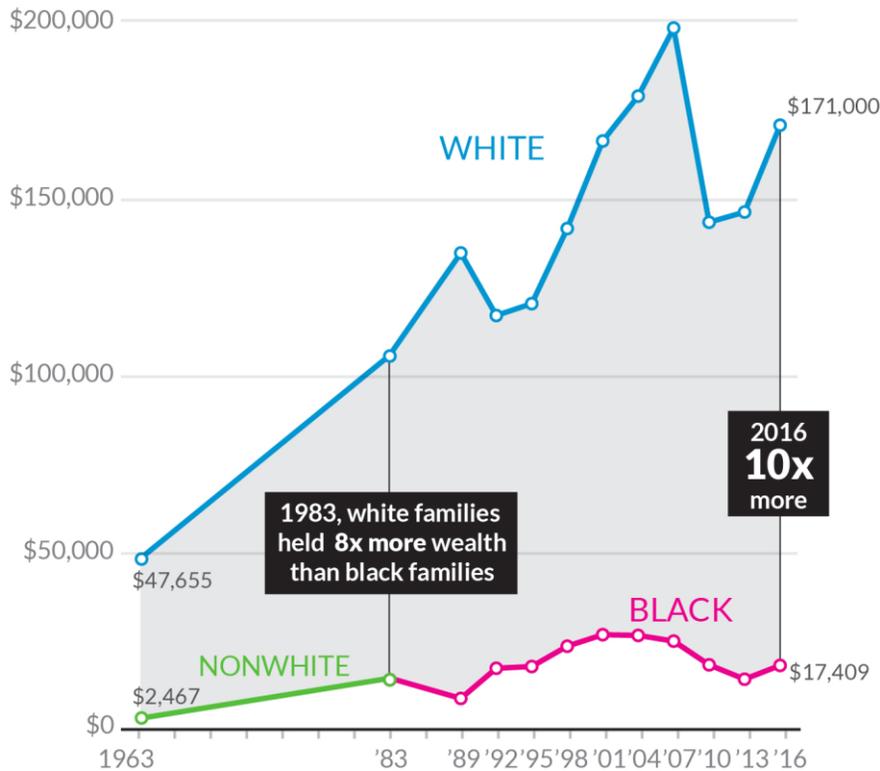
Wealth inequalities along racial lines persist

- Black Americans have \$8.3 trillion less wealth than they would have if wealth were equally distributed along racial lines*. This includes:
 - \$1.5 trillion less of retirement assets
 - \$2 trillion less of business equity
 - \$4.8 trillion less of primary home equity
- The children of White baby boomers are expected to inherit more than \$30 trillion over the next several years; more than 20 times the net worth of all Black Americans.
- Median White family wealth is 10 times greater than Black family wealth

*Source: "The Black Tax: The Cost of Being Black in America", 2017

Median family wealth by race

Median Family Wealth by Race/Ethnicity, 1963–2016



URBAN INSTITUTE

Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983-2016.

Notes: 2016 dollars. No comparable data are available between 1963 and 1983. Black/Hispanic distinction within nonwhite population available only in 1983 and later.

Racial disparities in wealth and income

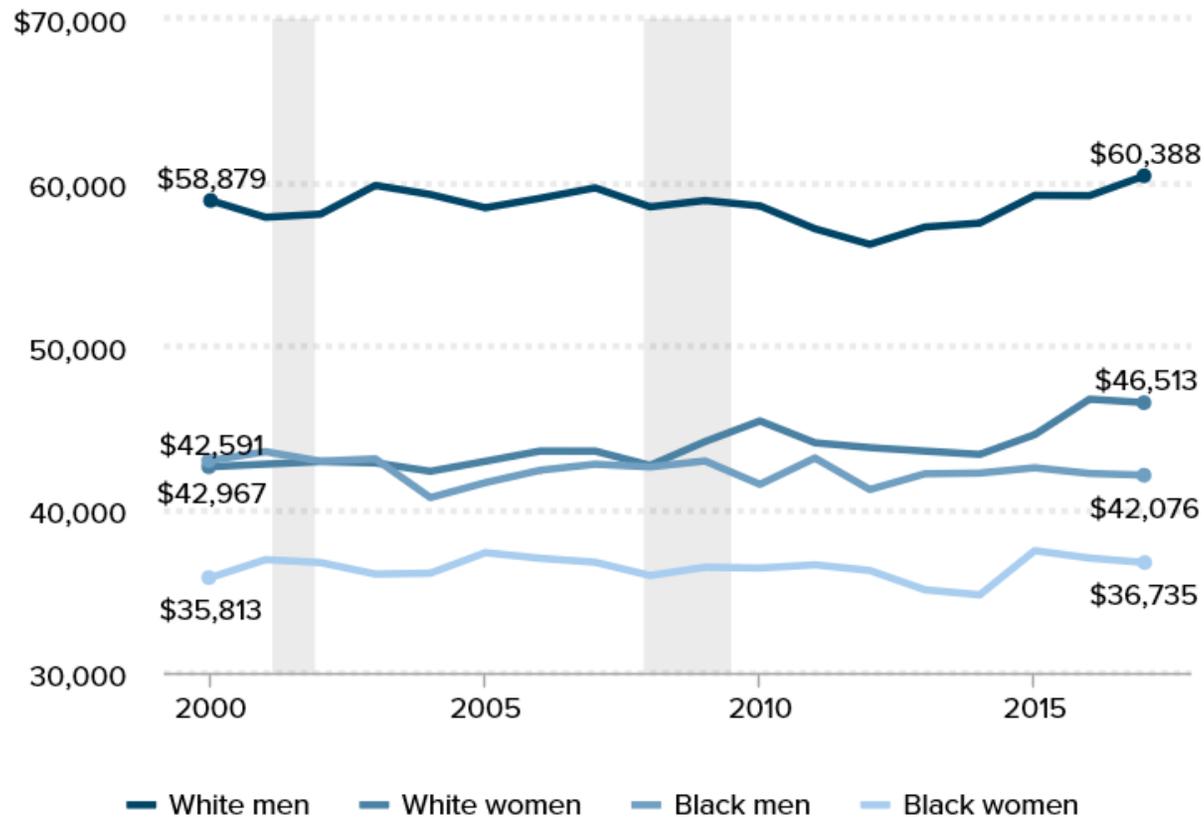
Wealth inequality persists along racial lines for several reasons, including:

- Gaps in annual earnings (even after controlling for education)
 - Black men earn 70% of what White men earn
 - Black women earn 78% of what White women earn
- Low homeownership rates relative to White Americans
 - In 2016, 68% of White Americans owned their own homes compared to 42% of Black Americans
- Gaps in lending to Black entrepreneurs to start and maintain businesses
- Limited transfer of generational wealth within Black families

Source <https://apps.urban.org/features/wealth-inequality-charts/>

Gaps in earnings

Real median earnings of full-time, full-year Black workers and White workers, by gender, 2000-2017



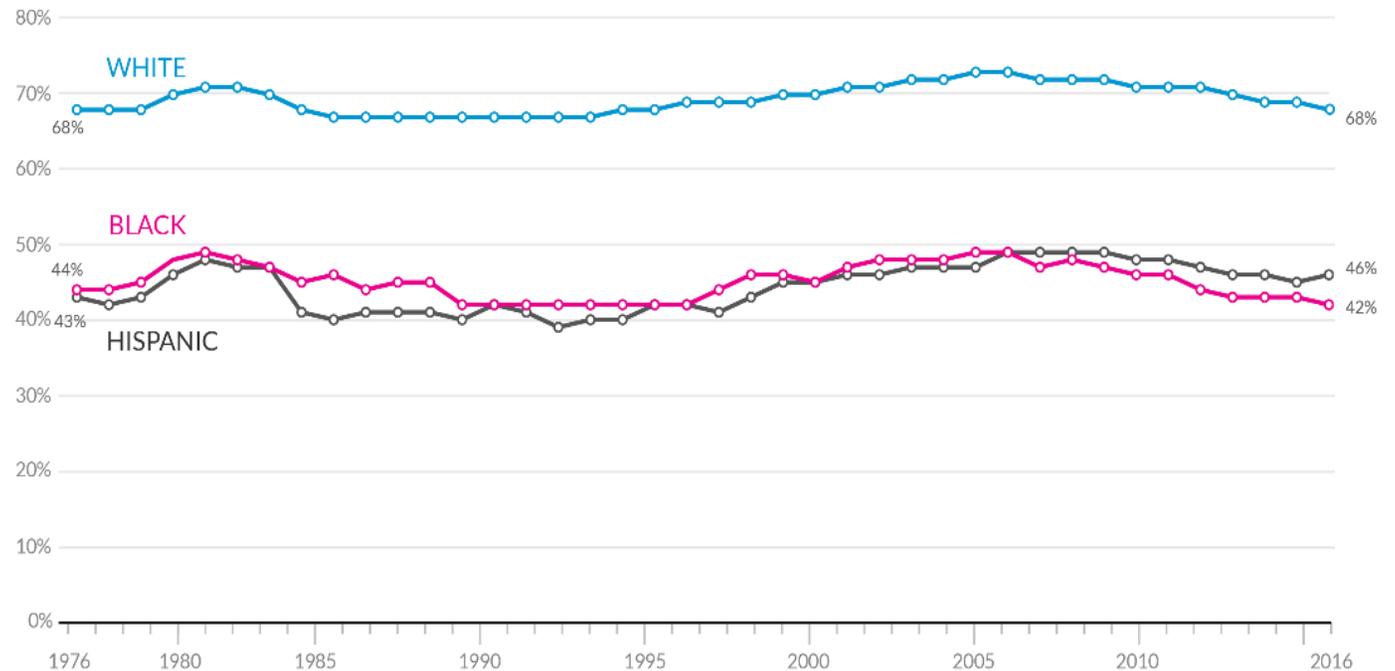
Notes: Earnings are wage and salary income. White refers to non-Hispanic Whites; Black refers to Black Americans alone. Because a redesign of the CPS ASEC in 2013 did not directly affect earnings, the data for 2013 are an average of the new and old series. Shaded areas denote recessions.

Source: EPI analysis of Current Population Survey Annual social and Economic Supplement (CPS ASEC) Historical Income Tables (Table P-38)

Gaps in homeownership rates

- Homeownership is the most critical component of building wealth
- Access to affordable mortgage lending for Black families is still a problem

Homeownership Rate by Race/Ethnicity, 1976–2016



URBAN INSTITUTE

Source <https://apps.urban.org/features/wealth-inequality-charts/> Urban Institute calculations from Current Population Survey 1976–2017. 1976–2014 values from Census Historical Household Surveys, Table HH-5. 2015–16 values from Census Annual Statistics 2016, Table 22.

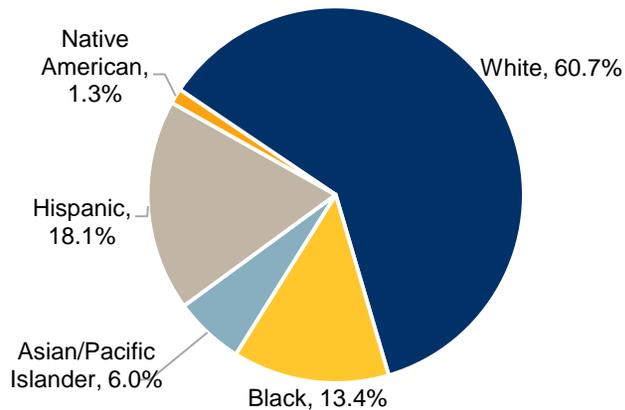
Note: White homeownership rate includes Hispanic whites. The 2016 homeownership rate for non-Hispanic whites is 72 percent.



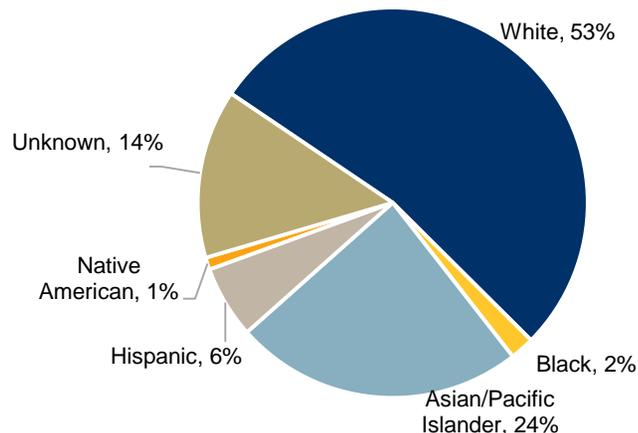
Gaps in business lending to minorities

SBA Loan Approval Rates

Demographics of US Population¹



SBA Approval Rates by Ethnicity²



- Small business loans require collateral – often in the form of home equity, which Black Americans are less likely to have
- BIPOC-owned firms are less likely to receive loans than White-owned firms
- Loan denials in 2010 were at 42% for underrepresented groups, compared to 16% for White Americans³
- BIPOC-owned firms receive lower loan amounts than White-owned firms
- BIPOC-owned firms pay higher interest rates on business loans

¹Census.gov, 2018 estimates ²SBA Business Loan Approval Activity Comparisons Report, 2017. Data reflects approval rates for the SBA 7(A) program

³<https://www.mhda.gov/page/executive-summary-disparities-capital-access-between-minority-and-non-minority-businesses>

Investing to help reduce inequalities

The RBC Access Capital Investment Strategy can help reduce these inequalities by:

- Creating pools of capital dedicated to financing homeownership, affordable housing and small businesses in BIPOC communities.
- Targeting investments to facilitate the upward mobility of BIPOC families
- Investing in enterprises that provide the services needed to build stronger communities



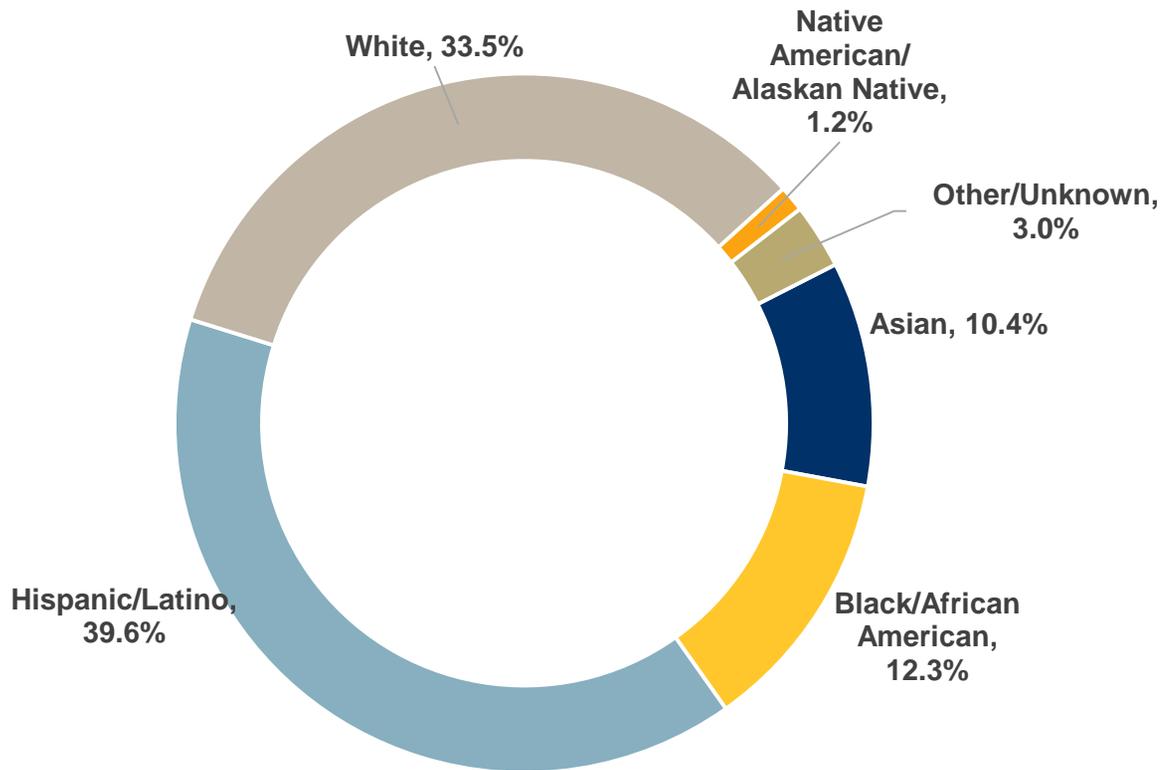
Why this is important



- Increased homeownership and business ownership along with greater investments from lenders will help to create more stability and a greater sense of community
- Stable communities lead to better property appreciation (especially if accompanied by civic engagement and supportive amenities), which leads to increased opportunities for Black homeowners and business owners to create wealth
- Creates a virtuous cycle of positive impact for Black families and communities

Example portfolio - demographics as of 6/30/20

Affordable Homeownership Demographics



Estimated Current Amount Invested

State	County	Amount
CA	Alameda	\$ 3,475,504.26
	Contra Costa	\$ 7,038,877.19
	Los Angeles	\$ 10,387,147.24
	Marin	\$ 881,600.16
	San Francisco	\$ 2,424,516.05
	San Mateo	\$ 221,392.50
	Other/Statewide	\$ 150,000.00
	Grand Total	\$ 24,579,037.40

Impact Type	% of Total
Affordable Homeownership	69%
Multi-Family Affordable Housing	18.10%
Small Business	3.60%
Other	9%
Total	100%

- Over 65% of loans in this portfolio are made in census tracts that are greater than 50% BIPOC

As of 6.30.20

Note: All race data is approximated based on census tract and income level provided by U.S. Census Bureau. The portfolio characteristics presented above represent the demographic and impact data of an existing client account and is provided for illustrative purposes only. Such data may vary for each client in the strategy due to asset size, market conditions, client guidelines and diversity of portfolio holdings.

Appendix: Investment Examples

The following are examples of investments sourced across our impact investing strategies that have positively impacted BIPOC communities.

Affordable housing

ARLINGTON & 27th – Los Angeles, CA

- Newly renovated, affordable multifamily rental housing providing 44 units of housing, 28 of which are reserved for low income renters, and 9 of which are reserved for those considered “very low income”
- Located in Jefferson Park, close to USC, Culver City and DTLA
- Close to public transportation, freeways and metro
- Neighborhood is 93% minority (predominantly Hispanic and Black)
- Sourced through FreddieMac’s Multi-Family Securitization Small Balance Loan Program (FRESB); this program focuses on loans between \$1 million and \$5 million with at least five units with the goal of helping to bolster the nation’s affordable rental housing stock and serve an under-served part of the market with access to long-term debt capital



Access to healthy foods

GROCERY STORE – Camden, NJ

- This small grocery store is located in a low-income neighborhood of Camden, NJ that is predominantly inhabited by people of color.
- Low income neighborhoods often lack access to full-service grocery stores or farmers' markets where residents can buy fresh, nutritious fruits and vegetables.
- Residents with better access to supermarkets tend to have healthier diets and reduced risk for obesity.*



*Source: Food Research & Action Center, <http://frac.org/obesity-health/low-income-food-insecure-people-vulnerable-poor-nutrition-obesity>

Access to dental services

DENTISTRY – Costa Mesa, CA

- Dental office owned by a member of an underrepresented group
- Provides a variety of dental treatments including routine dental checkups and cleaning, fillings and amalgams, tooth extractions, crowns and bridgework, and cosmetic dentistry
- The entire team is Invisalign certified and one of the leading Invisalign providers in the nation
- They offer interest free financing and reasonable payment plans for patients
- Supports job creation and increases access to a valuable healthcare service in a moderate income community



Access to early childhood education

EARLY CHILDHOOD EDUCATION – Atlanta, GA

- This African-American, woman-owned school, is located in a predominantly Black neighborhood of Atlanta, Georgia.
- The school serves children ages 3 through 12, and has a mission to provide a developmentally appropriate learning environment that encourages each individual child's optimum growth and development. Programs run year round and after-school enrichment is available.
- This loan was originated by the Community Reinvestment Fund, a Community Development Financial Institution that works to address social and economic inequity through new financial solutions that help to empower people, build sustainable communities and inspire systemic change.



Neighborhood revitalization

AFFORDABLE HOUSING & NEIGHBORHOOD REVITALIZATION – Rialto, CA

- This predominantly Hispanic community undertook a substantial neighborhood revitalization project of a low-income neighborhood
- The project included the financing of housing related projects as well as a proposed senior citizen housing complex in the downtown area



Access to pediatric dentistry

PEDIATRIC DENTISTRY – Lithia Springs, GA

- African-American owned pediatric dentist clinic
- Located in a low income area outside of Atlanta
- Neighborhood is 72% minority (predominantly Black)
- Provides a variety of dental treatments using the latest dental technology, and are dedicated to helping children they serve maintain healthy, beautiful smiles.
- Job creation and increased access to healthcare service in an LMI community



Access to essential services & jobs

FUNERAL HOME – Sacramento, CA

- African-American woman-owned funeral home that first opened its doors in 1957
- The owner takes pride in putting families first providing clients with a beautiful, lasting tribute to their loved ones
- Job creation and valuable service provider in an LMI area



Disclosures

This document (the “Presentation”) is being provided by RBC Global Asset Management for one-on-one use only with an institutional investor and is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any investment strategy. We are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity. This Presentation should not be construed as tax or legal advice and is not intended to cause the recipient to become a fiduciary within the meaning of Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975(e)(3)(B) of the Internal Revenue Code of 1986, as amended. While we have a financial interest in a transaction because we earn revenue from the sale of our products and services, we do not receive a fee or other compensation directly from you or your in-scope clients for the provision of investment advice (as opposed to other services) in connection with any such transaction.

Past performance is not indicative of future results. There can be no guarantee that any investment strategy discussed in this Presentation will achieve its investment objectives. As with all investment strategies, there is a risk of loss of all or a portion of the amount invested and there is no guarantee that any references to goals, targets, objectives or expectations discussed in the Presentation will be achieved or that the processes will succeed. Any risk management processes discussed refer to efforts to monitor and manage risk, but should not be confused with and does not imply no or low risk. The use of diversification within an investment portfolio does not assure a profit or guarantee against loss in a declining market. No chart, graph, or formula can by itself determine which securities an investor should buy or sell or which strategies should be pursued.

This Presentation contains the opinions of RBC Global Asset Management and unless otherwise indicated, all information herein is subject to change without notice. This Presentation may contain information collected from independent third party sources and has not been independently verified for accuracy or completeness by RBC Global Asset Management or its affiliates. This Presentation may not be reproduced in whole or part, and may not be delivered to any other person without the consent of RBC Global Asset Management. Not all products, services or investments described herein are available in all jurisdictions and some are available on a limited basis only, due to local regulatory and legal requirements.

RBC Global Asset Management (U.S.) Inc. (“RBC GAM-US”) is a federally registered investment adviser founded in 1983. RBC Global Asset Management (RBC GAM) is the asset management division of Royal Bank of Canada (RBC) and comprises the following affiliates, all of which are indirect wholly owned subsidiaries of RBC: RBC Global Asset Management (U.S.) Inc. (RBC GAM-US), RBC Global Asset Management Inc. (Canada), RBC Global Asset Management (UK) Limited (RBC GAM-UK), BlueBay Asset Management LLP, BlueBay Asset Management USA LLC, and RBC Global Asset Management (Asia) Ltd. (RBC GAM Asia). ®/™ Trademark(s) of Royal Bank of Canada. Used under license. © 2020 RBC Global Asset Management (U.S.) Inc.