

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the RBC GAM Investment Funds (the "Funds") and approved by the Board of Directors of RBC GAM. 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.

March 8, 2018



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

To the Unitholders of:

RBC FUNDS & RBC PRIVATE POOLS

RBC Canadian T-Bill Fund
 RBC Canadian Money Market Fund
 RBC Premium Money Market Fund
 RBC \$U.S. Money Market Fund
 RBC Premium \$U.S. Money Market Fund
 RBC Canadian Short-Term Income Fund
 RBC Monthly Income Bond Fund
 RBC Canadian Bond Index Fund
 (formerly, RBC Advisor Canadian Bond Fund)
 RBC Canadian Government Bond Index Fund
 RBC Bond Fund
 RBC Vision Bond Fund
 (formerly, Phillips, Hager & North Community Values Bond Fund)
 RBC Global Bond Fund
 RBC \$U.S. Investment Grade Corporate Bond Fund
 RBC Global Corporate Bond Fund
 RBC High Yield Bond Fund
 RBC \$U.S. High Yield Bond Fund
 RBC Global High Yield Bond Fund
 RBC Strategic Income Bond Fund
 RBC Emerging Markets Foreign Exchange Fund
 RBC Emerging Markets Bond Fund
 RBC Emerging Markets Bond Fund (CAD Hedged)
 BlueBay Global Monthly Income Bond Fund
 BlueBay Global Sovereign Bond Fund (Canada)
 BlueBay Global Investment Grade Corporate Bond Fund (Canada)
 BlueBay European High Yield Bond Fund (Canada)
 BlueBay Emerging Markets Corporate Bond Fund
 BlueBay Global Convertible Bond Fund (Canada)
 BlueBay \$U.S. Global Convertible Bond Fund (Canada)
 RBC Managed Payout Solution
 RBC Managed Payout Solution – Enhanced
 RBC Managed Payout Solution – Enhanced Plus
 RBC Monthly Income Fund
 RBC U.S. Monthly Income Fund
 RBC Balanced Fund
 RBC Global Balanced Fund
 RBC Vision Balanced Fund
 (formerly, RBC Jantzi Balanced Fund)
 RBC Conservative Growth & Income Fund
 RBC Balanced Growth & Income Fund
 RBC Global Growth & Income Fund
 RBC Retirement Income Solution
 RBC Retirement 2020 Portfolio
 RBC Retirement 2025 Portfolio
 RBC Retirement 2030 Portfolio
 RBC Retirement 2035 Portfolio
 RBC Retirement 2040 Portfolio
 RBC Retirement 2045 Portfolio
 RBC Retirement 2050 Portfolio
 RBC Select Very Conservative Portfolio
 RBC Select Conservative Portfolio
 RBC Select Balanced Portfolio
 RBC Select Growth Portfolio
 RBC Select Aggressive Growth Portfolio
 RBC Select Choices Conservative Portfolio
 RBC Select Choices Balanced Portfolio
 RBC Select Choices Growth Portfolio
 RBC Select Choices Aggressive Growth Portfolio
 RBC Target 2020 Education Fund
 RBC Target 2025 Education Fund

RBC Target 2030 Education Fund
 RBC Target 2035 Education Fund
 RBC Canadian Dividend Fund
 RBC Canadian Equity Fund
 RBC QUBE Canadian Equity Fund
 RBC QUBE Low Volatility Canadian Equity Fund
 RBC Trend Canadian Equity Fund
 RBC Vision Canadian Equity Fund
 (formerly, RBC Jantzi Canadian Equity Fund)
 RBC Canadian Index Fund
 RBC O'Shaughnessy Canadian Equity Fund
 RBC O'Shaughnessy All-Canadian Equity Fund
 RBC Canadian Equity Income Fund
 RBC Canadian Small & Mid-Cap Resources Fund
 RBC North American Value Fund
 RBC North American Growth Fund
 RBC U.S. Dividend Fund
 RBC U.S. Dividend Currency Neutral Fund
 RBC U.S. Equity Fund
 RBC U.S. Equity Currency Neutral Fund
 RBC QUBE U.S. Equity Fund
 RBC QUBE Low Volatility U.S. Equity Fund
 RBC QUBE Low Volatility U.S. Equity Currency Neutral Fund
 RBC U.S. Equity Value Fund
 RBC U.S. Index Fund
 RBC U.S. Index Currency Neutral Fund
 RBC O'Shaughnessy U.S. Value Fund
 RBC U.S. Mid-Cap Growth Equity Fund
 RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund
 RBC U.S. Mid-Cap Value Equity Fund
 RBC U.S. Small-Cap Core Equity Fund
 RBC U.S. Small-Cap Value Equity Fund
 RBC O'Shaughnessy U.S. Growth Fund
 RBC O'Shaughnessy U.S. Growth Fund II
 RBC Life Science and Technology Fund
 RBC International Dividend Growth Fund
 RBC International Equity Fund
 RBC International Equity Currency Neutral Fund
 RBC International Index Currency Neutral Fund
 RBC O'Shaughnessy International Equity Fund
 RBC European Dividend Fund
 RBC European Equity Fund
 RBC European Mid-Cap Equity Fund
 RBC Asian Equity Fund
 RBC Asia Pacific ex-Japan Equity Fund
 RBC Japanese Equity Fund
 RBC Emerging Markets Multi-Strategy Equity Fund
 RBC Emerging Markets Dividend Fund
 RBC Emerging Markets Equity Fund
 RBC Emerging Markets Small-Cap Equity Fund
 RBC Global Dividend Growth Fund
 RBC Global Dividend Growth Currency Neutral Fund
 RBC Global Equity Fund
 RBC Global Equity Focus Fund
 RBC QUBE Global Equity Fund
 RBC QUBE Low Volatility Global Equity Fund
 RBC Vision Global Equity Fund
 (formerly, RBC Jantzi Global Equity Fund)
 RBC Vision Fossil Fuel Free Global Equity Fund
 RBC O'Shaughnessy Global Equity Fund
 RBC QUBE All Country World Equity Fund
 RBC QUBE Low Volatility All Country World Equity Fund
 RBC Global Energy Fund
 RBC Global Precious Metals Fund

RBC Global Resources Fund
 RBC Global Technology Fund
 RBC Private Short-Term Income Pool
 RBC Private Canadian Corporate Bond Pool
 RBC Private Income Pool
 RBC Private Canadian Dividend Pool
 RBC Private Canadian Growth and Income Equity Pool
 RBC Private Canadian Equity Pool
 RBC Private Canadian Growth Equity Pool
 RBC Private Canadian Mid-Cap Equity Pool
 RBC Private U.S. Large-Cap Value Equity Pool
 RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool
 RBC Private U.S. Growth Equity Pool
 RBC Private U.S. Large-Cap Core Equity Pool
 RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool
 RBC Private U.S. Small-Cap Equity Pool
 RBC Private EAFE Equity Pool
 RBC Private Overseas Equity Pool
 RBC Private World Equity Pool

PHILLIPS, HAGER & NORTH INVESTMENT FUNDS

Phillips, Hager & North Canadian Money Market Fund
 Phillips, Hager & North \$U.S. Money Market Fund
 Phillips, Hager & North Short Term Bond & Mortgage Fund
 Phillips, Hager & North Bond Fund
 Phillips, Hager & North Total Return Bond Fund
 Phillips, Hager & North Inflation-Linked Bond Fund
 Phillips, Hager & North High Yield Bond Fund
 Phillips, Hager & North Long Inflation-linked Bond Fund
 Phillips, Hager & North Monthly Income Fund
 Phillips, Hager & North Balanced Fund
 Phillips, Hager & North Dividend Income Fund
 Phillips, Hager & North Canadian Equity Fund
 Phillips, Hager & North Canadian Equity Value Fund
 Phillips, Hager & North Canadian Equity Underlying Fund
 Phillips, Hager & North Canadian Equity Underlying Fund II
 Phillips, Hager & North Canadian Growth Fund
 Phillips, Hager & North Canadian Income Fund
 Phillips, Hager & North Vintage Fund
 Phillips, Hager & North U.S. Dividend Income Fund
 Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund
 Phillips, Hager & North U.S. Equity Fund
 Phillips, Hager & North Currency-Hedged U.S. Equity Fund
 Phillips, Hager & North U.S. Growth Fund
 Phillips, Hager & North Overseas Equity Fund
 Phillips, Hager & North Currency-Hedged Overseas Equity Fund
 Phillips, Hager & North Global Equity Fund
 Phillips, Hager & North LifeTime 2015 Fund
 Phillips, Hager & North LifeTime 2020 Fund
 Phillips, Hager & North LifeTime 2025 Fund
 Phillips, Hager & North LifeTime 2030 Fund
 Phillips, Hager & North LifeTime 2035 Fund
 Phillips, Hager & North LifeTime 2040 Fund
 Phillips, Hager & North LifeTime 2045 Fund
 Phillips, Hager & North LifeTime 2050 Fund

(collectively referred to as the "Funds")

We have audited the accompanying 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 units 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
March 8, 2018



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)
RBC \$U.S. INVESTMENT GRADE CORPORATE BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
Australia						
1 500	Australia & New Zealand Banking Group Ltd. USD	2.625	09-Nov-2022	\$ 1 500	\$ 1 491	
2 000	Australia & New Zealand Banking Group Ltd. USD	4.400	19-May-2026	2 049	2 084	
725	Westpac Banking Corp. USD	4.322	23-Nov-2031	725	748	
				4 274	4 323	1.7
France						
1 100	AXA S.A. USD	8.600	15-Dec-2030	1 419	1 585	
800	BNP Paribas S.A. USD	2.950	23-May-2022	799	802	
1 000	Credit Agricole S.A. USD	3.250	04-Oct-2024	996	995	
				3 214	3 382	1.4
Germany						
1 250	EMD Finance LLC USD	2.950	19-Mar-2022	1 248	1 256	
600	Siemens Financieringsmaatschappij N.V. USD	2.900	27-May-2022	601	607	
750	Siemens Financieringsmaatschappij N.V. USD	4.200	16-Mar-2047	747	824	
				2 596	2 687	1.1
Ireland						
950	Shire Acquisitions Investments Ireland DAC USD	2.400	23-Sep-2021	945	936	
1 000	Shire Acquisitions Investments Ireland DAC USD	2.875	23-Sep-2023	991	984	
650	Shire Acquisitions Investments Ireland DAC USD	3.200	23-Sep-2026	643	637	
500	XLIT Ltd. USD	5.750	01-Oct-2021	577	549	
				3 156	3 106	1.3
Mexico						
400	Grupo Televisa S.A.B. USD	5.000	13-May-2045	388	411	
				388	411	0.2
Netherlands						
3 000	Cooperatieve Rabobank U.A. USD	4.375	04-Aug-2025	3 072	3 171	
1 550	ING Groep N.V. USD	3.150	29-Mar-2022	1 547	1 570	
500	Shell International Finance BV USD	4.375	11-May-2045	499	563	
750	Teva Pharmaceutical Finance Netherlands III BV USD	2.200	21-Jul-2021	749	686	
				5 867	5 990	2.4
Switzerland						
600	Credit Suisse USD	5.400	14-Jan-2020	658	634	
1 250	Credit Suisse Group Funding Guernsey Ltd. USD	3.125	10-Dec-2020	1 277	1 267	
				1 935	1 901	0.8
United Kingdom						
1 000	Barclays Plc. USD	3.200	10-Aug-2021	996	1 007	
1 300	Barclays Plc. USD	4.375	12-Jan-2026	1 294	1 355	
1 225	BP Capital Markets Plc. USD	3.224	14-Apr-2024	1 227	1 256	
1 000	BP Capital Markets Plc. USD	3.119	04-May-2026	993	1 012	
1 500	HSBC Holdings Plc. USD	3.600	25-May-2023	1 499	1 544	
1 800	Lloyds Banking Group Plc. USD	2.907	07-Nov-2023	1 800	1 786	
500	Reckitt Benckiser Treasury Services Plc. USD	2.375	24-Jun-2022	500	490	
500	Reckitt Benckiser Treasury Services Plc. USD	2.750	26-Jun-2024	499	489	
				8 808	8 939	3.6

The accompanying notes are an integral part of the financial statements.



December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
United States						
300	21st Century Fox America Inc.	4.500	15-Feb-2021	\$ 331	\$ 317	
250	21st Century Fox America Inc.	6.400	15-Dec-2035	273	334	
100	21st Century Fox America Inc.	6.150	01-Mar-2037	118	131	
800	21st Century Fox America Inc.	6.150	15-Feb-2041	946	1 065	
250	Actavis Funding SCS	3.450	15-Mar-2022	254	254	
285	Actavis Funding SCS	4.750	15-Mar-2045	284	304	
900	Actavis Inc.	3.250	01-Oct-2022	885	904	
1 100	American Express Co.	2.500	01-Aug-2022	1 099	1 088	
1 825	American Express Co.	3.000	30-Oct-2024	1 824	1 824	
850	American Tower Corp.	3.300	15-Feb-2021	856	866	
775	American Tower Corp.	3.000	15-Jun-2023	773	774	
525	American Tower Corp. Real Estate Investment Trust	3.400	15-Feb-2019	533	531	
600	American Tower Corp. Real Estate Investment Trust	4.700	15-Mar-2022	626	643	
1 050	Amgen Inc.	2.650	11-May-2022	1 048	1 048	
875	Amgen Inc.	3.200	02-Nov-2027	872	875	
1 100	Amgen Inc.	4.400	01-May-2045	1 116	1 201	
750	Anadarko Petroleum Corp.	8.700	15-Mar-2019	943	804	
1 100	Anadarko Petroleum Corp.	5.550	15-Mar-2026	1 224	1 236	
1 000	Analog Devices Inc.	3.125	05-Dec-2023	996	1 003	
1 250	Anheuser-Busch InBev Finance Inc.	3.300	01-Feb-2023	1 298	1 280	
1 300	Anheuser-Busch InBev Finance Inc.	3.650	01-Feb-2026	1 314	1 344	
650	Anheuser-Busch InBev Finance Inc.	4.700	01-Feb-2036	645	731	
1 025	Anheuser-Busch InBev Finance Inc.	4.900	01-Feb-2046	1 061	1 192	
462	Anheuser-Busch InBev Worldwide Inc.	4.439	06-Oct-2048	409	505	
875	Anthem Inc.	3.350	01-Dec-2024	875	889	
900	Anthem Inc.	3.650	01-Dec-2027	898	919	
1 600	Apache Corp.	3.250	15-Apr-2022	1 629	1 613	
1 350	Appalachian Power Co.	7.000	01-Apr-2038	1 871	1 927	
1 000	Apple Inc.	3.350	09-Feb-2027	1 000	1 025	
1 050	Apple Inc.	4.650	23-Feb-2046	1 091	1 233	
1 400	Apple Inc.	4.250	09-Feb-2047	1 414	1 558	
1 250	AT&T Inc.	5.000	01-Mar-2021	1 359	1 339	
1 000	AT&T Inc.	3.600	17-Feb-2023	1 040	1 024	
650	AT&T Inc.	3.400	14-Aug-2024	649	654	
250	AT&T Inc.	3.400	15-May-2025	243	246	
675	AT&T Inc.	3.900	14-Aug-2027	674	681	
650	AT&T Inc.	4.500	15-May-2035	648	648	
1 000	AT&T Inc.	5.250	01-Mar-2037	1 000	1 060	
900	AT&T Inc.	4.900	14-Aug-2037	898	915	
800	AT&T Inc.	5.650	15-Feb-2047	952	878	
1 000	AT&T Inc.	5.450	01-Mar-2047	998	1 072	
415	AT&T Inc.	4.500	09-Mar-2048	416	390	
900	Avangrid Inc.	3.150	01-Dec-2024	898	896	
1 000	Baker Hughes a GE Co. LLC	2.773	15-Dec-2022	1 000	999	
1 500	Bank of America Corp.	2.625	19-Apr-2021	1 504	1 508	
1 500	Bank of America Corp.	2.503	21-Oct-2022	1 500	1 485	
2 350	Bank of America Corp.	4.200	26-Aug-2024	2 398	2 476	
1 800	Bank of America Corp.	3.875	01-Aug-2025	1 814	1 900	
1 500	Bank of America Corp.	3.093	01-Oct-2025	1 500	1 498	
500	Becton Dickinson and Co.	2.894	06-Jun-2022	501	497	
850	Becton Dickinson and Co.	3.363	06-Jun-2024	850	853	
250	Becton Dickinson and Co.	3.734	15-Dec-2024	257	256	
950	Becton Dickinson and Co.	4.685	15-Dec-2044	966	1 042	
925	Becton Dickinson and Co.	4.669	06-Jun-2047	925	1 005	
500	Burlington Northern Santa Fe LLC	5.750	01-May-2040	612	652	
500	Burlington Northern Santa Fe LLC	5.150	01-Sep-2043	529	619	
900	Cardinal Health Inc.	2.616	15-Jun-2022	900	886	

The accompanying notes are an integral part of the financial statements.



December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
United States (cont.)						
500	CBS Corp.	3.375	01-Mar-2022	\$ 493	\$ 508	
1 200	CenterPoint Energy Inc.	2.500	01-Sep-2022	1 200	1 183	
650	CenterPoint Energy Resources Corp.	4.100	01-Sep-2047	646	685	
625	Church & Dwight Co. Inc.	2.450	01-Aug-2022	624	618	
1 000	Citibank NA	2.100	12-Jun-2020	1 000	994	
2 000	Citigroup Inc.	2.700	30-Mar-2021	2 005	2 007	
800	Citigroup Inc.	3.300	27-Apr-2025	799	809	
1 250	Citigroup Inc.	4.400	10-Jun-2025	1 262	1 320	
2 000	Citigroup Inc.	3.200	21-Oct-2026	1 976	1 986	
700	Citigroup Inc.	4.450	29-Sep-2027	697	742	
1 725	Citigroup Inc.	3.668	24-Jul-2028	1 725	1 752	
900	Citigroup Inc.	3.520	27-Oct-2028	900	906	
500	Comcast Corp.	6.400	15-May-2038	623	676	
1 100	ConocoPhillips	5.900	15-Oct-2032	1 308	1 364	
1 300	ConocoPhillips Holding Co.	6.950	15-Apr-2029	1 691	1 710	
600	Consolidated Edison Company of New York Inc.	5.500	01-Dec-2039	721	761	
600	CVS Health Corp.	4.125	15-May-2021	635	624	
1 000	CVS Health Corp.	3.875	20-Jul-2025	1 035	1 031	
500	CVS Health Corp.	5.125	20-Jul-2045	507	575	
1 615	Delta Air Lines Inc.	2.875	13-Mar-2020	1 613	1 627	
1 750	Diamond 1 Finance Corp.	3.480	01-Jun-2019	1 769	1 772	
550	Diamond 1 Finance Corp.	4.420	15-Jun-2021	550	574	
450	Discovery Communications LLC	2.950	20-Mar-2023	449	446	
875	Discovery Communications LLC	3.950	20-Mar-2028	872	872	
875	Discovery Communications LLC	5.000	20-Sep-2037	874	909	
875	Discovery Communications LLC	5.200	20-Sep-2047	874	916	
2 000	Duke Energy Corp.	3.750	01-Sep-2046	1 939	1 985	
600	DXC Technology Co.	2.875	27-Mar-2020	598	603	
675	Ecolab Inc.	2.700	01-Nov-2026	666	648	
500	Ecolab Inc.	3.250	01-Dec-2027	498	501	
850	Enbridge Energy Partners LP	5.875	15-Oct-2025	981	964	
1 000	Energy Transfer Partners LP	4.200	15-Apr-2027	997	996	
600	Enterprise Products Operating LLC	7.034	15-Jan-2068	672	603	
1 350	Exelon Corp.	5.625	15-Jun-2035	1 554	1 663	
1 200	Exelon Corp.	4.450	15-Apr-2046	1 200	1 308	
700	Exelon Generation Co. LLC	2.950	15-Jan-2020	706	707	
750	Ford Motor Credit Co. LLC	2.021	03-May-2019	750	747	
750	Ford Motor Credit Co. LLC	1.897	12-Aug-2019	742	745	
1 380	Ford Motor Credit Co. LLC	3.200	15-Jan-2021	1 392	1 400	
1 325	Ford Motor Credit Co. LLC	5.750	01-Feb-2021	1 516	1 439	
750	Ford Motor Credit Co. LLC	3.810	09-Jan-2024	749	766	
815	GE Capital Corp.	6.875	10-Jan-2039	1 162	1 176	
475	General Motors Co.	2.112	07-Aug-2020	475	478	
1 250	General Motors Financial Co. Inc.	3.100	15-Jan-2019	1 268	1 257	
550	General Motors Financial Co. Inc.	3.200	13-Jul-2020	550	558	
1 500	General Motors Financial Co. Inc.	4.375	25-Sep-2021	1 564	1 579	
1 500	General Motors Financial Co. Inc.	3.450	14-Jan-2022	1 498	1 521	
500	General Motors Financial Co. Inc.	3.450	10-Apr-2022	488	507	
1 000	Georgia-Pacific LLC	3.163	15-Nov-2021	1 000	1 018	
800	Georgia-Pacific LLC	8.000	15-Jan-2024	1 034	1 019	
600	Hartford Financial Services Group Inc.	5.500	30-Mar-2020	678	640	
1 000	Hewlett Packard Enterprise Co.	3.600	15-Oct-2020	1 000	1 022	
1 000	Hewlett Packard Enterprise Co.	4.400	15-Oct-2022	998	1 052	
750	HSBC Bank USA	4.875	24-Aug-2020	815	793	
650	HSBC USA Inc.	2.250	23-Jun-2019	648	650	
500	Hyundai Capital America	2.500	18-Mar-2019	502	499	
1 425	Johnson Controls International Plc.	4.500	15-Feb-2047	1 456	1 571	

The accompanying notes are an integral part of the financial statements.



December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
United States (cont.)						
1 000	JPMorgan Chase & Co.	4.950	25-Mar-2020	\$ 1 100	\$ 1 057	
1 000	JPMorgan Chase & Co.	2.295	15-Aug-2021	985	991	
500	JPMorgan Chase & Co.	2.700	18-May-2023	499	497	
700	JPMorgan Chase & Co.	3.125	23-Jan-2025	698	704	
1 750	JPMorgan Chase & Co.	3.220	01-Mar-2025	1 757	1 765	
750	JPMorgan Chase & Co.	2.950	01-Oct-2026	748	737	
1 400	JPMorgan Chase & Co.	3.540	01-May-2028	1 407	1 426	
1 200	Kinder Morgan Energy Partners LP	3.500	01-Mar-2021	1 173	1 221	
1 200	Kinder Morgan Energy Partners LP	4.250	01-Sep-2024	1 203	1 244	
1 300	Kinder Morgan Energy Partners LP	6.950	15-Jan-2038	1 522	1 620	
500	Kraft Heinz Foods Co.	3.950	15-Jul-2025	508	517	
450	Kraft Heinz Foods Co.	5.200	15-Jul-2045	448	496	
500	Kraft Heinz Foods Co.	4.375	01-Jun-2046	498	497	
1 025	Lockheed Martin Corp.	3.100	15-Jan-2023	1 036	1 043	
1 000	LyondellBasell Industries N.V.	6.000	15-Nov-2021	1 151	1 112	
200	Magellan Midstream Partners LP	5.000	01-Mar-2026	212	222	
400	Magellan Midstream Partners LP	5.150	15-Oct-2043	412	454	
250	McKesson Corp.	4.750	01-Mar-2021	276	265	
1 500	Medtronic Inc.	3.150	15-Mar-2022	1 527	1 537	
750	Medtronic Inc.	4.625	15-Mar-2045	759	875	
650	Microsoft Corp.	4.100	06-Feb-2037	649	727	
800	Microsoft Corp.	3.700	08-Aug-2046	796	835	
2 300	Microsoft Corp.	4.250	06-Feb-2047	2 326	2 634	
1 400	MidAmerican Energy Holdings Co.	6.125	01-Apr-2036	1 726	1 883	
1 250	Morgan Stanley	2.500	21-Apr-2021	1 246	1 248	
1 000	Morgan Stanley	2.750	19-May-2022	998	997	
850	Morgan Stanley	4.100	22-May-2023	830	887	
1 600	Morgan Stanley	3.875	27-Jan-2026	1 629	1 670	
750	Morgan Stanley	3.125	27-Jul-2026	745	740	
1 250	Morgan Stanley	3.625	20-Jan-2027	1 236	1 280	
1 750	Morgan Stanley	3.591	22-Jul-2028	1 750	1 768	
1 100	MPLX LP	4.125	01-Mar-2027	1 099	1 128	
375	Mylan N.V.	3.000	15-Dec-2018	375	377	
1 000	Mylan N.V.	3.150	15-Jun-2021	999	1 006	
500	National City Corp.	6.875	15-May-2019	600	530	
2 400	Newell Brands Inc.	3.850	01-Apr-2023	2 455	2 486	
750	Newell Brands Inc.	5.500	01-Apr-2046	747	896	
1 000	NextEra Energy Capital Holdings Inc.	3.550	01-May-2027	998	1 020	
850	NiSource Finance Corp.	3.950	30-Mar-2048	849	874	
550	Northrop Grumman Corp.	2.550	15-Oct-2022	550	547	
900	Northrop Grumman Corp.	3.250	15-Jan-2028	900	903	
450	Northrop Grumman Corp.	4.030	15-Oct-2047	449	472	
500	Oncor Electric Delivery Co. LLC	7.250	15-Jan-2033	668	708	
400	Oracle Corp.	4.000	15-Jul-2046	407	426	
925	Oracle Corp.	4.000	15-Nov-2047	921	987	
889	Pacific Gas & Electric Co.	5.800	01-Mar-2037	1 076	1 111	
1 200	Phillips 66 Partners LP	3.550	01-Oct-2026	1 185	1 191	
875	Phillips 66 Partners LP	3.750	01-Mar-2028	872	877	
600	PPL Capital Funding Inc.	3.100	15-May-2026	594	588	
600	PSEG Power LLC	8.625	15-Apr-2031	871	793	
1 000	Public Service Co. of Oklahoma	4.400	01-Feb-2021	1 066	1 056	
1 380	Public Service Enterprise Group Inc.	2.650	15-Nov-2022	1 378	1 369	
800	Puget Energy Inc.	6.000	01-Sep-2021	925	886	
750	Quest Diagnostics Inc.	2.500	30-Mar-2020	748	750	
575	Regions Financial Corp.	2.750	14-Aug-2022	575	574	
1 550	Rockwell Collins Inc.	3.200	15-Mar-2024	1 549	1 564	

The accompanying notes are an integral part of the financial statements.



December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
United States (cont.)						
825	Roper Technologies Inc.	2.800	15-Dec-2021	\$ 824	\$ 827	
755	Royal Caribbean Cruises Ltd.	2.650	28-Nov-2020	755	755	
1 000	Schlumberger Holdings Corp.	3.625	21-Dec-2022	999	1 030	
650	Southern Co. Gas Capital Corp.	2.450	01-Oct-2023	649	630	
1 800	Southern Power Co.	4.950	15-Dec-2046	1 775	1 980	
750	Southwest Gas Holdings Inc.	3.800	29-Sep-2046	748	756	
1 000	Southwestern Electric Power Co.	2.750	01-Oct-2026	999	965	
500	Spectra Energy Partners LP	4.750	15-Mar-2024	502	544	
750	Spectra Energy Partners LP	3.375	15-Oct-2026	749	742	
500	The Dow Chemical Co.	7.375	01-Nov-2029	672	668	
700	The Goldman Sachs Group Inc.	2.000	25-Apr-2019	698	698	
1 000	The Goldman Sachs Group Inc.	5.375	15-Mar-2020	1 083	1 061	
1 250	The Goldman Sachs Group Inc.	2.625	25-Apr-2021	1 247	1 250	
1 350	The Goldman Sachs Group Inc.	5.750	24-Jan-2022	1 529	1 498	
1 850	The Goldman Sachs Group Inc.	3.625	22-Jan-2023	1 887	1 913	
1 600	The Goldman Sachs Group Inc.	3.750	22-May-2025	1 598	1 650	
950	The Goldman Sachs Group Inc.	3.272	29-Sep-2025	950	947	
675	The Goldman Sachs Group Inc.	3.750	25-Feb-2026	673	694	
900	The Goldman Sachs Group Inc.	3.691	05-Jun-2028	900	914	
2 000	The Sherwin-Williams Co.	4.500	01-Jun-2047	1 989	2 194	
1 000	The Southern Co.	4.250	01-Jul-2036	998	1 057	
1 200	Thermo Fisher Scientific Inc.	3.000	15-Apr-2023	1 192	1 209	
900	Thermo Fisher Scientific Inc.	3.200	15-Aug-2027	893	894	
925	Thermo Fisher Scientific Inc.	4.100	15-Aug-2047	914	956	
1 000	Time Warner Inc.	4.875	15-Mar-2020	1 103	1 053	
300	Time Warner Inc.	3.400	15-Jun-2022	299	306	
750	Tyson Foods Inc.	2.650	15-Aug-2019	753	754	
1 500	Verizon Communications Inc.	5.150	15-Sep-2023	1 671	1 671	
800	Verizon Communications Inc.	5.250	16-Mar-2037	794	882	
1 200	Verizon Communications Inc.	5.012	15-Apr-2049	1 459	1 262	
550	Walgreens Boots Alliance Inc.	3.800	18-Nov-2024	555	562	
250	Walgreens Boots Alliance Inc.	4.800	18-Nov-2044	260	270	
900	Wells Fargo & Co.	2.625	22-Jul-2022	899	896	
1 500	Wells Fargo & Co.	3.300	09-Sep-2024	1 530	1 524	
1 250	Wells Fargo & Co.	3.000	19-Feb-2025	1 245	1 240	
2 550	Wells Fargo & Co.	3.000	23-Oct-2026	2 518	2 502	
375	Wells Fargo & Co.	4.300	22-Jul-2027	384	400	
1 700	Williams Partners LP	3.750	15-Jun-2027	1 699	1 706	
				205 579	209 607	85.0
TOTAL BONDS				\$ 235 817	240 346	97.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					6 125	2.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 246 471	100.0



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2017	December 31 2016
ASSETS		
Investments at fair value	\$ 240 346	\$ 149 279
Cash	2 903	2 437
Due from investment dealers	–	1 884
Subscriptions receivable	951	188
Dividends receivable, interest accrued and other assets	2 428	1 619
TOTAL ASSETS	246 628	155 407
LIABILITIES		
Redemptions payable	109	3 383
Accounts payable and accrued expenses	48	42
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		
	157	3 425
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")		
	\$ 246 471	\$ 151 982
Investments at cost	\$ 235 817	\$ 150 460
NAV		
SERIES A	\$ 26 828	\$ 28 835
ADVISOR SERIES	\$ 987	\$ 605
SERIES H	\$ –	\$ –
SERIES D	\$ 2 700	\$ 1 464
SERIES F	\$ 19 012	\$ 10 599
SERIES I	\$ –	\$ –
SERIES O	\$ 196 944	\$ 110 479
NAV PER UNIT		
SERIES A	\$ 9.71	\$ 9.47
ADVISOR SERIES	\$ 9.59	\$ 9.35
SERIES H	\$ –	\$ –
SERIES D	\$ 9.72	\$ 9.48
SERIES F	\$ 9.70	\$ 9.45
SERIES I	\$ –	\$ –
SERIES O	\$ 9.67	\$ 9.42

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 8 289	\$ 6 035
Securities lending revenue (see note 7 in the generic notes)	5	1
Net realized gain (loss) on investments	362	(167)
Change in unrealized gain (loss) on investments	5 710	1 818
TOTAL INCOME (LOSS)	14 366	7 687
EXPENSES (see notes – Fund Specific Information)		
Management fees	443	401
Administration fees	60	42
Independent Review Committee costs	2	2
GST/HST	51	45
TOTAL EXPENSES	556	490
INCREASE (DECREASE) IN NAV	\$ 13 810	\$ 7 197
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 1 524	\$ 650
ADVISOR SERIES	\$ 56	\$ 50
SERIES H	\$ –	\$ 406
SERIES D	\$ 116	\$ 24
SERIES F	\$ 843	\$ 57
SERIES I	\$ –	\$ 204
SERIES O	\$ 11 271	\$ 5 806
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.50	\$ 0.26
ADVISOR SERIES	\$ 0.46	\$ 0.38
SERIES H	\$ –	\$ 0.68
SERIES D	\$ 0.54	\$ 0.20
SERIES F	\$ 0.54	\$ 0.08
SERIES I	\$ –	\$ 0.72
SERIES O	\$ 0.62	\$ 0.50



Statements of Cash Flow (in \$000s)

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 13 810	\$ 7 197
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(348)	167
Change in unrealized loss (gain) on investments	(5 710)	(1 818)
(Increase) decrease in accrued receivables	(809)	(184)
Increase (decrease) in accrued payables	6	1
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(141 377)	(101 702)
Proceeds from sale and maturity of investments	58 252	76 088
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(76 176)	(20 251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	145 364	98 510
Cash paid on redemption of redeemable units	(62 891)	(72 261)
Distributions paid to holders of redeemable units	(5 831)	(6 732)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 76 642	\$ 19 517
Net increase (decrease) in cash for the period	466	(734)
Cash (bank overdraft), beginning of period	2 437	3 171
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 2 903	\$ 2 437
Interest received (paid)	\$ 7 480	\$ 5 851
Dividends received, net of withholding taxes	\$ –	\$ –



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Advisor Series		Series H		Series D	
	2017	2016	2017	2016	2017	2016	2017	2016
NAV AT BEGINNING OF PERIOD	\$ 28 835	\$ 21 665	\$ 605	\$ 757	\$ –	\$ 5 404	\$ 1 464	\$ 834
INCREASE (DECREASE) IN NAV	1 524	650	56	50	–	406	116	24
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	9 716	21 488	1 410	3 361	–	543	1 889	1 639
Reinvestments of distributions to holders of redeemable units	711	1 177	26	38	–	82	71	69
Redemption of redeemable units	(13 178)	(14 828)	(1 076)	(3 554)	–	(6 348)	(767)	(1 031)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(2 751)	7 837	360	(155)	–	(5 723)	1 193	677
Distributions from net income	(648)	(645)	(28)	(26)	–	(87)	(60)	(37)
Distributions from net gains	(132)	(672)	(6)	(21)	–	–	(13)	(34)
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(780)	(1 317)	(34)	(47)	–	(87)	(73)	(71)
NET INCREASE (DECREASE) IN NAV	(2 007)	7 170	382	(152)	–	(5 404)	1 236	630
NAV AT END OF PERIOD	\$ 26 828	\$ 28 835	\$ 987	\$ 605	\$ –	\$ –	\$ 2 700	\$ 1 464

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
NAV AT BEGINNING OF PERIOD	\$ 10 599	\$ 3 334	\$ –	\$ 2 045	\$ 110 479	\$ 92 992	\$ 151 982	\$ 127 031
INCREASE (DECREASE) IN NAV	843	57	–	204	11 271	5 806	13 810	7 197
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	16 997	13 803	–	3 790	116 442	53 868	146 454	98 492
Reinvestments of distributions to holders of redeemable units	259	218	–	20	1 858	960	2 925	2 564
Redemption of redeemable units	(9 151)	(6 345)	–	(6 006)	(35 772)	(35 894)	(59 944)	(74 006)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	8 105	7 676	–	(2 196)	82 528	18 934	89 435	27 050
Distributions from net income	(447)	(224)	–	(53)	(6 338)	(4 541)	(7 521)	(5 613)
Distributions from net gains	(88)	(244)	–	–	(996)	(2 712)	(1 235)	(3 683)
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(535)	(468)	–	(53)	(7 334)	(7 253)	(8 756)	(9 296)
NET INCREASE (DECREASE) IN NAV	8 413	7 265	–	(2 045)	86 465	17 487	94 489	24 951
NAV AT END OF PERIOD	\$ 19 012	\$ 10 599	\$ –	\$ –	\$ 196 944	\$ 110 479	\$ 246 471	\$ 151 982



December 31, 2017

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide interest income with the potential for modest capital growth by investing primarily in a portfolio of diversified investment-grade fixed-income securities issued by U.S. corporations.

All outstanding Series H units were re-designated as Series A units effective June 30, 2016. All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

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

Credit risk (%)

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	1.7	0.5
AA	6.5	6.9
A	33.9	27.7
BBB	57.2	64.9
BB	0.7	–
Total	100.0	100.0

Concentration risk (%)

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

Investment mix	December 31 2017	December 31 2016
United States	85.0	85.2
Other Countries	12.5	13.0
Cash/Other	2.5	1.8
Total	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2017	December 31 2016
Less than 1 year	0.2	1.5
1 – 5 years	32.6	33.9
5 – 10 years	36.6	37.3
> 10 years	30.6	27.3
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.3% (December 31, 2016 – 7.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (USD000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	240 346	–	240 346
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	240 346	–	240 346
% of total portfolio	–	100.0	–	100.0

December 31, 2016	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	149 279	–	149 279
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	149 279	–	149 279
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2017

**Management fees and operating expenses
(see note 8 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*	Operating expenses
Series A	1.10%	0.05%
Advisor Series	1.10%	0.05%
Series H	1.10%	0.05%
Series D	0.75%	0.05%
Series F	0.60%	0.05%
Series I	0.60%	0.05%
Series O	n/a†	0.02%

* Effective June 30, 2016, the management fees for Series A and Advisor Series units were reduced to 1.10% from 1.25%; for Series D units were reduced to 0.75% from 0.90%; and for Series F units were reduced to 0.60% from 0.75%.

† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties
(USD000s except unit amounts)**

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

	December 31 2017	December 31 2016
Units held		
Series A	122	119
Advisor Series	123	120
Series F	125	121
Value of all units	4	3

Taxes (CAD000s) (see note 6 in the generic notes)

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The Fund had no capital or non-capital losses as at December 31, 2017.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

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

	2017	2016
Series A		
Opening units	3 046	2 280
Issued number of units	1 003	2 151
Reinvested number of units	74	123
Redeemed number of units	(1 360)	(1 508)
Ending number of units	2 763	3 046
Advisor Series		
Opening units	65	80
Issued number of units	148	338
Reinvested number of units	3	4
Redeemed number of units	(113)	(357)
Ending number of units	103	65
Series H		
Opening units	–	573
Issued number of units	–	55
Reinvested number of units	–	8
Redeemed number of units	–	(636)
Ending number of units	–	–
Series D		
Opening units	155	88
Issued number of units	195	164
Reinvested number of units	7	7
Redeemed number of units	(79)	(104)
Ending number of units	278	155
Series F		
Opening units	1 121	351
Issued number of units	1 760	1 386
Reinvested number of units	27	23
Redeemed number of units	(948)	(639)
Ending number of units	1 960	1 121
Series I		
Opening units	–	215
Issued number of units	–	379
Reinvested number of units	–	2
Redeemed number of units	–	(596)
Ending number of units	–	–
Series O		
Opening units	11 722	9 833
Issued number of units	12 157	5 491
Reinvested number of units	193	100
Redeemed number of units	(3 700)	(3 702)
Ending number of units	20 372	11 722



December 31, 2017

Securities lending revenue (USD000s except %)
(see note 7 in the generic notes)

Fair value of securities on loan and collateral received as at:

	December 31 2017	December 31 2016
Fair value of securities loaned	929	3 209
Fair value of collateral received	947	3 273

The table below provides a reconciliation of the gross revenue generated from the securities lending transactions of the Fund to the securities lending revenue disclosed in the Statements of Comprehensive Income.

	December 31 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	10	100	2	100
RBC IS (paid)	(3)	(30)	(1)	(35)
Tax withheld	(2)	(20)	–	–
Fund revenue	5	50	1	65

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1. The Funds

The Funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of Ontario or British Columbia. 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. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 8, 2018.

The Funds may issue an unlimited number of units in some or all of Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series H, Series D, Series DZ, Series F, Series FT5, Series FT8, Series I and Series O.

Series A units have no sales charges and are available to all investors through authorized dealers.

Advisor Series units and Advisor T5 Series units are available to all investors through authorized dealers with an initial sales charge or low-load sales charge option. For certain of the Funds, Advisor Series units and Advisor T5 Series units are available with a deferred 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 deferred sales charge or low-load sales charge option, sales charges may be applicable, as described in the Simplified Prospectus.

Series T5 units and Series T8 units have no sales charges and are available to all investors through authorized dealers.

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

Series D units and Series DZ units have no sales charges and have lower fees than Series A units. Series D units and Series DZ units may be available to investors who have accounts with RBC Direct Investing Inc., Phillips, Hager & North Investment Funds Ltd. (“PH&N IF”) or certain other authorized dealers (primarily discount brokers).

Series F units, Series FT5 units and Series FT8 units have no sales charges and have lower fees than Series A units. Series F units, Series FT5 units and Series FT8 units are only available to investors who have fee-based accounts with their dealer.

Series I units have no sales charges, have lower fees than Series F units, Series FT5 units and Series FT8 units 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 units are only available to large private or institutional investors or dealers. No management fees are payable by the Funds in respect to Series O units. Unitholders 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 December 31, 2017 and 2016, as applicable. In the year a Fund or series is established, “period” represents the period from inception to December 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. Redemption units are measured at their respective redemption values. 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 Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

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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 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.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

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:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

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Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

The premium received for written options is recorded as a liability in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Other

derivatives” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

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

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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.

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 Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund) 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. Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund 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 units of a Fund. The NAV of a particular series of units 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. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. 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 Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units 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 units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

ARS – Argentinian peso	KRW – South Korean won
AUD – Australian dollar	MXN – Mexican peso
BRL – Brazilian real	MYR – Malaysian ringgit
CAD – Canadian dollar	NOK – Norwegian krone
CHF – Swiss franc	NZD – New Zealand dollar
CLP – Chilean peso	PEN – Peruvian nuevo sol
CNY – Chinese renminbi	PHP – Philippine peso
COP – Colombian peso	PLN – Polish zloty
CZK – Czech koruna	RON – Romanian leu
DKK – Danish krone	RUB – Russian ruble
EUR – Euro	SEK – Swedish krona
GBP – Pound sterling	SGD – Singapore dollar
HKD – Hong Kong dollar	THB – Thailand baht
HUF – Hungarian forint	TRY – Turkish new lira
IDR – Indonesian rupiah	TWD – New Taiwan dollar
ILS – Israeli new shekel	USD – United States dollar
INR – Indian rupee	ZAR – South African rand
JPY – Japanese yen	

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 units. 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

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contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). 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 Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do

not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. 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 units of the Funds. No management fees are paid by the Funds with respect to Series O units. Unitholders of Series O units 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 units 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

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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 Independent Review Committee of the Funds, and 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 unitholders.

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 unitholders 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.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc. is the sub-advisor for the RBC \$U.S. Investment Grade Corporate Bond Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund and Phillips,

Hager & North U.S. Multi-Style All-Cap Equity Fund (for a portion of the Fund). RBC Global Asset Management (UK) Limited is the sub-advisor for the RBC Bond Fund (for a portion of the Fund), RBC Global Bond Fund (for a portion of the Fund), RBC Global Corporate Bond Fund (for a portion of the Fund), RBC Global High Yield Bond Fund (for a portion of the Fund), RBC Emerging Markets Bond Fund, RBC U.S. Monthly Income Fund (for a portion of the Fund), RBC Balanced Fund (for the European equity portion of the Fund), RBC Global Balanced Fund (for the European equity portion of the Fund), RBC Vision Balanced Fund (formerly, RBC Jantzi Balanced Fund) (for the European equity portion of the Fund), RBC International Dividend Growth Fund, RBC International Equity Fund (for the European equity portion of the Fund), RBC European Dividend Fund, RBC European Equity Fund, RBC European Mid-Cap Equity Fund, RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund, RBC Emerging Markets Small-Cap Equity Fund, RBC Global Dividend Growth Fund, RBC Global Dividend Growth Currency Neutral Fund, RBC Global Equity Fund, RBC Global Equity Focus Fund, RBC Vision Global Equity Fund (formerly, RBC Jantzi Global Equity Fund), RBC Vision Fossil Fuel Free Global Equity Fund, Phillips, Hager & North Overseas Equity Fund and Phillips, Hager & North Global Equity Fund. RBC Investment Management (Asia) Limited is the sub-advisor for the RBC Balanced Fund (for the Asian equity portion of the Fund), RBC Global Balanced Fund (for the Asian equity portion of the Fund), RBC Vision Balanced Fund (formerly, RBC Jantzi Balanced Fund) (for the Asian equity portion of the Fund), RBC International Dividend Growth Fund (for the Asian equity portion of the Fund), RBC International Equity Fund (for the Asian equity portion of the Fund), RBC Asian Equity Fund, RBC Asia Pacific Ex-Japan Equity Fund and RBC Japanese Equity Fund. BlueBay Asset Management LLP is the sub-advisor of the BlueBay Global Monthly Income Bond Fund, BlueBay Global Sovereign Bond Fund (Canada), BlueBay Global Investment Grade Corporate Bond Fund (Canada), BlueBay European High Yield Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay Global Convertible Bond Fund (Canada) and BlueBay \$U.S. Global Convertible Bond Fund (Canada).

The sub-advisors earn a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisors are paid by the manager from the management fee paid by the Funds.

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Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and PH&N IF are principal distributors of, or distribute certain series of units 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 T8, Series H and Series D units.

Custodian

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 units 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.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

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.

9. 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.

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

RBC Monthly Income Bond Fund, RBC Emerging Markets Bond Fund (CAD Hedged), BlueBay \$U.S. Global Convertible Bond Fund (Canada), RBC Managed Payout Solution, RBC Managed Payout Solution – Enhanced, RBC Managed Payout Solution – Enhanced Plus, RBC Conservative Growth & Income Fund, RBC Balanced Growth & Income Fund, RBC Global Growth & Income Fund, RBC Retirement 2020 Portfolio, RBC Retirement 2025 Portfolio, RBC Retirement 2030 Portfolio, RBC Retirement 2035 Portfolio, RBC Retirement 2040 Portfolio, RBC Retirement 2045 Portfolio, RBC Retirement

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2050 Portfolio, RBC Select Very Conservative Portfolio, RBC Select Conservative Portfolio, RBC Select Balanced Portfolio, RBC Select Growth Portfolio, RBC Select Aggressive Growth Portfolio, RBC Select Choices Conservative Portfolio, RBC Select Choices Balanced Portfolio, RBC Select Choices Growth Portfolio, RBC Select Choices Aggressive Growth Portfolio, RBC Target 2020 Education Fund, RBC Target 2025 Education Fund, RBC Target 2030 Education Fund, RBC International Equity Currency Neutral Fund, RBC International Index Currency Neutral Fund, RBC Asian Equity Fund, RBC Emerging Markets Multi-Strategy Equity Fund, RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool, RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool, Phillips, Hager & North Balanced Fund, Phillips, Hager & North Currency-Hedged U.S. Equity Fund, Phillips, Hager & North Currency-Hedged Overseas Equity Fund, Phillips, Hager & North LifeTime 2015 Fund, Phillips, Hager & North LifeTime 2020 Fund, Phillips, Hager & North LifeTime 2025 Fund, Phillips, Hager & North LifeTime 2030 Fund, Phillips, Hager & North LifeTime 2035 Fund, Phillips, Hager & North LifeTime 2040 Fund, Phillips, Hager & North LifeTime 2045 Fund and Phillips, Hager & North LifeTime 2050 Fund.

Amounts reclassified to “(Increase) decrease in margin accounts” have been presented separately from amounts related to “Cash (bank overdraft), beginning of period,” to appropriately separate changes in margin accounts. Comparative figures on the Statements of Cash Flow have been revised for the following funds:

BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC International Index Currency Neutral Fund.

10. 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.