

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the RBC Corporate Class Funds (the "Funds") and approved by the Board of Directors of RBC Corporate Class Inc. We are responsible for the information contained within the financial statements.

We have maintained appropriate procedures and controls to ensure that timely and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



**Damon G. Williams, FSA, FCIA, CFA**  
Chief Executive Officer  
RBC Global Asset Management Inc.  
June 14, 2018



**Heidi Johnston, CPA, CA**  
Chief Financial Officer  
RBC GAM Funds

To the Shareholders of the following classes of RBC Corporate Class Inc.:

<b>RBC Short Term Income Class</b>	<b>RBC Canadian Equity Income Class</b>	<b>Phillips, Hager &amp; North Overseas Equity Class</b>
<b>RBC \$U.S. Short Term Income Class</b>	<b>RBC Canadian Mid-Cap Equity Class</b>	<b>RBC European Equity Class</b>
<b>BlueBay Global Convertible Bond Class (Canada)</b>	<b>RBC North American Value Class</b>	<b>RBC Emerging Markets Equity Class</b>
<b>BlueBay \$U.S. Global Convertible Bond Class (Canada)</b>	<b>RBC U.S. Dividend Class</b>	<b>RBC Global Equity Class</b>
<b>Phillips, Hager &amp; North Monthly Income Class</b>	<b>RBC U.S. Equity Class</b>	<b>RBC QUBE Low Volatility Global Equity Class</b>
<b>RBC Balanced Growth &amp; Income Class</b>	<b>RBC QUBE Low Volatility U.S. Equity Class</b>	<b>RBC Global Resources Class</b>
<b>RBC Canadian Dividend Class</b>	<b>RBC U.S. Equity Value Class</b>	<b>(collectively referred to as the "Funds")</b>
<b>RBC Canadian Equity Class</b>	<b>Phillips, Hager &amp; North U.S. Multi-Style All-Cap Equity Class</b>	
<b>RBC QUBE Low Volatility Canadian Equity Class</b>	<b>RBC U.S. Mid-Cap Value Equity Class</b>	
<b>Phillips, Hager &amp; North Canadian Equity Value Class</b>	<b>RBC U.S. Small-Cap Core Equity Class</b>	
	<b>RBC International Equity Class</b>	

We have audited the accompanying March 31, 2018 annual financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, cash flows and changes in net assets attributable to holders of redeemable mutual fund shares as at and for the periods indicated in note 2, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements

in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position, financial performance and cash flows of each of the Funds as at and for the periods indicated in note 2, in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

June 14, 2018



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)  
**RBC GLOBAL RESOURCES CLASS**

March 31, 2018

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
73 352	RBC Global Resources Fund*	\$ 2 555	\$ 2 980	
<b>TOTAL MUTUAL FUND UNITS</b>		<u>\$ 2 555</u>	<u>2 980</u>	<b>100.0</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			<u>-</u>	<u>-</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			<u>\$ 2 980</u>	<b>100.0</b>

\* Investment in related party (see note 7 in the generic notes).



### Statements of Financial Position

(in \$000s except per mutual fund share amounts)

(see note 2 in the generic notes)	March 31 2018	March 31 2017
<b>ASSETS</b>		
Investments at fair value	\$ 2 980	\$ 2 866
Cash	7	15
Subscriptions receivable	–	2
<b>TOTAL ASSETS</b>	<b>2 987</b>	<b>2 883</b>
<b>LIABILITIES</b>		
Due to investment dealers	–	10
Redemptions payable	3	–
Accounts payable and accrued expenses	4	3
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES</b>		
<b>MUTUAL FUND SHARES</b>	<b>7</b>	<b>13</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES ("NAV")</b>	<b>\$ 2 980</b>	<b>\$ 2 870</b>
Investments at cost	\$ 2 555	\$ 2 486
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 925</b>	<b>\$ 911</b>
<b>ADVISOR SERIES</b>	<b>\$ 353</b>	<b>\$ 261</b>
<b>SERIES H</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES D</b>	<b>\$ 862</b>	<b>\$ 846</b>
<b>SERIES F</b>	<b>\$ 839</b>	<b>\$ 851</b>
<b>SERIES I</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES O</b>	<b>\$ 1</b>	<b>\$ 1</b>
<b>NAV PER MUTUAL FUND SHARE</b>		
<b>SERIES A</b>	<b>\$ 10.20</b>	<b>\$ 9.98</b>
<b>ADVISOR SERIES</b>	<b>\$ 10.22</b>	<b>\$ 10.00</b>
<b>SERIES H</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES D</b>	<b>\$ 10.84</b>	<b>\$ 10.51</b>
<b>SERIES F</b>	<b>\$ 11.05</b>	<b>\$ 10.69</b>
<b>SERIES I</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES O</b>	<b>\$ 11.71</b>	<b>\$ 11.21</b>

### Statements of Comprehensive Income

(in \$000s except per mutual fund share amounts)

For the periods ended March 31 (see note 2 in the generic notes)	2018	2017
<b>INCOME (see note 3 in the generic notes)</b>		
Net realized gain (loss) on investments	\$ 62	\$ 138
Change in unrealized gain (loss) on investments	45	561
<b>TOTAL INCOME (LOSS)</b>	<b>107</b>	<b>699</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	34	37
Administration fees	7	5
Independent Review Committee costs	3	2
GST/HST	4	5
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>45</b>	<b>47</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 62</b>	<b>\$ 652</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 18</b>	<b>\$ 235</b>
<b>ADVISOR SERIES</b>	<b>\$ –</b>	<b>\$ 84</b>
<b>SERIES H</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES D</b>	<b>\$ 20</b>	<b>\$ 124</b>
<b>SERIES F</b>	<b>\$ 24</b>	<b>\$ 171</b>
<b>SERIES I</b>	<b>\$ –</b>	<b>\$ 24</b>
<b>SERIES O</b>	<b>\$ –</b>	<b>\$ 14</b>
<b>INCREASE (DECREASE) IN NAV PER MUTUAL FUND SHARE</b>		
<b>SERIES A</b>	<b>\$ 0.21</b>	<b>\$ 2.17</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.02</b>	<b>\$ 2.21</b>
<b>SERIES H</b>	<b>\$ –</b>	<b>\$ 1.04</b>
<b>SERIES D</b>	<b>\$ 0.27</b>	<b>\$ 1.68</b>
<b>SERIES F</b>	<b>\$ 0.30</b>	<b>\$ 2.17</b>
<b>SERIES I</b>	<b>\$ –</b>	<b>\$ 1.12</b>
<b>SERIES O</b>	<b>\$ 0.49</b>	<b>\$ 4.18</b>



Statements of Cash Flow (in \$000s)

For the periods ended March 31  
(see note 2 in the generic notes)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 62	\$ 652
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(62)	(138)
Change in unrealized loss (gain) on investments	(45)	(561)
(Increase) decrease in accrued receivables	–	–
Increase (decrease) in accrued payables	1	(1)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(565)	(885)
Proceeds from sale and maturity of investments	548	1 467
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(61)</b>	<b>534</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable mutual fund shares	718	1 484
Cash paid on redemption of redeemable mutual fund shares	(665)	(2 005)
Distributions paid to holders of redeemable mutual fund shares	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 53</b>	<b>\$ (521)</b>
Net increase (decrease) in cash for the period	(8)	13
Cash (bank overdraft), beginning of period	15	2
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 7</b>	<b>\$ 15</b>
Interest received (paid)	\$ –	\$ –
Dividends received, net of withholding taxes	\$ –	\$ –



Statements of Changes in NAV (in \$000s)

For the periods ended March 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series H		Series D	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 911	\$ 1 085	\$ 261	\$ 272	\$ –	\$ 1	\$ 846	\$ 526
<b>INCREASE (DECREASE) IN NAV</b>	<b>18</b>	<b>235</b>	<b>–</b>	<b>84</b>	<b>–</b>	<b>–</b>	<b>20</b>	<b>124</b>
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable mutual fund shares issued	33	54	183	113	–	–	484	930
Reinvestments of distributions to holders of redeemable mutual fund shares	–	–	–	–	–	–	–	–
Redemption of redeemable mutual fund shares	(37)	(463)	(91)	(208)	–	(1)	(488)	(734)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE MUTUAL FUND SHARE TRANSACTIONS</b>	<b>(4)</b>	<b>(409)</b>	<b>92</b>	<b>(95)</b>	<b>–</b>	<b>(1)</b>	<b>(4)</b>	<b>196</b>
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>14</b>	<b>(174)</b>	<b>92</b>	<b>(11)</b>	<b>–</b>	<b>(1)</b>	<b>16</b>	<b>320</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 925</b>	<b>\$ 911</b>	<b>\$ 353</b>	<b>\$ 261</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 862</b>	<b>\$ 846</b>

For the periods ended March 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 851	\$ 510	\$ –	\$ 203	\$ 1	\$ 145	\$ 2 870	\$ 2 742
<b>INCREASE (DECREASE) IN NAV</b>	<b>24</b>	<b>171</b>	<b>–</b>	<b>24</b>	<b>–</b>	<b>14</b>	<b>62</b>	<b>652</b>
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable mutual fund shares issued	60	516	–	–	–	1	760	1 614
Reinvestments of distributions to holders of redeemable mutual fund shares	–	–	–	–	–	–	–	–
Redemption of redeemable mutual fund shares	(96)	(346)	–	(227)	–	(159)	(712)	(2 138)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE MUTUAL FUND SHARE TRANSACTIONS</b>	<b>(36)</b>	<b>170</b>	<b>–</b>	<b>(227)</b>	<b>–</b>	<b>(158)</b>	<b>48</b>	<b>(524)</b>
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(12)</b>	<b>341</b>	<b>–</b>	<b>(203)</b>	<b>–</b>	<b>(144)</b>	<b>110</b>	<b>128</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 839</b>	<b>\$ 851</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 2 980</b>	<b>\$ 2 870</b>



March 31, 2018

**General information (see note 1 in the generic notes)**

The investment objective of the Fund is to provide long-term capital growth by investing in equity securities of companies around the world in any or all of the Energy, Materials, Industrials and Utilities sectors.

**Financial instrument risk and capital management (see note 5 in the generic notes)**

The Fund invests in the RBC Global Resources Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

**Concentration risk (%)**

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	March 31 2018	March 31 2017
Investment mix		
Oil, Gas and Consumable Fuels	47.7	40.1
Metals and Mining	24.4	28.7
Chemicals	16.1	7.6
Energy Equipment and Services	3.6	10.5
Construction Materials	2.2	3.8
Containers and Packaging	2.0	2.1
Paper and Forest Products	1.4	5.5
Diversified Financials	0.6	–
Cash/Other	2.0	1.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Currency risk (% of NAV)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk from investments in the underlying mutual fund as at:

	March 31 2018	March 31 2017
Currency		
United States dollar	38.4	40.7
Pound sterling	14.8	6.8
Euro	7.1	4.8
Japanese yen	1.1	–
Other currencies	0.3	1.0
<b>Total</b>	<b>61.7</b>	<b>53.3</b>

As at March 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 3.1% (March 31, 2017 – 2.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

**Other price risk (% impact on NAV)**

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	March 31 2018	March 31 2017
MSCI World Total Return Net Index (CAD)	+ or - 0.4	+ or - 0.4

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)**

The following is a summary of the inputs used as of March 31, 2018 and 2017.

March 31, 2018	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Mutual fund units</b>	<b>2 980</b>	–	–	<b>2 980</b>
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	–	–	–
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>2 980</b>	–	–	<b>2 980</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

March 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	2 866	–	–	2 866
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>2 866</b>	–	–	<b>2 866</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

For the periods ended March 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



March 31, 2018

**Management fees and administration fees  
(see note 7 in the generic notes)**

Management fees and administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily NAV of each series of the Fund.

	Management fees*	Administration fees
Series A	1.75%	0.18%
Advisor Series	1.75%	0.18%
Series D	1.00%	0.13%
Series F	0.75%	0.13%
Series O	n/a <sup>†</sup>	0.02%

\* Effective June 30, 2016, the management fees for Series A and Advisor Series mutual fund shares were reduced to 1.75% from 1.85%.

<sup>†</sup> Series O shareholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties  
(\$000s except mutual fund share amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	March 31 2018	March 31 2017
<b>Mutual fund shares held</b>		
Series A	50	50
Advisor Series	50	50
Series D	50	50
Series F	50	50
Series O	52	52
<b>Value of all mutual fund shares</b>	<b>3</b>	<b>3</b>

**Unconsolidated structured entities (%)  
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	March 31 2018		March 31 2017	
	NAV	Ownership	NAV	Ownership
RBC Global Resources Fund	100.0	2.0	99.9	1.7

**Taxes (\$000s) (see note 6 in the generic notes)**

The Fund had no capital or non-capital losses as at March 31, 2018.

**Redeemable mutual fund shares (000s)**

There is no limitation on the number of mutual fund shares available for issue. Mutual fund shares are purchased and redeemed at the NAV per mutual fund share.

For the periods ended March 31  
(see note 2 in the generic notes)

	2018	2017
<b>Series A</b>		
Opening mutual fund shares	91	135
Issued number of mutual fund shares	4	5
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(4)	(49)
Ending number of mutual fund shares	91	91
<b>Advisor Series</b>		
Opening mutual fund shares	26	34
Issued number of mutual fund shares	18	13
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(9)	(21)
Ending number of mutual fund shares	35	26
<b>Series D</b>		
Opening mutual fund shares	80	63
Issued number of mutual fund shares	47	92
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(47)	(75)
Ending number of mutual fund shares	80	80
<b>Series F</b>		
Opening mutual fund shares	80	60
Issued number of mutual fund shares	5	53
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(9)	(33)
Ending number of mutual fund shares	76	80
<b>Series O</b>		
Opening mutual fund shares	–	16
Issued number of mutual fund shares	–	–
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	–	(16)
Ending number of mutual fund shares	–	–



## 1. The Funds

The mutual funds (“Fund” or “Funds”) are classes of mutual fund shares of RBC Corporate Class Inc. (the “Corporation”). The Corporation is a mutual fund corporation incorporated under the laws of Canada by articles of incorporation dated July 8, 2011. RBC GAM is the manager and portfolio manager of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of the Corporation on June 13, 2018.

The Funds may issue an unlimited number of mutual fund shares in some or all of Series A, Advisor Series, Advisor T5 Series, Series T5, Series H, Series D, Series F, Series FT5, Series I and Series O.

Series A and Series T5 mutual fund shares have no sales charges and are available to all investors. Series T5 shareholders receive regular monthly distributions.

Advisor Series and Advisor T5 Series mutual fund shares are available to all investors through authorized dealers with an initial sales charge or low-load sales charge option. Under the initial sales charge option, investors pay a sales charge ranging from 0% to 5% of the amount invested. Under the low-load sales charge option, investors do not pay a commission. Advisor T5 Series shareholders receive regular monthly distributions.

Series H mutual fund shares have no sales charges, have lower fees than Series A mutual fund shares and are only available to investors who invest and maintain the required minimum balance through authorized dealers.

Series D mutual fund shares have no sales charges and have lower fees than Series A mutual fund shares. Series D mutual fund shares are only available to investors who have accounts with RBC Direct Investing Inc. or Phillips, Hager & North Investment Funds Ltd.

Series F and Series FT5 mutual fund shares have no sales charges and have lower fees than Series A mutual fund shares. Series F mutual fund shares are only available to investors who have accounts with dealers who have signed a fee-based agreement with RBC GAM. Series FT5 shareholders receive regular monthly distributions.

Series I mutual fund shares have no sales charges, have lower fees than Series F mutual fund shares and are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series O mutual fund shares have no management fees. Series O shareholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

## 2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at March 31, 2018 and 2017, as applicable. In the year a Fund or series is established, “period” represents the period from inception to March 31 of that fiscal year.

## 3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). The significant accounting policies of the Funds, which are investment entities, are as follows:

**Classification of Financial Assets and Liabilities** The Funds’ financial assets and financial liabilities, other than derivatives, are designated at fair value through profit or loss at inception, as those financial assets and liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds’ documented investment strategy. Derivatives are classified as held for trading and measured at fair value through profit or loss. All other assets and liabilities are measured at amortized cost. Realized gains arising on derivatives during a period are included in the Statements of Comprehensive Income in “Net gain (loss) from futures contracts,” “Other derivatives” and “Net gain (loss) on foreign currencies and other net assets,” where applicable.

**Classification of Redeemable Shares** The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable shares are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

**Unconsolidated Structured Entities** The Funds may invest in other Funds and exchange-traded funds (“ETFs”) managed by the manager or an affiliate of the manager (“sponsored funds”) and may invest in other funds and ETFs managed by unaffiliated entities (“unsponsored funds”); collectively, “underlying funds.” The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from

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uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

**Determination of Fair Value** The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

*Level 1* – quoted prices (unadjusted) in active markets for identical assets or liabilities;

*Level 2* – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

*Level 3* – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in "Notes to Financial Statements – Fund Specific Information."

Investments and derivatives are recorded at fair value, which is determined as follows:

*Mutual Fund Unit Valuation* – Units of Funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates.

*Fair Valuation of Investments* – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee ("VC") of the manager and are approved by the manager. The VC provides oversight of the Funds' valuation policies and procedures.

**Cash** Cash is comprised of cash and deposits with banks and is recorded at fair value. The carrying amount of cash approximates its fair value because it is short-term in nature.

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**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the RBC \$U.S. Short Term Income Class and BlueBay \$U.S. Global Convertible Bond Class (Canada)) at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

**Functional Currency** The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. RBC \$U.S. Short Term Income Class and BlueBay \$U.S. Global Convertible Bond Class (Canada) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

**Valuation of Series** A different NAV is calculated for each series of mutual fund shares of a Fund. The NAV of a particular series of mutual fund shares is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

**Investment Transactions** Investment transactions are accounted for as of the trade date. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

**Income Recognition** Interest income is recognized on an accrual basis. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds.

**Increase (Decrease) in NAV Per Mutual Fund Share** Increase (decrease) in NAV per mutual fund share in the Statements of Comprehensive Income represents the increase

(decrease) in net assets attributable to holders of redeemable mutual fund shares by series, divided by the average mutual fund shares outstanding per series during the period.

**Early Redemption Fees** Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of mutual fund shares if the shareholder redeems or switches out mutual fund shares within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

#### **4. Critical accounting judgments and estimates**

The preparation of financial statements requires the use of judgment in applying the Funds’ accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

##### ***Classification and measurement of financial instruments and application of fair value option***

In classifying and measuring financial instruments held by the Funds, the manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets.

##### ***Fair value measurement of securities not quoted in an active market***

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds’ assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

#### **5. Financial instrument risk and capital management**

RBC GAM is responsible for managing each Fund’s capital, which is its NAV and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events,

diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

**Liquidity risk**

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable mutual fund shares. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of its assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its NAV for the purpose of funding redemptions. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

**Credit risk**

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

**Concentration risk**

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

**Interest rate risk**

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

**Currency risk**

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

**Other price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

**6. Taxes**

The Corporation qualifies as a mutual fund corporation under the *Income Tax Act* (Canada) and is subject to tax on the amount of its taxable income in each taxation year, ending March 31.

Each Fund represents a class of mutual fund shares of the Corporation. All classes of the mutual fund shares of the Corporation are combined as a single legal entity for tax purposes in computing the net income (loss) and net capital gains (losses). Net losses of one class may be used to offset net gains of another class to reduce the net income or net gain of the Corporation as a whole.

Taxable dividends received from taxable Canadian corporations are subject to a tax of 38½% effective January 1, 2016 (previously 33½%). Such taxes are fully refundable upon payment of taxable dividends to its shareholders when sufficient dividends are paid. Any such

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tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. The Corporation will pay out sufficient Canadian dividends to ensure that such tax is fully refunded. Interest income and foreign dividends, net of applicable expense, are taxed at full corporate rates applicable to mutual fund corporations with credits, subject to certain limitations for foreign taxes paid. All tax on net realized taxable capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders. The Corporation will pay out sufficient capital gains dividends, to the extent necessary, such that tax on net realized taxable capital gains is fully refunded. Income taxes, if any, are allocated to the classes of shares of the Corporation on a fair and reasonable basis.

For the taxation year ended March 31, 2018, the Corporation has no capital losses and non-capital losses to carry forward.

On December 15, 2016, the Canadian government enacted new tax rules that eliminate the ability of investors to switch among different classes of RBC Corporate Class Funds on a tax-deferred basis. The new rules do not apply to switches between different series of the same fund.

## **7. Administrative and other related-party transactions**

### ***Manager and Portfolio Manager***

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of mutual fund shares of the Funds. No management fees are paid by the Funds with respect to Series O mutual fund shares. Series O shareholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of mutual fund shares of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs,

custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Board of Directors of the Corporation, the Independent Review Committee of the Funds and the trustees of the Corporate Class Trust (the holders of the Common Shares of the Corporation), the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to shareholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying mutual funds"). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. The Fund's ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when shareholders switch between series of funds denominated in different currencies. The Funds also maintain bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

### ***Distributors***

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are principal distributors of, or distribute certain series of mutual fund shares of, the Funds. Dealers receive an ongoing commission based on the total

value of their clients' Series A, Advisor Series, Advisor T5 Series, Series T5, Series H and Series D mutual fund shares.

#### **Custodian**

RBC Investor Services Trust ("RBC IS") is the custodian and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

#### **Registrars**

Royal Bank, RBC IS and RBC GAM are the registrars of the Funds and keep records of who owns the mutual fund shares of the Funds. The registrars also process orders and issue account statements. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

#### **Other Related-Party Transactions**

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

##### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

##### *Inter-Fund Trading*

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment

of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

#### **8. Revision of comparative information**

Where applicable, certain comparative figures on the Statements of Cash Flow have been revised.

Amounts reclassified to "Non-cash distributions from underlying funds" have been presented separately from amounts related to "Cost of investments purchased" to appropriately reflect the non-cash components of investments purchased. The impact on the "Net cash provided by (used in) operating activities" is nil.

Amounts related to "Proceeds from issue of redeemable mutual fund shares" and "Cash paid on redemption of redeemable mutual fund shares" have been adjusted to exclude non-cash subscriptions and redemptions arising from switches between series within the Funds. The impact on the "Net cash provided by (used in) financing activities" is nil.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

All Funds had revisions for non-cash distributions from underlying funds except RBC Global Resources Class.

All Funds had revisions for non-cash subscriptions and redemptions arising from switches between series within the Funds except RBC \$U.S. Short Term Income Class, BlueBay \$U.S. Global Convertible Bond Class (Canada) and RBC U.S. Equity Value Class.

#### **9. Future accounting changes**

The following IFRS standard has been issued, but is not yet in effect:

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classifications and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018. Classification and measurement of debt assets will be driven by an entity's business model for managing the financial assets and the

contractual cash flow characteristics of the financial assets. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

On adoption of IFRS 9, the Funds' investment portfolios will continue to be classified at fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortized cost with no material impact expected from application of the new impairment model introduced in IFRS 9. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Funds' financial statements.