



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

Although the Board of Directors of RBC GAM is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities, in 2014 the Financial Advisory Committee of the Board of Governors provided advice to RBC GAM concerning financial reporting, the audit process and internal controls. Please see *The Role of the Board of Governors* at the end of this report.

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

A handwritten signature in black ink, appearing to read "J. Montalbano".

John S. Montalbano, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 5, 2015

A handwritten signature in black ink, appearing to read "F. Lippa".

Frank Lippa, CPA, CA
Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.



To the Unitholders of:

| | | |
|--|--|--|
| RBC Canadian T-Bill Fund | RBC Select Choices Aggressive Growth Portfolio | RBC Japanese Equity Fund |
| RBC Canadian Money Market Fund | RBC Target 2015 Education Fund | RBC Emerging Markets Dividend Fund |
| RBC Premium Money Market Fund | RBC Target 2020 Education Fund | RBC Emerging Markets Equity Fund |
| RBC \$U.S. Money Market Fund | RBC Target 2025 Education Fund | RBC Emerging Markets Small-Cap Equity Fund |
| RBC Premium \$U.S. Money Market Fund | RBC Target 2030 Education Fund | RBC Global Dividend Growth Fund |
| RBC Canadian Short-Term Income Fund | RBC Canadian Dividend Fund | RBC Global Equity Fund |
| RBC Monthly Income Bond Fund | RBC Canadian Equity Fund | RBC Global Equity Focus Fund |
| RBC Bond Fund | RBC QUBE Canadian Equity Fund | RBC QUBE Global Equity Fund |
| RBC Advisor Canadian Bond Fund | RBC QUBE Low Volatility Canadian Equity Fund | RBC QUBE Low Volatility Global Equity Fund |
| RBC Canadian Government Bond Index Fund | RBC Jantzi Canadian Equity Fund | RBC Jantzi Global Equity Fund |
| RBC Global Bond Fund | RBC Canadian Index Fund | RBC O'Shaughnessy Global Equity Fund |
| RBC \$U.S. Investment Grade Corporate Bond Fund | RBC O'Shaughnessy Canadian Equity Fund | RBC QUBE All Country World Equity Fund |
| RBC Global Corporate Bond Fund | RBC O'Shaughnessy All-Canadian Equity Fund | RBC QUBE Low Volatility All Country World Equity Fund |
| RBC High Yield Bond Fund | RBC Canadian Equity Income Fund | RBC Global Energy Fund |
| RBC \$U.S. High Yield Bond Fund | RBC Canadian Small & Mid-Cap Resources Fund | RBC Global Precious Metals Fund |
| RBC Global High Yield Bond Fund | RBC North American Value Fund | RBC Global Resources Fund |
| RBC Monthly Income High Yield Bond Fund | RBC North American Growth Fund | RBC Global Technology Fund |
| RBC Emerging Markets Foreign Exchange Fund | RBC U.S. Dividend Fund | RBC Private Short-Term Income Pool |
| RBC Emerging Markets Bond Fund | RBC U.S. Equity Fund | RBC Private Canadian Bond Pool |
| BlueBay Global Monthly Income Bond Fund | RBC U.S. Equity Currency Neutral Fund | RBC Private Canadian Corporate Bond Pool |
| BlueBay Emerging Markets Corporate Bond Fund | RBC QUBE U.S. Equity Fund | RBC Private Income Pool |
| BlueBay Global Convertible Bond Fund (Canada) | RBC QUBE Low Volatility U.S. Equity Fund | RBC Private Canadian Dividend Pool |
| RBC Managed Payout Solution | RBC U.S. Equity Value Fund | RBC Private Canadian Growth and Income Equity Pool |
| RBC Managed Payout Solution – Enhanced | RBC U.S. Index Fund | RBC Private Canadian Equity Pool |
| RBC Managed Payout Solution – Enhanced Plus | RBC U.S. Index Currency Neutral Fund | RBC Private Canadian Growth Equity Pool |
| RBC Monthly Income Fund | RBC O'Shaughnessy U.S. Value Fund | RBC Private Canadian Mid-Cap Equity Pool |
| RBC U.S. Monthly Income Fund (formerly, RBC \$U.S. Income Fund) | RBC U.S. Mid-Cap Equity Fund | RBC Private U.S. Equity Pool |
| RBC Balanced Fund | RBC U.S. Mid-Cap Equity Currency Neutral Fund | RBC Private U.S. Large-Cap Value Equity Pool |
| RBC Global Balanced Fund | RBC U.S. Mid-Cap Value Equity Fund | RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool |
| RBC Jantzi Balanced Fund | RBC U.S. Small-Cap Core Equity Fund | RBC Private U.S. Growth Equity Pool |
| RBC Balanced Growth & Income Fund | RBC O'Shaughnessy U.S. Growth Fund | RBC Private O'Shaughnessy U.S. Growth Equity Pool |
| RBC Select Very Conservative Portfolio | RBC O'Shaughnessy U.S. Growth Fund II | RBC Private U.S. Large-Cap Core Equity Pool |
| RBC Select Conservative Portfolio | RBC Life Science and Technology Fund | RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool |
| RBC Select Balanced Portfolio | RBC International Dividend Growth Fund | RBC Private U.S. Small-Cap Equity Pool |
| RBC Select Growth Portfolio | RBC International Equity Fund | RBC Private International Equity Pool |
| RBC Select Aggressive Growth Portfolio | RBC International Equity Currency Neutral Fund | RBC Private EAFE Equity Pool |
| RBC Select Choices Conservative Portfolio | RBC International Index Currency Neutral Fund | RBC Private Overseas Equity Pool |
| RBC Select Choices Balanced Portfolio | RBC O'Shaughnessy International Equity Fund | RBC Private World Equity Pool |
| RBC Select Choices Growth Portfolio | RBC European Dividend Fund | |
| | RBC European Equity Fund | |
| | RBC Asian Equity Fund | |
| | RBC Asia Pacific ex-Japan Equity Fund | (collectively referred to as the "Funds") |

We have audited the accompanying financial statements of each of the Funds, which comprise the schedule of investment portfolio as at December 31, 2014, the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 (as applicable) and the statements of comprehensive income, statements of cash flow and statements of changes in net assets attributable to holders of redeemable units for the years or periods (since establishment of the Funds) then ended and 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 these financial statements in accordance with International Financial Reporting Standards ("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.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards ("GAAS"). Those standards require that we comply with ethical requirements and plan and perform the audit 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 our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2014, December 31, 2013 and January 1, 2013 (as applicable), and the results of their operations, their cash flows and changes in their net assets for the years or periods (since establishment of the Funds) then ended in accordance with IFRS.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants,
Licensed Public Accountants
March 5, 2015
Toronto, Ontario



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
RBC TARGET 2015 EDUCATION FUND

December 31, 2014

| Number of Units | Security | Cost | Fair Value | % of Net Assets |
|---|--|-------------------|-------------------|--------------------|
| MUTUAL FUND UNITS | | | | |
| 18 980 842 | RBC Canadian Money Market Fund* | \$ 189 808 | \$ 189 808 | 54.1 |
| 9 671 484 | RBC Canadian Short-Term Income Fund* | 105 691 | 105 492 | 30.1 |
| 1 736 112 | Phillips, Hager & North Short Term Bond & Mortgage Fund* | 17 746 | 17 651 | 5.0 |
| 3 171 541 | RBC Global Bond Fund* | 32 802 | 35 249 | 10.1 |
| TOTAL MUTUAL FUND UNITS | | 346 047 | 348 200 | 99.3 |
| SHORT-TERM INVESTMENTS† | | 1 565 | 1 565 | 0.4 |
| TOTAL INVESTMENTS | | <u>\$ 347 612</u> | 349 765 | 99.7 |
| OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS | | | 919 | 0.3 |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS | | | <u>\$ 350 684</u> | 100.0 |

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

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.00% to 1.21% and mature between January 2, 2015 and January 5, 2015.



Statements of Financial Position *(in \$000s except per unit amounts)*

| <i>(see note 2 and note 8 in the generic notes)</i> | December 31 2014 | December 31 2013 | January 1 2013 |
|---|-----------------------------|---------------------|-------------------|
| ASSETS | | | |
| Investments at fair value | \$ 349 765 | \$ 382 684 | \$ 368 394 |
| Cash | – | 1 | 25 |
| Due from investment dealers | 1 700 | – | 2 350 |
| Subscriptions receivable | 190 | 437 | 726 |
| Dividends receivable, interest accrued and other assets | 1 | 1 | – |
| TOTAL ASSETS | 351 656 | 383 123 | 371 495 |
| LIABILITIES | | | |
| Due to investment dealers | – | – | 800 |
| Redemptions payable | 643 | 283 | 224 |
| Distributions payable | 1 | – | – |
| Accounts payable and accrued expenses | 328 | 330 | 488 |
| TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS | 972 | 613 | 1 512 |
| NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV") | \$ 350 684 | \$ 382 510 | \$ 369 983 |
| Investments at cost | \$ 347 612 | \$ 376 766 | \$ 353 475 |
| NAV | | | |
| SERIES A | \$ 350 684 | \$ 382 510 | \$ 369 983 |
| NAV PER UNIT | | | |
| SERIES A | \$ 11.47 | \$ 11.56 | \$ 11.81 |



Statements of Comprehensive Income (in \$000s except per unit amounts)

| For the periods ended December 31 (see note 2 in the generic notes) | 2014 | 2013 |
|--|-----------------|-----------------|
| INCOME (see note 3 in the generic notes) | | |
| Interest for distribution purposes | \$ 16 | \$ 21 |
| Other income received from underlying funds | 7 049 | 9 412 |
| Capital gains received from underlying funds | 881 | 507 |
| Net realized gain (loss) on investments | 6 031 | 12 575 |
| Change in unrealized gain (loss) on investments | (3 765) | (9 001) |
| TOTAL INCOME (LOSS) | 10 212 | 13 514 |
| EXPENSES (see notes – Fund Specific Information) | | |
| Management fees | 3 283 | 3 339 |
| Administration fees | 187 | 190 |
| Board of Governors costs | 3 | 3 |
| GST/HST | 348 | 365 |
| TOTAL EXPENSES | 3 821 | 3 897 |
| INCREASE (DECREASE) IN NAV | \$ 6 391 | \$ 9 617 |
| INCREASE (DECREASE) IN NAV | | |
| SERIES A | \$ 6 391 | \$ 9 617 |
| INCREASE (DECREASE) IN NAV | | |
| PER REDEEMABLE UNIT | | |
| SERIES A | \$ 0.20 | \$ 0.31 |

Statements of Cash Flow (in \$000s)

| For the periods ended December 31 (see note 2 in the generic notes) | 2014 | 2013 |
|--|--------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in NAV | \$ 6 391 | \$ 9 617 |
| ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS | | |
| Net realized loss (gain) on investments | (6 031) | (12 575) |
| Change in unrealized loss (gain) on investments | 3 765 | 9 001 |
| (Increase) decrease in accrued receivables | (1 700) | 2 349 |
| Increase (decrease) in accrued payables | (2) | (958) |
| Cost of investments purchased | (194 514) | (410 298) |
| Proceeds on sales of investments | 229 699 | 399 582 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 37 608 | (3 282) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of redeemable units | 40 486 | 54 083 |
| Cash paid on redemption of redeemable units | (78 091) | (50 815) |
| Distributions paid to holders of redeemable units | (4) | (10) |
| NET CASH USED IN FINANCING ACTIVITIES | \$ (37 609) | \$ 3 258 |
| Net increase (decrease) in cash for the year | (1) | (24) |
| Cash (bank overdraft), beginning of period | 1 | 25 |
| CASH (BANK OVERDRAFT), END OF PERIOD | \$ – | \$ 1 |
| Interest received | \$ 16 | \$ 20 |
| Dividends received, net of withholding taxes | \$ – | \$ – |

Cash consists of cash and futures contracts margin receivable/payable, as applicable.



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

| For the periods ended December 31 (see note 2 in the generic notes)* | Series A | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| EQUITY/NAV AT BEGINNING OF PERIOD | \$ 382 510 | \$ 369 983 |
| INCREASE (DECREASE) IN NAV | 6 391 | 9 617 |
| Early redemption fees | — | — |
| Proceeds from redeemable units issued | 40 239 | 53 794 |
| Reinvestments of distributions to holders of redeemable units | 8 605 | 17 551 |
| Redemption of redeemable units | (78 451) | (50 874) |
| NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS | (29 607) | 20 471 |
| Distributions from net income | (3 150) | (5 602) |
| Distributions from net gains | (5 460) | (11 959) |
| Distributions from capital | — | — |
| TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS | (8 610) | (17 561) |
| NET INCREASE (DECREASE) IN NAV | (31 826) | 12 527 |
| NAV AT END OF PERIOD | \$ 350 684 | \$ 382 510 |

* The Fund's units meet all of the criteria in IFRS for classification as equity, and therefore continued to be classified as financial equity, similar to Canadian GAAP, as of January 1, 2013. During 2013, certain new series of units were introduced which had different features to the existing series of units. As a result, the Fund was no longer able to meet the IAS 32 requirements for classification of its units as equity, and the units were classified as financial liabilities as of December 31, 2013. The change in classification has not resulted in any contractual change in relationship with the unitholders, nor has it resulted in any change in the net asset value per unit. The above Statements of Changes in NAV presents the Fund's units as if they were financial liabilities for the entire 2013 year. The Fund's equity during the 2013 year comprised both retained earnings and unitholders' capital and has been presented together. Management believes the absence of separating retained earnings and unitholders' capital would not provide materially different information.



December 31, 2014

General information (see note 1 in the generic notes)

The investment objective of this asset allocation Fund is to meet the changing needs of investors who are saving money for the purpose of funding their child's post-secondary education that commences around 2015.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Concentration risk (%)

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

| | December 31 2014 | December 31 2013 | January 1 2013 |
|----------------------------|---------------------|---------------------|-------------------|
| Investment mix | | | |
| Income Funds | 99.3 | 90.9 | 83.3 |
| Canadian Equity Funds | – | 2.9 | 7.2 |
| United States Equity Funds | – | 2.9 | 5.6 |
| International Equity Funds | – | 2.3 | 3.2 |
| Cash/Other | 0.7 | 1.0 | 0.7 |

Interest rate risk (%)

As at December 31, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.6% (December 31, 2013 – 2.1%, January 1, 2013 – 3.9%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 0.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

Other price risk (% impact on net assets)

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

| | December 31 2014 | December 31 2013 | January 1 2013 |
|--|---------------------|---------------------|-------------------|
| S&P/TSX Capped Composite Total Return Index | + or - 0.1 | + or - 0.1 | + or - 0.1 |

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, 2014, December 31, 2013 and January 1, 2013.

| December 31, 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| Equities | – | – | – | – |
| Mutual fund units | 348 200 | – | – | 348 200 |
| Fixed-income and debt securities | – | – | – | – |
| Short-term investments | – | 1 565 | – | 1 565 |
| Derivatives – assets | – | – | – | – |
| Derivatives – liabilities | – | – | – | – |
| Total financial instruments | 348 200 | 1 565 | – | 349 765 |
| % of total portfolio | 99.6 | 0.4 | – | 100.0 |

| December 31, 2013 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|---------|---------|
| Equities | – | – | – | – |
| Mutual fund units | 378 794 | – | – | 378 794 |
| Fixed-income and debt securities | – | – | – | – |
| Short-term investments | – | 3 890 | – | 3 890 |
| Derivatives – assets | – | – | – | – |
| Derivatives – liabilities | – | – | – | – |
| Total financial instruments | 378 794 | 3 890 | – | 382 684 |
| % of total portfolio | 99.0 | 1.0 | – | 100.0 |



December 31, 2014

| January 1, 2013 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------|------------|----------|----------------|
| Equities | – | – | – | – |
| Mutual fund units | 367 395 | – | – | 367 395 |
| Fixed-income and debt securities | – | – | – | – |
| Short-term investments | – | 999 | – | 999 |
| Derivatives – assets | – | – | – | – |
| Derivatives – liabilities | – | – | – | – |
| Total financial instruments | 367 395 | 999 | – | 368 394 |
| % of total portfolio | 99.7 | 0.3 | – | 100.0 |

For the periods ended December 31, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

RBC GAM is the manager, trustee and portfolio advisor of the Fund. The management fee payable to RBC GAM in respect of each series of the Fund is a variable fee and is determined on a basis such that all fees and expenses that comprise the management expense ratio (“MER”), other than the additional cost of the GST/HST, will be equal to a specified percentage of the average net asset value of each series of the Fund (“Specified Percentage”). The Specified Percentage includes the management fee, administration fee, taxes (other than the additional cost of the GST/HST), other fund costs and any fees and expenses of the underlying funds.

The Specified Percentage for Series A is 1.00%.

Subsequent event

Effective January 1, 2015, the Specified Percentage for Series A units has been reduced to 0.45% from 1.00%.

Operating expenses (see note 7 in the generic notes)

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 net asset value of each series of the Fund.

| | |
|----------|-------|
| Series A | 0.05% |
|----------|-------|

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund’s interest in the underlying mutual funds as a percentage of net assets of the Fund (“NAV”), and the Fund’s ownership interest as a percentage of the net assets of the underlying funds (“Ownership”). All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

| | December 31, 2014 | | December 31, 2013 | |
|--|-------------------|-----------|-------------------|-----------|
| | NAV | Ownership | NAV | Ownership |
| RBC Canadian Money Market Fund | 54.1 | 11.0 | 36.0 | 6.4 |
| RBC Canadian Short-Term Income Fund | 30.1 | 2.0 | 30.7 | 2.4 |
| Phillips, Hager & North Short Term Bond & Mortgage Fund | 5.0 | 0.4 | 5.0 | 0.5 |
| RBC Bond Fund | – | – | 6.2 | 0.2 |
| Phillips, Hager & North Total Return Bond Fund | – | – | 3.0 | 0.4 |
| RBC Global Bond Fund | 10.1 | 0.9 | 9.9 | 1.2 |
| RBC Canadian Dividend Fund | – | – | 0.7 | 0.0 |
| RBC Canadian Equity Fund | – | – | 1.5 | 0.1 |
| RBC QUBE Low Volatility Canadian Equity Fund | – | – | 0.7 | 0.4 |
| RBC O’Shaughnessy U.S. Value Fund | – | – | 0.7 | 0.2 |
| RBC U.S. Mid-Cap Equity Fund | – | – | 0.4 | 0.2 |
| RBC U.S. Equity Fund | – | – | 0.6 | 0.1 |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | – | – | 0.6 | 0.2 |
| RBC Private U.S. Large-Cap Core Equity Pool | – | – | 0.6 | 0.5 |
| RBC European Equity Fund | – | – | 1.3 | 0.2 |
| RBC Asian Equity Fund | – | – | 0.6 | 0.2 |
| RBC Emerging Markets Equity Fund | – | – | 0.4 | 0.1 |

| | January 1, 2013 | |
|-------------------------------------|-----------------|-----------|
| | NAV | Ownership |
| RBC Canadian Money Market Fund | 7.9 | 1.1 |
| RBC Canadian Short-Term Income Fund | 25.1 | 2.1 |
| RBC Bond Fund | 37.7 | 1.5 |
| RBC Global Bond Fund | 12.6 | 2.0 |
| RBC Canadian Dividend Fund | 1.9 | – |
| RBC Canadian Equity Fund | 3.7 | 0.3 |
| RBC North American Growth Fund | 1.6 | 1.1 |

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



December 31, 2014

| | January 1, 2013 | |
|--------------------------------------|-----------------|-----------|
| | NAV | Ownership |
| RBC U.S. Equity Fund | 2.8 | 0.3 |
| RBC O'Shaughnessy U.S. Value Fund | 1.4 | 0.5 |
| RBC U.S. Mid-Cap Equity Fund | 1.4 | 0.9 |
| RBC European Equity Fund | 1.6 | 0.3 |
| RBC Asian Equity Fund | 1.6 | 0.6 |

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2014.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. 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)

| | 2014 | 2013 |
|----------------------------|---------|---------|
| Series A | | |
| Opening units | 33 101 | 31 332 |
| Issued number of units | 3 453 | 4 510 |
| Reinvested number of units | 751 | 1 520 |
| Redeemed number of units | (6 725) | (4 261) |
| Ending number of units | 30 580 | 33 101 |

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

| | December 31 2013 | January 1 2013 |
|---|---------------------|---------------------|
| Net assets | | |
| Net assets as reported under Canadian GAAP | 382 510 | 369 983 |
| Revaluation of investments at FVTPL | – | – |
| Net assets attributable to holders of redeemable units | 382 510 | 369 983 |
| | | December 31 2013 |
| Comprehensive income | | |
| Comprehensive income as reported under Canadian GAAP | | 9 617 |
| Revaluation of investments at FVTPL (see note 3 and note 8 in the generic notes) | | – |
| Increase (decrease) in net assets attributable to holders of redeemable units | | 9 617 |



1. The Funds

The RBC Funds and RBC Private Pools (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, trustee and portfolio advisor of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 5, 2015.

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

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

Advisor Series units are available to all investors with an initial sales charge, deferred sales charge or low-load sales charge option. Under the initial sales charge option, investors pay a sales commission ranging from 0% to 5% of the amount invested. Under the deferred sales charge or low-load sales charge option, investors do not pay a commission.

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

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.

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

Series F units have no sales charges and have lower fees than Series A units. Series F units are only available to investors who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series I units have no sales charges, have lower fees than Series F 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 and Series T units have no management fees. Unitholders of Series O and Series T units 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 December 31, 2014, December 31, 2013 and January 1, 2013. 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”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Fair Value Option Financial instruments are designated as fair value through profit and loss (“FVTPL”) on their initial recognition (the fair value option). Derivative financial instruments are held for trading (“HFT”) and are required to be classified as FVTPL by nature. Other non-derivative financial instruments can be designated as FVTPL if they have a reliably measurable fair value and satisfy some criteria such as (i) it eliminates or significantly reduces an accounting mismatch and (ii) it is part of a portfolio that is managed and its performance is evaluated on a fair value basis. Management’s judgment is that all non-derivative financial instruments are designated as FVTPL since all Funds satisfy the above criteria. The Funds’ financial assets and liabilities are not offset and the gross amounts are reported in the Statements of Financial Position, even if there is a legally enforceable right to offset the recognized amounts. The Funds may enter into various master netting or similar agreements with counterparties.

Redeemable units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost.

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, 2014

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 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.

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

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 gain or loss at the close of business on each valuation date is recorded 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.

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 net asset value per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments (including unlisted securities) – If the valuation methods described above are not appropriate, RBC GAM will estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes, valuation models, fundamental analysis, matrix pricing, discounts from market prices of similar securities or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

Procedures are in place to determine the fair value of foreign securities traded in countries outside 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. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets and American Depository Receipts ("ADR") prices. These securities are classified as Level 2.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the RBC \$U.S. 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 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



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such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds.

RBC \$U.S. 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 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 net asset value is calculated for each series of units of a Fund. The net asset value 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 net asset value 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.

Increase (Decrease) in NAV per Redeemable Unit Increase (decrease) in NAV per redeemable 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 | KRW – South Korean Won |
| 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 Rouble |
| 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 | ZAR – South African Rand |

4. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its net assets 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 advisors, 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.

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 net assets 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 credit worthiness 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 6). 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 Canadian dollars is affected by changes in the value of the Canadian dollar or a Fund's functional currency, in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of 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.

5. 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. 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 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.



6. 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.

7. Administrative and other related-party transactions

Manager, Trustee and Portfolio Advisor

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

RBC GAM is the manager, trustee and portfolio advisor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, holds title to the Funds' property on behalf of its unitholders, 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. No management fees are paid by the Funds with respect to Series O and Series T units. Unitholders of Series O and Series T units pay a negotiated fee directly to RBC GAM for investment counselling services.

The Funds pay a fixed administration fee to RBC GAM. 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 semi-annual reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Board of Governors ("BoG") 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 among each series of units of a Fund in accordance with the services used. 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"). The Fund's ownership interest in underlying mutual funds is disclosed in the Fund Specific Information.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are principal distributors of, or distribute certain series of units of, the Funds. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series, Series T5, Series T8, Series H and Series D units.

Custodian

RBC IS is the custodian and holds the assets of 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.

Brokerage

The Funds have established standard brokerage agreements at market rates with related-party brokerages.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the BoG in its capacity as 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



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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 BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

8. Transition to IFRS

The effect of the Funds' transition to IFRS from Canadian generally accepted accounting principles ("GAAP") is summarized as follows:

Statements of cash flows – All Funds are required under IFRS to provide cash flow statements. Under Canadian GAAP most Funds were exempt from this requirement.

Revaluation of investments as FVTPL – Under Canadian GAAP, the fair value of investments was generally required to use bid prices for long positions and ask prices for short positions. Under IFRS, the fair value of investments is generally measured using closing prices – that is, in the same manner in which the daily net asset value per unit is measured for unitholder transaction purposes. As a result, upon adoption of IFRS, adjustments were recognized at January 1, 2013 and December 31, 2013.

All financial assets and financial liabilities were classified as FVTPL upon transition to IFRS. Previously financial assets and financial liabilities were carried at fair value under Canadian GAAP.

Reconciliation of net assets and comprehensive income previously reported under Canadian GAAP to IFRS are disclosed in the Fund Specific Information.

Classification of redeemable units of the Fund – Management has determined that the Funds' units do not meet all the criteria in IAS 32, Financial Instruments Presentation to be classified as equity and, therefore, by exception to those criteria, have been reclassified as financial liabilities upon transition to IFRS. Under Canadian GAAP the units were accounted for as equity.

Investment entity – Management has determined that the Funds meet the definition of "investment entity" and as a result, investments in other mutual funds managed by RBC GAM are measured at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgment that has been made in determining that the Funds meet this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of substantially all of their investments.

9. Future accounting changes

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

IFRS 9 – Financial Instruments. IFRS 9 replaces parts of IAS 39 related to the classification and measurement of financial assets and liabilities.

The new standard is not expected to have a significant impact on the Funds.