

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 11, 2021



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

To the Unitholders and Trustee of

### RBC FUNDS

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 \$U.S. Short-Term Corporate Bond Fund  
 RBC Monthly Income Bond Fund  
 RBC Canadian Bond Index Fund  
 RBC Canadian Government Bond Index Fund  
 RBC Bond Fund  
 RBC Vision Bond Fund  
 RBC Global Bond Fund  
 RBC Global Bond & Currency 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 \$U.S. 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 Bond Fund (Canada)  
 BlueBay Emerging Markets Local Currency Bond Fund (Canada)  
 BlueBay Emerging Markets Corporate Bond Fund  
 BlueBay Global Convertible Bond Fund (Canada)  
 BlueBay \$U.S. Global Convertible Bond Fund (Canada)  
 RBC Conservative Bond Pool  
 RBC Core Bond Pool  
 RBC Core Plus Bond Pool  
 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  
 RBC Emerging Markets Balanced Fund  
 RBC Conservative Growth & Income Fund  
 RBC Balanced Growth & Income Fund  
 RBC Global Growth & Income Fund  
 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 Global Very Conservative Portfolio  
 RBC Global Conservative Portfolio  
 RBC Global Balanced Portfolio  
 RBC Global Growth Portfolio  
 RBC Global All-Equity Portfolio  
 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 Retirement 2055 Portfolio  
 RBC Retirement 2060 Portfolio  
 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  
 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 (Unhedged)  
 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 China 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 Equity Focus Fund  
 RBC QUBE Low Volatility 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 Global Equity Focus Currency Neutral Fund  
 RBC QUBE Global Equity Fund  
 RBC QUBE Low Volatility Global Equity Fund  
 RBC QUBE Low Volatility Global Equity Currency Neutral Fund  
 RBC Vision 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 POOLS

RBC Private Short-Term Income Pool  
 RBC Private Canadian Corporate Bond Pool  
 RBC Private Income Pool  
 RBC Private Canadian Dividend Pool  
 RBC Private Fundamental Canadian Equity Pool  
 RBC Private Canadian 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

### RBC ALTERNATIVE FUNDS

BlueBay Global Alternative Bond Fund (Canada)

### PH&N 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 2055 Fund  
 Phillips, Hager & North LifeTime 2060 Fund  
 Phillips, Hager & North Conservative Pension Trust  
 Phillips, Hager & North Balanced Pension Trust

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**PH&N FUNDS (cont.)**

Phillips, Hager & North Growth Pension Trust  
Phillips, Hager & North Conservative Equity Income Fund  
Phillips, Hager & North Canadian Equity Pension Trust  
Phillips, Hager & North Small Float Fund  
Phillips, Hager & North Canadian Equity  
Plus Pension Trust

(individually, a Fund)

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**Our opinion**

In our opinion, the accompanying December 31, 2020 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards (IFRS).

*What we have audited*

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (NAV) for the periods indicated in note 2; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

**Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

*Independence*

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

**Other information**

Management is responsible for the other information of each Fund. The other information comprises the 2020 Annual Management Report of Fund Performance of each Fund.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 11, 2021



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)  
RBC U.S. INDEX CURRENCY NEUTRAL FUND

December 31, 2020

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNDERLYING FUNDS</b>				
7 502 095	iShares Core S&P 500 Index ETF	\$ 310 896	\$ 444 109	
<b>TOTAL UNDERLYING FUNDS</b>		310 896	444 109	<b>96.2</b>
<b>SHORT-TERM INVESTMENTS*</b>		1 195	1 195	<b>0.3</b>
<b>TOTAL INVESTMENTS</b>		312 091	445 304	<b>96.5</b>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>		–	13 306	<b>2.9</b>
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>		–	(192)	<b>–</b>
<b>TOTAL PORTFOLIO</b>		\$ 312 091	458 418	<b>99.4</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			3 037	<b>0.6</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			\$ 461 455	<b>100.0</b>

**SCHEDULE A**

**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 41 012 Sold USD 30 625 @ 1.3392	11-Jan-2021	\$ 2 030
Bought CAD 6 386 Sold USD 5 000 @ 1.2773	11-Jan-2021	22
Bought CAD 11 294 Sold USD 8 500 @ 1.3287	12-Jan-2021	475
Bought CAD 4 584 Sold USD 3 500 @ 1.3098	13-Jan-2021	129
Bought CAD 7 779 Sold USD 6 000 @ 1.2966	13-Jan-2021	142
Bought CAD 13 274 Sold USD 10 000 @ 1.3274	14-Jan-2021	546
Bought CAD 61 452 Sold USD 46 350 @ 1.3258	15-Jan-2021	2 456
Bought CAD 11 942 Sold USD 9 000 @ 1.3269	19-Jan-2021	487
Bought CAD 9 162 Sold USD 7 000 @ 1.3088	19-Jan-2021	252
Bought CAD 3 300 Sold USD 2 500 @ 1.3199	21-Jan-2021	118
Bought CAD 8 482 Sold USD 6 500 @ 1.3049	21-Jan-2021	209
Bought CAD 3 952 Sold USD 3 000 @ 1.3172	22-Jan-2021	133
Bought CAD 50 561 Sold USD 38 301 @ 1.3201	25-Jan-2021	1 812
Bought CAD 30 137 Sold USD 22 900 @ 1.3160	26-Jan-2021	990
Bought CAD 19 234 Sold USD 14 644 @ 1.3134	27-Jan-2021	595
Bought CAD 3 926 Sold USD 3 000 @ 1.3088	28-Jan-2021	108
Bought CAD 3 937 Sold USD 3 000 @ 1.3124	02-Feb-2021	119
Bought CAD 3 863 Sold USD 3 000 @ 1.2876	08-Feb-2021	45
Bought CAD 5 300 Sold USD 4 000 @ 1.3250	09-Feb-2021	209
Bought CAD 5 873 Sold USD 4 500 @ 1.3051	16-Feb-2021	146
Bought CAD 7 804 Sold USD 6 000 @ 1.3006	17-Feb-2021	168
Bought CAD 11 739 Sold USD 9 000 @ 1.3043	18-Feb-2021	285
Bought CAD 14 765 Sold USD 11 389 @ 1.2964	19-Feb-2021	270
Bought CAD 6 507 Sold USD 5 000 @ 1.3015	26-Feb-2021	144
Bought CAD 10 348 Sold USD 8 000 @ 1.2935	04-Mar-2021	167
Bought CAD 3 879 Sold USD 3 000 @ 1.2931	04-Mar-2021	61
Bought CAD 54 956 Sold USD 42 500 @ 1.2931	05-Mar-2021	867
Bought CAD 17 264 Sold USD 13 500 @ 1.2788	10-Mar-2021	83
Bought CAD 22 510 Sold USD 17 500 @ 1.2863	12-Mar-2021	238
		\$ 13 306

**SCHEDULE A (cont.)**

**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Loss
Bought USD 3 344 Sold CAD 4 449 @ 0.7517	13-Jan-2021	\$ (192)
		\$ (192)
<b>TOTAL FOREIGN EXCHANGE</b>		\$ 13 114

All counterparties have a credit rating of at least A.

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.20% and mature on January 4, 2021.



**Statements of Financial Position**

(in \$000s except per unit amounts)

	December 31 2020	December 31 2019
(see note 2 in the generic notes)		
<b>ASSETS</b>		
Investments at fair value	\$ 445 304	\$ 397 180
Cash	161	180
Subscriptions receivable	318	99
Unrealized gain on foreign exchange contracts	13 306	6 539
Dividends receivable, interest accrued and other assets	3 094	4 739
<b>TOTAL ASSETS</b>	<b>462 183</b>	<b>408 737</b>
<b>LIABILITIES</b>		
Redemptions payable	324	92
Unrealized loss on foreign exchange contracts	192	33
Accounts payable and accrued expenses	212	198
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>728</b>	<b>323</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 461 455</b>	<b>\$ 408 414</b>
Investments at cost	\$ 312 091	\$ 309 046
<b>NAV</b>		
<b>SERIES A</b>	\$ 400 296	\$ 367 079
<b>SERIES F</b>	\$ 61 118	\$ 41 311
<b>SERIES O</b>	\$ 41	\$ 24
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	\$ 12.75	\$ 11.29
<b>SERIES F</b>	\$ 13.30	\$ 11.78
<b>SERIES O</b>	\$ 12.11	\$ 10.73

**Statements of Comprehensive Income**

(in \$000s except per unit amounts)

	2020	2019
For the periods ended December 31 (see note 2 in the generic notes)		
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 13	\$ 11
Income from investment trusts	5 914	12 024
Derivative income	(1 427)	2 051
Net realized gain (loss) on investments	5 080	3 630
Change in unrealized gain (loss) on investments	51 687	77 947
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>61 267</b>	<b>95 663</b>
Securities lending revenue (see note 7 in the generic notes)	3	-
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>3</b>	<b>-</b>
<b>TOTAL INCOME (LOSS)</b>	<b>61 270</b>	<b>95 663</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	1 429	1 402
Administration fees	202	187
Independent Review Committee costs	2	2
GST/HST	220	201
Transaction costs	24	16
<b>TOTAL EXPENSES</b>	<b>1 877</b>	<b>1 808</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 59 393</b>	<b>\$ 93 855</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	\$ 50 697	\$ 86 144
<b>SERIES F</b>	\$ 8 692	\$ 7 710
<b>SERIES O</b>	\$ 4	\$ 1
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	\$ 1.58	\$ 2.57
<b>SERIES F</b>	\$ 2.10	\$ 2.66
<b>SERIES O</b>	\$ 1.93	\$ 2.15



**Statements of Cash Flow** (in \$000s)

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 59 393	\$ 93 855
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash dividends	–	–
Non-cash distributions from underlying funds	–	(3 199)
Net realized loss (gain) on investments	(5 080)	(3 630)
Change in unrealized loss (gain) on investments	(51 687)	(77 947)
(Increase) decrease in accrued receivables	1 645	(2 649)
Increase (decrease) in accrued payables	14	58
(Increase) decrease in margin accounts	–	–
Cost of investments purchased*	(663 224)	(491 276)
Proceeds from sale and maturity of investments*	665 259	504 922
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
	<b>6 320</b>	<b>20 134</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	76 701	42 862
Cash paid on redemption of redeemable units*	(82 861)	(62 801)
Distributions paid to holders of redeemable units	(179)	(175)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
	<b>\$ (6 339)</b>	<b>\$ (20 114)</b>
Net increase (decrease) in cash for the period	(19)	20
Cash (bank overdraft), beginning of period	180	160
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 161</b>	<b>\$ 180</b>
Interest received (paid) <sup>†</sup>	\$ 11	\$ (24)
Income from investment trusts received (paid) <sup>†‡</sup>	\$ 7 562	\$ 6 210
Dividends received (paid) <sup>†‡</sup>	\$ –	\$ –

\* Excludes in-kind transactions.

<sup>†</sup> Classified as part of operating activities.

<sup>‡</sup> Net of withholding taxes, if applicable.



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

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series O		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 367 079	\$ 311 551	\$ 41 311	\$ 23 213	\$ 24	\$ –	\$ 408 414	\$ 334 764
<b>INCREASE (DECREASE) IN NAV</b>	<b>50 697</b>	<b>86 144</b>	<b>8 692</b>	<b>7 710</b>	<b>4</b>	<b>1</b>	<b>59 393</b>	<b>93 855</b>
Early redemption fees	5	4	–	–	–	–	5	4
Proceeds from redeemable units issued	57 644	33 696	26 698	16 695	13	23	84 355	50 414
Reinvestments of distributions to holders of redeemable units	3 668	6 863	695	849	1	1	4 364	7 713
Redemption of redeemable units	(75 091)	(64 248)	(15 442)	(6 200)	–	–	(90 533)	(70 448)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(13 774)</b>	<b>(23 685)</b>	<b>11 951</b>	<b>11 344</b>	<b>14</b>	<b>24</b>	<b>(1 809)</b>	<b>(12 317)</b>
Distributions from net income	(3 706)	(6 931)	(836)	(956)	(1)	(1)	(4 543)	(7 888)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(3 706)</b>	<b>(6 931)</b>	<b>(836)</b>	<b>(956)</b>	<b>(1)</b>	<b>(1)</b>	<b>(4 543)</b>	<b>(7 888)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>33 217</b>	<b>55 528</b>	<b>19 807</b>	<b>18 098</b>	<b>17</b>	<b>24</b>	<b>53 041</b>	<b>73 650</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 400 296</b>	<b>\$ 367 079</b>	<b>\$ 61 118</b>	<b>\$ 41 311</b>	<b>\$ 41</b>	<b>\$ 24</b>	<b>\$ 461 455</b>	<b>\$ 408 414</b>





December 31, 2020

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

The investment objective of the Fund is to provide long-term capital growth by tracking the performance of the S&P 500 Total Return Hedged 100% to CAD Index.

Series O units were started April 26, 2019.

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

The Fund invests primarily in the iShares Core S&P 500 Index ETF. The Fund's exposure to financial instrument risk is based on the underlying 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:

Investment mix	December 31 2020	December 31 2019
Information Technology	26.5	22.5
Health Care	12.9	13.8
Consumer Discretionary	12.2	9.4
Communication Services	10.3	10.1
Financials	10.0	12.5
Industrials	8.1	8.7
Consumer Staples	6.2	7.0
Utilities	2.7	3.2
Materials	2.5	2.6
Real Estate	2.3	2.8
Energy	2.2	4.2
Cash/Other	4.1	3.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Currency risk (% of NAV)**

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

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

In light of current market volatility related to COVID-19, management has applied 10% for other price risk sensitivity.

The table below shows the impact of a 10% (December 31, 2019 – 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:

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

	December 31 2020	December 31 2019
S&P 500 Total Return Index (hedged to CAD)	<b>+ or - 9.8</b>	<b>+ or - 1.0</b>

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 December 31, 2020 and 2019.

December 31, 2020	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Underlying funds</b>	<b>444 109</b>	–	–	<b>444 109</b>
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>1 195</b>	–	<b>1 195</b>
<b>Derivatives – assets</b>	–	<b>13 306</b>	–	<b>13 306</b>
<b>Derivatives – liabilities</b>	–	<b>(192)</b>	–	<b>(192)</b>
<b>Total financial instruments</b>	<b>444 109</b>	<b>14 309</b>	–	<b>458 418</b>
<b>% of total portfolio</b>	<b>96.9</b>	<b>3.1</b>	–	<b>100.0</b>

December 31, 2019	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Underlying funds</b>	<b>396 067</b>	–	–	<b>396 067</b>
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>1 113</b>	–	<b>1 113</b>
<b>Derivatives – assets</b>	–	<b>6 539</b>	–	<b>6 539</b>
<b>Derivatives – liabilities</b>	–	<b>(33)</b>	–	<b>(33)</b>
<b>Total financial instruments</b>	<b>396 067</b>	<b>7 619</b>	–	<b>403 686</b>
<b>% of total portfolio</b>	<b>98.1</b>	<b>1.9</b>	–	<b>100.0</b>

For the periods ended December 31, 2020 and 2019, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees (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*	Administration fees
Series A	0.50%	0.05%
Series F	0.09%	0.05%
Series O	n/a <sup>†</sup>	0.02%

\* The management fee disclosed reflects the total combined management fees charged by the Fund and the underlying ETF.

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



December 31, 2020

**Investments by related parties  
(\$000s except unit amounts)**

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

	December 31 2020	December 31 2019
<b>Units held</b>		
Series F	134	133
Series O	104	103
<b>Value of all units</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 unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	December 31 2020		December 31 2019	
	NAV	Ownership	NAV	Ownership
iShares Core S&P 500 Index ETF	96.9	14.5	98.3	19.3

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

The non-capital and capital losses as at December 31, 2020 for the Fund were approximately:

Capital losses	16 665
Non-capital losses	–

**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)

	2020	2019
<b>Series A</b>		
Opening units	32 516	34 822
Issued number of units	5 450	3 278
Reinvested number of units	293	608
Redeemed number of units	(6 855)	(6 192)
Ending number of units	31 404	32 516
<b>Series F</b>		
Opening units	3 507	2 487
Issued number of units	2 384	1 516
Reinvested number of units	53	72
Redeemed number of units	(1 349)	(568)
Ending number of units	4 595	3 507

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

	2020	2019
<b>Series O</b>		
Opening units	2	–
Issued number of units	1	2
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	3	2

**Transaction costs (\$000s except %)**

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2020		December 31 2019	
	\$	%	\$	%
Total transaction costs	24	100	16	100
Related-party brokerage commissions*	5	21	9	56
Commission arrangements†	–	–	–	–

\* See note 8 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

**Securities lending revenue (\$000s except %)  
(see note 7 in the generic notes)**

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

	December 31 2020	December 31 2019
Fair value of securities loaned	–	3 002
Fair value of collateral received	–	3 062

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 2020		December 31 2019	
	\$	%	\$	%
Gross revenue	4	100	–	100
RBC IS (paid)	(1)	(25)	–	(25)
Tax withheld	–	–	–	–
Fund revenue	3	75	–	75



December 31, 2020

**Offsetting financial assets and liabilities (\$000s)**  
**(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2020	Assets	Liabilities
<b>Gross amounts – assets (liabilities)</b>	<b>13 306</b>	<b>(192)</b>
<b>Amounts set-off in the</b> <b>Statements of Financial Position</b>	<b>–</b>	<b>–</b>
<b>Net amounts presented in the</b> <b>Statements of Financial Position</b>	<b>13 306</b>	<b>(192)</b>
<b>Related amounts not set-off</b>	<b>(192)</b>	<b>192</b>
<b>Collateral (received) pledged</b>	<b>(297)</b>	<b>–</b>
<b>Net amount</b>	<b>12 817</b>	<b>–</b>

December 31, 2019	Assets	Liabilities
Gross amounts – assets (liabilities)	6 539	(33)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	6 539	(33)
Related amounts not set-off	(33)	33
Collateral (received) pledged	–	–
Net amount	6 506	–

December 31, 2020

## 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 11, 2021.

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, Series N 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 N units are only available to related funds.

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

The information provided in these financial statements and notes thereto is as at December 31, 2020 and December 31, 2019, as applicable, and for the 12-month periods ended December 31, 2020 and December 31, 2019, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

## 3. Summary of significant accounting policies

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

**Classification and Measurement of Financial Assets, Liabilities and Derivatives** Each of the Funds classify their investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds’ debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model objectives. Consequently, all investments are measured at fair value through profit and loss (“FVTPL”). Derivative assets and liabilities are also measured at FVTPL.

December 31, 2020

The Funds' obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

**Offsetting Financial Assets and Liabilities** In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

**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.

**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:

December 31, 2020

*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 and preferred shares 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.

*Fixed-Income and Debt Securities* – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid 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 cost plus accrued interest, which approximates fair value.

*Options* – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

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.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in "Net realized gain (loss) on investments."

*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. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" and realized gain or loss on foreign exchange contracts is included in "Derivative income" 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 "Derivative income" in the Statements of Comprehensive Income.



December 31, 2020

Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. 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 “Derivative income” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

**Credit Default Swap Contracts** – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

**Underlying Funds** – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close 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. Procedures are 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.

Management also has procedures where 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. 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 amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

**Margin** Margin accounts represent margin deposits held with brokers in respect of derivatives contracts.

**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. Short-Term Corporate Bond Fund, RBC \$U.S. Investment Grade Corporate Bond Fund, RBC \$U.S. High Yield Bond Fund, RBC \$U.S. Strategic Income Bond Fund, BlueBay Emerging Markets Bond Fund (Canada), BlueBay Emerging Markets Local Currency Bond Fund (Canada), BlueBay Emerging Markets Corporate Bond Fund, BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC U.S. Monthly Income Fund (collectively, the “USD Funds”) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

**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 USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. 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 on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

**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. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

**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:

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

#### 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.

##### ***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.

The financial markets experienced significant volatility as a result of the developing COVID-19 global pandemic. The effects of the pandemic and its impact on individual companies, nations and the market in general can not necessarily be foreseen at the present time and may have an adverse impact on the financial performance of the Funds. The impact of the pandemic may be short-term or may last for an extended period of time.

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 Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. 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. 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. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

**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. It is the intention of the Funds to pay out all net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

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 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

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limited to, GST/HST). Effective January 1, 2020, RBC GAM, not the Funds, will be responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. The Funds will continue to be responsible for paying any Independent Review Committee costs that are not related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. 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 funds”). A Fund will not invest in units of an underlying 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 fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund’s ownership interest in underlying 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:  
RBC \$U.S. Short-Term Corporate Bond Fund  
(for the underlying fund)

RBC Bond Fund (for a portion of the Fund)  
RBC \$U.S. Investment Grade Corporate Bond Fund  
RBC Global Corporate Bond Fund (for a portion of the Fund)  
RBC U.S. Monthly Income Fund (for a portion of the 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  
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund

RBC Global Asset Management (UK) Limited is the sub-advisor for:

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 (for a portion of the Fund)  
RBC U.S. Monthly Income Fund (for a portion of the Fund)  
RBC Balanced Fund (for a portion of the Fund)  
RBC Global Balanced Fund (for a portion of the Fund)  
RBC Vision Balanced Fund (for a portion of the underlying funds)  
RBC International Dividend Growth Fund (for a portion of the Fund)  
RBC International Equity Fund (for the European equity portion of the Fund)  
RBC International Equity Currency Neutral Fund (for the European equity portion of the underlying fund)  
RBC European Dividend Fund  
RBC European Equity Fund  
RBC European Mid-Cap Equity Fund  
RBC Emerging Markets Multi-Strategy Equity Fund (for the underlying funds)  
RBC Emerging Markets Dividend Fund  
RBC Emerging Markets Equity Fund  
RBC Emerging Markets Equity Focus 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 Global Equity Focus Currency Neutral Fund (for the underlying fund)  
RBC Vision Global Equity Fund  
RBC Vision Fossil Fuel Free Global Equity Fund  
Phillips, Hager & North Overseas Equity Fund  
Phillips, Hager & North Global Equity Fund

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RBC Global Asset Management (Asia) Limited is the sub-advisor for:

- 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 (for the Asian equity portion of the underlying funds)
- 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 International Equity Currency Neutral Fund (for the Asian equity portion of the underlying fund)
- RBC Asian Equity Fund (for the underlying funds)
- RBC Asia Pacific ex-Japan Equity Fund
- RBC China Equity Fund
- RBC Japanese Equity Fund

BlueBay Asset Management LLP is the sub-advisor for:

- 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 Bond Fund (Canada)
- BlueBay Emerging Markets Local Currency Bond Fund (Canada)
- BlueBay Emerging Markets Corporate Bond Fund
- BlueBay Global Convertible Bond Fund (Canada)
- BlueBay \$U.S. Global Convertible Bond Fund (Canada)
- BlueBay Global Alternative 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.

#### **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 may 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**

RBC GAM, RBC IS or Royal Bank (or a combination thereof) 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.

#### **Securities Lending Agent**

To the extent a Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

#### **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;

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- (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.