

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the RBC ETFs (the "ETFs") 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 ETFs, 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, 2019



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

To the Unitholders and Trustee of

RBC 1-5 Year Laddered Canadian Bond ETF	RBC Canadian Preferred Share ETF	RBC Quant EAFE Dividend Leaders ETF
RBC 1-5 Year Laddered Corporate Bond ETF	RBC Quant Canadian Dividend Leaders ETF	RBC Quant EAFE Dividend Leaders (CAD Hedged) ETF
RBC 6-10 Year Laddered Canadian Corporate Bond ETF	RBC Quant Canadian Equity Leaders ETF	RBC Quant EAFE Equity Leaders ETF
RBC Target 2019 Corporate Bond Index ETF	RBC Canadian Equity Index ETF	RBC Quant EAFE Equity Leaders (CAD Hedged) ETF
RBC Target 2020 Corporate Bond Index ETF	RBC Vision Women's Leadership MSCI Canada Index ETF	RBC International Equity Index ETF
RBC Target 2021 Corporate Bond Index ETF	RBC Canadian Bank Yield Index ETF	RBC International Equity (CAD Hedged) Index ETF
RBC Target 2022 Corporate Bond Index ETF	RBC Quant U.S. Dividend Leaders ETF	RBC Quant Emerging Markets Dividend Leaders ETF
RBC Target 2023 Corporate Bond Index ETF	RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF	RBC Quant Emerging Markets Equity Leaders ETF
RBC Target 2024 Corporate Bond Index ETF	RBC Quant U.S. Equity Leaders ETF	RBC Emerging Markets Equity Index ETF
RBC Target 2025 Corporate Bond Index ETF	RBC Quant U.S. Equity Leaders (CAD Hedged) ETF	RBC Strategic Global Dividend Leaders ETF
RBC PH&N Short Term Canadian Bond ETF	RBC U.S. Equity Index ETF	RBC Strategic Global Equity Leaders ETF
RBC Canadian Short Term Bond Index ETF	RBC U.S. Equity (CAD Hedged) Index ETF	RBC Quant Global Infrastructure Leaders ETF
RBC Canadian Bond Index ETF	RBC U.S. Banks Yield Index ETF	RBC Quant Global Real Estate Leaders ETF
RBC Short Term U.S. Corporate Bond ETF	RBC U.S. Banks Yield (CAD Hedged) Index ETF	(collectively, the "ETFs", individually the "ETF")
RBC Global Government Bond (CAD Hedged) Index ETF	RBC Quant European Dividend Leaders ETF	
RBC BlueBay Global Diversified Income (CAD Hedged) ETF	RBC Quant European Dividend Leaders (CAD Hedged) ETF	

## Our opinion

In our opinion, the accompanying December 31, 2018 annual financial statements of each of the ETFs present fairly, in all material respects, the financial position of each ETF, 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 of the ETFs 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 a summary of significant accounting policies.

## 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 of the ETFs 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.

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## Other information

Management is responsible for the other information of each of the ETFs. The other information comprises the 2018 Annual Management Report of Fund Performance of each of the ETFs.

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 of the ETFs, 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 of the ETFs 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.

## 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 of the ETFs 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 of the ETFs 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 of the ETFs 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 of the ETFs.

## 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 ETF 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 of the ETFs.

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 of the ETFs, 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 of the ETFs.
- 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 of the ETFs 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 of the ETFs 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 of the ETFs to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the ETFs, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrizia Perruzza.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 11, 2019



**SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)**  
**RBC U.S. EQUITY INDEX ETF**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
<b>Communication Services</b>				
9 101	Activision Blizzard Inc.	\$ 733	\$ 579	
3 630	Alphabet Inc., Class A	4 468	5 181	
3 700	Alphabet Inc., Class C	4 496	5 233	
88 436	AT&T Inc.	4 243	3 447	
3 850	CBS Corp.	282	230	
11 528	CenturyTel Inc.	286	239	
2 092	Charter Communications Inc.	951	814	
55 041	Comcast Corp., Class A	2 638	2 560	
1 938	Discovery Inc., Class A	53	65	
4 178	Discovery Inc., Class C	119	132	
2 584	DISH Network Corp., Class A	173	88	
3 553	Electronic Arts Inc.	520	383	
28 865	Facebook Inc., Class A	6 156	5 168	
892	IAC/InterActiveCorp.	141	223	
4 568	Interpublic Group of Companies Inc.	120	129	
323	Liberty Broadband Corp., Class A	38	32	
1 292	Liberty Broadband Corp., Class C	156	127	
2 284	Liberty Global PLC, Series A	95	67	
6 392	Liberty Global PLC, Series C	255	180	
969	Liberty SiriusXM Group	51	49	
1 979	Liberty SiriusXM Group, Class C	105	100	
5 027	Netflix Inc.	1 192	1 838	
4 522	News Corp., Class A	76	70	
1 269	News Corp., Class B	22	20	
2 725	Omnicom Group	255	273	
15 455	Sirius XM Holdings Inc.	109	121	
7 403	Sprint Corp.	72	59	
1 359	Take-Two Interactive Software Inc.	191	191	
17 935	The Walt Disney Company	2 277	2 686	
3 646	T-Mobile US Inc.	283	317	
1 292	TripAdvisor Inc.	68	95	
12 591	Twenty-First Century Fox Inc.	433	828	
5 932	Twenty-First Century Fox Inc., Class B	218	387	
8 549	Twitter Inc.	204	336	
50 374	Verizon Communications Inc.	3 163	3 868	
4 199	Viacom Inc.	146	147	
3 189	Yandex N.V.	135	119	
1 455	Zillow Group Inc.	80	63	
682	Zillow Group Inc., Class A	37	29	
		<b>35 040</b>	<b>36 473</b>	<b>10.1</b>
<b>Consumer Discretionary</b>				
1 157	Adient Plc.	114	24	
869	Advance Auto Parts Inc.	110	187	
4 940	Amazon.com, Inc.	6 289	10 134	
3 230	Aptiv Plc.	338	272	
2 907	ARAMARK Corp.	149	115	
1 069	Autoliv Inc.	170	103	
646	AutoNation Inc.	39	31	
323	Autozone Inc.	246	370	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Consumer Discretionary (cont.)</b>				
2 858	Best Buy Co. Inc.	\$ 207	\$ 207	
574	Booking Holdings Inc.	1 341	1 350	
2 584	Borg-Warner Automotive Inc.	167	123	
2 161	CarMax Inc.	205	185	
4 845	Carnival Corp.	390	326	
323	Chipotle Mexican Grill Inc., Class A	124	190	
4 199	D.R. Horton Inc.	213	199	
1 515	Darden Restaurants Inc.	155	207	
3 230	Dollar General Corp.	334	477	
2 801	Dollar Tree Inc.	307	346	
446	Domino's Pizza Inc.	114	151	
10 910	eBay Inc.	527	418	
1 477	Expedia Group Inc.	262	227	
1 443	Foot Locker Inc.	64	105	
46 960	Ford Motor Company	718	491	
2 625	Gap Inc.	96	92	
1 392	Garmin Ltd.	97	120	
892	Garrett Motion Inc.	17	15	
15 822	General Motors Co.	855	723	
3 235	Gentex Corp.	83	89	
1 715	Genuine Parts Co.	206	225	
2 907	Goodyear Tire & Rubber Co.	120	81	
2 584	H&R Block, Inc.	86	90	
4 196	Hanesbrands Inc.	124	72	
1 938	Harley-Davidson Inc.	118	90	
1 392	Hasbro Inc.	170	154	
3 324	Hilton Worldwide Holdings Inc.	299	326	
13 961	Home Depot Inc.	2 917	3 276	
2 038	Kohl's Corp.	119	185	
2 707	L Brands Inc.	145	95	
4 299	Las Vegas Sands Corp.	352	306	
797	Lear Corp.	174	134	
1 615	Leggett & Platt Inc.	98	79	
3 362	Lennar Corp.	235	180	
3 835	LKQ Corp.	172	124	
9 810	Lowe's Companies	1 011	1 237	
1 092	Lululemon Athletica Inc.	99	181	
3 545	Macy's Inc.	96	144	
3 399	Marriott International Inc., Class A	471	504	
4 199	Mattel Inc.	82	57	
9 344	McDonald's Corp.	1 847	2 266	
512	MercadoLibre Inc.	172	205	
5 837	MGM Mirage	226	193	
1 615	Michael Kors Holdings Ltd.	98	84	
746	Mohawk Industries Inc.	238	119	
5 241	Newell Brands Inc.	276	133	
15 170	Nike Inc.	1 000	1 536	
1 392	Nordstrom Inc.	79	89	
2 593	Norwegian Cruise Line Holdings Ltd.	179	150	
40	NVR Inc.	145	133	
969	O'Reilly Automotive Inc.	265	456	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Consumer Discretionary (cont.)</b>				
707	Polaris Industries Inc.	\$ 94	\$ 74	
3 030	Pulte Corp.	105	108	
869	PVH Corp.	138	110	
4 925	Qurate Retail Inc.	149	131	
646	Ralph Lauren Corp.	73	91	
4 422	Ross Stores Inc.	366	502	
2 038	Royal Caribbean Cruises Ltd.	306	272	
14 656	Starbucks Corp.	996	1 289	
3 407	Tapestry Inc.	173	157	
6 365	Target Corporation	479	575	
1 630	Tesla Inc.	709	741	
1 474	Tiffany and Co.	182	162	
15 127	TJX Companies Inc.	706	924	
1 561	Toll Brothers Inc.	82	70	
1 415	Tractor Supply Co.	114	161	
690	Ulta Salon, Cosmetics & Fragrance, Inc.	200	231	
4 522	Under Armour Inc.	90	105	
3 876	V.F. Corporation	316	378	
483	Vail Resorts Inc.	176	139	
778	Whirlpool Corp.	178	114	
1 192	Wyndham Hotels & Resorts Inc.	85	74	
1 192	Wyndham Worldwide Corp.	159	58	
1 251	Wynn Resorts Ltd.	243	169	
3 817	Yum! Brands, Inc.	356	479	
4 240	Yum! China Holdings Inc.	213	194	
		<b>32 038</b>	<b>37 489</b>	<b>10.3</b>

**Consumer Staples**

22 773	Altria Group Inc.	1 811	1 536	
6 746	Archer Daniels Midland Co.	365	377	
3 675	Brown-Forman Corp., Class B	215	239	
1 715	Bunge Ltd.	148	125	
2 061	Campbell Soup Company	119	93	
2 907	Church & Dwight Co. Inc.	174	261	
1 515	Clorox Company	248	319	
2 261	Coca-Cola European Partners PLC	117	142	
10 336	Colgate-Palmolive Company	936	840	
5 617	Conagra Brands Inc.	242	164	
1 885	Constellation Brands Inc.	473	414	
5 268	Costco Wholesale Corp.	1 106	1 466	
5 483	Coty Inc.	115	49	
2 621	Estée Lauder Companies Inc., Class A	363	466	
7 165	General Mills Inc.	460	381	
1 273	Herbalife Nutrition Ltd.	55	102	
3 230	Hormel Foods Corp.	130	188	
869	Ingredion Inc.	134	108	
3 007	Kellogg Co.	235	234	
2 161	Keurig Dr Pepper Inc.	234	76	
4 199	Kimberly-Clark Corp.	608	653	
1 707	Lamb Weston Holdings Inc.	105	171	
1 464	McCormick & Co. Inc.	184	278	
2 030	Molson Coors Brewing Co., Class B	205	156	
17 256	Mondelez International Inc.	888	943	
4 845	Monster Beverage Corp.	338	326	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Consumer Staples (cont.)</b>				
17 219	PepsiCo Inc.	\$ 2 365	\$ 2 598	
18 683	Philip Morris International Inc.	2 561	1 704	
5 814	Sysco Corp.	396	498	
46 531	The Coca-Cola Co.	2 642	3 009	
1 690	The Hershey Co.	229	247	
1 292	The J.M. Smucker Company	170	165	
7 289	The Kraft Heinz Co.	699	428	
9 495	The Kroger Co.	250	357	
30 314	The Procter & Gamble Co.	3 485	3 806	
3 512	Tyson Foods Inc.	311	256	
9 825	Walgreens Boots Alliance Inc.	942	917	
17 161	Walmart Inc.	1 729	2 183	
		<b>25 787</b>	<b>26 275</b>	<b>7.2</b>

**Energy**

6 024	Anadarko Petroleum Corp.	374	361	
2 907	Antero Resources Corp.	74	37	
4 522	Apache Corp.	255	162	
6 029	Baker Hughes a GE Co.	260	177	
5 200	Cabot Oil & Gas Corp.	172	159	
2 775	Cheniere Energy Inc.	169	224	
22 984	Chevron Corp.	3 399	3 415	
1 150	Cimarex Energy Co.	165	97	
2 387	Concho Resources Inc.	423	335	
13 971	ConocoPhillips	873	1 190	
969	Continental Resources Inc.	48	53	
546	Core Laboratories N.V.	67	44	
5 538	Devon Energy Corporation	253	170	
1 864	Diamondback Energy Inc.	296	236	
6 965	EOG Resources Inc.	848	830	
3 227	EQT Corp.	239	83	
2 541	Equitrans Midstream Corp.	111	69	
51 529	Exxon Mobil Corp.	5 267	4 799	
10 518	Halliburton Co.	588	382	
1 292	Helmerich & Payne	82	85	
3 225	Hess Corp.	189	178	
1 979	HollyFrontier Corp.	93	138	
22 930	Kinder Morgan Inc.	539	482	
9 998	Marathon Oil Corp.	175	196	
8 053	Marathon Petroleum Corp.	664	649	
1 938	Murphy Oil Corp.	65	62	
4 522	National Oilwell Varco Inc.	199	159	
2 253	Newfield Exploration Company	85	45	
5 814	Noble Energy Inc.	205	149	
9 226	Occidental Petroleum Corp.	748	773	
4 962	ONEOK, Inc.	358	366	
5 068	Phillips 66 Company	596	596	
2 038	Pioneer Natural Resources Co.	395	366	
2 584	Range Resources Corp.	64	34	
16 746	Schlumberger Ltd.	1 439	825	
2 576	Targa Resources Corp.	153	127	
14 608	The Williams Companies Inc.	569	440	
5 108	Valero Energy Corp.	502	523	
		<b>21 001</b>	<b>19 016</b>	<b>5.2</b>



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials</b>				
646	Affiliated Managers Group Inc.	\$ 155	\$ 86	
9 223	Aflac Inc.	479	574	
6 246	AGNC Investment Corp.			
	Real Estate Investment Trust	163	150	
177	Alleghany Corp.	123	151	
4 200	Allstate Corp.	489	474	
5 115	Ally Financial Inc.	158	158	
7 975	American Express Company	917	1 038	
10 646	American International Group Inc.	816	573	
1 661	Ameriprise Financial Inc.	311	237	
15 293	Annaly Mortgage Management Inc.	229	205	
2 953	Aon Plc.	543	586	
4 655	Arch Capital Group Ltd.	191	170	
2 161	Arthur J. Gallagher & Co.	169	218	
646	Assurant Inc.	77	79	
2 402	AXA Equitable Holdings Inc.	50	55	
969	Axis Capital Holdings Ltd.	69	68	
111 161	Bank of America Corp.	3 634	3 741	
11 063	Bank of New York Mellon Corp.	744	711	
9 413	BB&T Corporation	555	557	
2	Berkshire Hathaway Inc., Class A	757	836	
20 450	Berkshire Hathaway Inc., Class B	4 786	5 703	
1 478	BlackRock Inc.	840	793	
1 443	Brighthouse Financial Inc.	97	60	
2 755	Brown & Brown Inc.	86	104	
5 714	Capital One Financial Corp.	621	590	
1 345	CBOE Global Markets Inc.	184	180	
5 591	Chubb Ltd.	1 012	986	
1 838	Cincinnati Financial Corp.	177	194	
1 324	CIT Group Inc.	81	69	
29 658	Citigroup Inc.	2 744	2 109	
5 554	Citizens Financial Group Inc.	258	226	
4 299	CME Group Inc., Class A	763	1 105	
323	CNA Financial Corp.	20	19	
1 884	Comerica Inc.	181	177	
1 160	Commerce Bancshares Inc.	83	89	
4 041	Discover Financial Services	335	326	
3 030	E*TRADE Financial Corp.	170	182	
498	Everest Re Group Ltd.	143	148	
7 999	Fifth Third Bancorp	281	257	
1 938	First Republic Bank	253	230	
3 230	FNF Group	142	139	
3 583	Franklin Resources Inc.	199	145	
4 297	Hartford Financial Services Inc.	296	261	
12 910	Huntington Bancshares	225	210	
6 834	Intercontinental Exchange, Inc.	599	703	
4 845	Invesco Ltd.	215	111	
2 253	Janus Henderson Group Plc.	99	64	
3 385	Jefferies Financial Group Inc.	108	80	
40 242	JPMorgan Chase & Co.	4 945	5 365	
12 335	KeyCorp	290	249	
2 584	Lincoln National Corp.	238	181	
3 332	Loews Corp.	202	207	
1 647	M&T Bank Corp.	338	322	
170	Markel Corp.	229	241	
6 137	Marsh & McLennan Companies Inc.	647	668	
10 167	MetLife Inc.	662	570	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
2 038	Moody's Corp.	\$ 367	\$ 390	
15 832	Morgan Stanley	983	857	
1 049	MSCI Inc.	213	211	
5 814	New York Community Bancorp Inc.	94	75	
2 484	Northern Trust Corp.	288	284	
3 371	Old Republic International Corp.	86	95	
4 189	People's United Financial Inc.	95	83	
5 615	PNC Bank Corp.	947	897	
3 412	Principal Financial Group Inc.	275	206	
4 968	Prudential Financial Inc.	671	553	
1 615	Raymond James Financial Corp.	174	164	
12 384	Regions Financial Corp.	237	226	
423	RenaissanceRe Holdings Ltd.	72	77	
3 058	S&P Global Inc.	615	710	
1 225	Santander Consumer USA Holdings Inc.	24	29	
1 415	SEI Investments Co.	111	89	
4 522	State Street Corp.	544	390	
5 439	Suntrust Banks Inc.	407	375	
644	SVB Financial Group	223	167	
8 881	Synchrony Financial	354	285	
2 807	T. Rowe Price Group Inc.	323	354	
3 348	TD Ameritrade Holding Corp.	219	224	
14 494	The Charles Schwab Corporation	816	822	
4 245	The Goldman Sachs Group Inc.	1 283	969	
1 392	The Nasdaq Stock Market Inc.	138	155	
6 960	The Progressive Corp.	437	573	
1 292	Torchmark Corp.	131	132	
3 230	Travelers Cos. Inc.	502	528	
18 389	U.S. Bancorp	1 231	1 148	
2 584	Unum Group	166	104	
1 879	Voya Financial Inc.	95	103	
1 092	W.R. Berkley Corp.	92	110	
51 606	Wells Fargo & Company	3 593	3 248	
1 515	Willis Towers Watson Plc.	295	314	
2 261	Zions Bancorporation	133	126	
		49 412	48 803	<b>13.5</b>
<b>Health Care</b>				
20 617	Abbott Laboratories	1 406	2 037	
18 274	AbbVie Inc.	2 069	2 301	
508	Abiomed Inc.	251	226	
3 876	Agilent Technologies Inc.	317	357	
2 584	Alexion Pharmaceuticals Inc.	453	344	
969	Align Technology Inc.	233	277	
1 938	Alkermes Plc.	125	78	
4 062	Allergan plc	1 050	742	
1 116	Alnylam Pharmaceuticals Inc.	202	111	
1 938	AmerisourceBergen Corp.	202	197	
7 709	Amgen Inc.	1 807	2 050	
3 126	Anthem Inc.	781	1 121	
5 991	Baxter International Inc.	475	539	
3 216	Becton Dickinson & Co.	814	990	
2 414	Biogen Inc.	962	992	
2 120	BioMarin Pharmaceuticals Inc.	245	247	
16 563	Boston Scientific Corp.	604	799	
19 695	Bristol-Myers Squibb Co.	1 578	1 398	
3 684	Cardinal Health Inc.	310	224	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Health Care (cont.)</b>				
8 422	Celgene Corp.	\$ 1 505	\$ 737	
2 434	Centene Corp.	318	383	
3 835	Cerner Corp.	342	275	
4 488	Cigna Corp.	1 084	1 164	
579	Cooper Co. Inc.	176	201	
15 521	CVS Health Corp.	1 584	1 389	
7 429	Danaher Corp.	812	1 046	
1 566	DaVita Inc.	121	110	
2 584	Dentsply Sirona Inc.	180	131	
2 522	Edwards Lifesciences Corp.	350	528	
11 368	Eli Lilly & Co.	1 237	1 797	
15 596	Gilead Sciences Inc.	1 614	1 332	
3 280	HCA Healthcare Inc.	333	558	
1 838	Henry Schein Inc.	187	197	
3 230	Hologic Inc.	153	181	
1 662	Humana Inc.	526	650	
1 069	IDEXX Laboratories Inc.	214	272	
1 760	Illumina Inc.	476	721	
2 120	Incyte Corporation Ltd.	289	184	
1 354	Intuitive Surgical Inc.	621	886	
1 959	IQVIA Holdings Inc.	242	311	
646	Jazz Pharmaceuticals Plc.	123	109	
32 694	Johnson & Johnson	5 431	5 763	
1 224	Laboratory Corp. of America Holdings	233	211	
2 393	McKesson Corp.	460	361	
16 279	Medtronic Plc.	1 604	2 022	
31 696	Merck & Co. Inc.	2 549	3 308	
323	Mettler-Toledo International Inc.	258	250	
6 178	Mylan N.V.	256	231	
1 615	Perrigo Company Plc.	174	85	
70 643	Pfizer Inc.	3 222	4 212	
1 615	Quest Diagnostics Inc.	189	184	
969	Regeneron Pharmaceutical	546	494	
1 692	Resmed Inc.	169	263	
4 099	Stryker Corp.	743	878	
544	Teleflex Inc.	188	192	
4 845	Thermo Fisher Scientific Inc.	1 171	1 481	
11 604	UnitedHealth Group Incorporated	2 943	3 948	
1 006	Universal Health Services Inc., Class B	144	160	
1 104	Varian Medical Systems Inc.	143	171	
3 089	Vertex Pharmaceuticals Inc.	596	699	
918	Waters Corp.	215	237	
582	WellCare Health Plans Inc.	229	188	
2 441	Zimmer Biomet Holdings, Inc.	357	346	
5 814	Zoetis Inc.	471	679	
		48 662	54 555	<b>15.0</b>
<b>Industrials</b>				
6 857	3M Co.	1 851	1 784	
447	Acuity Brands Inc.	94	70	
1 615	AerCap Holdings N.V.	105	87	
323	Alaska Airgroup Inc.	32	27	
1 092	Allegion Plc.	119	119	
1 438	American Airlines Group Inc.	90	63	
2 765	Ametek Inc.	233	256	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials (cont.)</b>				
5 076	Arconic Inc.	\$ 165	\$ 117	
6 521	Boeing Co.	2 129	2 872	
1 615	C.H. Robinson Worldwide Inc.	158	185	
6 965	Caterpillar Inc.	1 114	1 209	
1 069	Cintas Corp.	202	245	
2 428	Copart Inc.	165	158	
433	CoStar Group Inc.	209	200	
9 759	CSX Corp.	643	828	
1 738	Cummins Engine Inc.	370	317	
3 876	Deere & Co.	629	790	
2 062	Delta Air Lines Inc.	133	141	
1 747	Dover Corp.	164	169	
423	Dun & Bradstreet Corp.	64	82	
5 313	Eaton Corp Plc.	516	498	
7 563	Emerson Electric Co.	604	617	
1 434	Equifax Inc.	200	182	
2 077	Expeditors International of Washington, Inc.	157	193	
3 553	Fastenal Co.	206	254	
2 907	FedEx Corporation	818	641	
1 615	Flowserve Corp.	87	84	
1 615	Fluor Corp.	88	71	
3 567	Fortive Corp.	321	330	
1 756	Fortune Brands Home & Security Inc.	146	91	
3 132	General Dynamics Corp.	822	672	
103 960	General Electric Company	3 143	1 075	
543	Grainger (W.W.) Inc.	128	209	
1 432	Harris Corp.	241	263	
8 944	Honeywell International Inc.	1 608	1 614	
544	Huntington Ingalls Industries Inc.	181	141	
4 613	IHS Markit Ltd.	257	302	
4 016	Illinois Tool Works Inc.	760	695	
3 007	Ingersoll-Rand Plc., Class A	340	375	
1 069	J.B. Hunt Transport Services Inc.	149	136	
1 564	Jacobs Engineering Group Inc.	117	125	
11 316	Johnson Controls International PLC	570	458	
1 192	Kansas City Southern Industries Inc.	160	155	
969	L3 Technologies Inc.	232	230	
3 007	Lockheed Martin Corporation	1 183	1 075	
746	Manpower Inc.	113	66	
3 584	Masco Corp.	176	143	
4 199	Nielsen Holdings Plc.	214	134	
3 299	Norfolk Southern Corp.	551	674	
1 938	Northrop Grumman Corp.	709	648	
1 938	nVent Electric Plc.	54	59	
797	Old Dominion Freight Line Inc.	152	134	
4 199	Paccar Inc.	386	328	
1 615	Parker Hannifin Corp.	359	329	
1 938	Pentair Plc.	170	100	
3 453	Raytheon Company	816	723	
2 687	Republic Services Inc.	224	265	
1 486	Resideo Technologies Inc.	49	42	
1 433	Robert Half International Inc.	93	112	
1 415	Rockwell Automation Inc.	321	291	
1 758	Rollins Inc.	95	87	
1 215	Roper Technologies Inc.	384	442	

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





December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials (cont.)</b>				
1 938	Sensata Technologies Holding Plc.	\$ 118	\$ 119	
675	Snap-On Inc.	129	134	
1 756	Southwest Airlines	129	111	
1 838	Stanley Black & Decker Inc.	357	301	
969	Stericycle Inc.	87	49	
2 939	Textron Inc.	201	185	
583	TransDigm Group Inc.	198	271	
2 237	TransUnion	214	174	
8 895	Union Pacific Corp.	1 296	1 679	
769	United Continental Holdings Inc.	62	88	
8 292	United Parcel Service Inc.	1 241	1 105	
969	United Rentals Inc.	174	136	
9 766	United Technologies Corp.	1 462	1 420	
1 938	Verisk Analytics Inc.	212	289	
1 069	Wabtec Corp.	105	103	
5 168	Waste Management Inc.	515	628	
1 479	XPO Logistics Inc.	198	115	
2 161	Xylem Inc.	174	197	
		33 441	31 886	<b>8.8</b>

<b>Information Technology</b>				
7 711	Accenture Plc., Class A	1 324	1 485	
6 006	Adobe Inc.	1 160	1 856	
10 901	Advanced Micro Devices Inc.	214	275	
1 938	Akamai Technologies Inc.	125	162	
577	Alliance Data Systems Corp.	163	118	
1 715	Amdocs Ltd.	140	137	
3 553	Amphenol Corp., Class A	379	393	
4 516	Analog Devices Inc.	487	529	
1 002	Ansys Inc.	165	196	
57 756	Apple Inc.	11 352	12 443	
11 865	Applied Materials Inc.	765	531	
685	Arista Networks Inc.	168	197	
1 069	Arrow Electronics Inc.	109	101	
2 684	Autodesk Inc.	394	471	
5 301	Automatic Data Processing Inc.	741	949	
1 238	Avnet Inc.	63	61	
4 995	Broadcom Inc.	1 523	1 735	
1 392	Broadridge Financial Solutions Inc.	148	183	
3 312	Cadence Design Systems Inc.	168	197	
1 615	CDK Global Inc.	129	106	
1 738	CDW Corp.	151	192	
1 433	Check Point Software Technologies Ltd.	207	201	
55 152	Cisco Systems Inc.	2 376	3 264	
1 656	Citrix Systems Inc.	165	232	
7 106	Cognizant Technology Solutions Corp., Class A	647	616	
9 613	Corning Inc.	366	397	
3 404	DXC Technology Co.	370	247	
746	F5 Networks Inc.	116	165	
3 976	Fidelity National Information Services Inc.	469	557	
4 796	Fiserv Inc.	389	481	
1 069	FleetCor Technologies Inc.	215	271	
6 460	Flex Ltd.	135	67	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology (cont.)</b>				
1 069	Gartner Inc.	\$ 169	\$ 187	
1 908	Global Payments Inc.	235	269	
1 946	GoDaddy Inc.	202	174	
17 699	Hewlett Packard Enterprise Co.	327	319	
19 410	HP Inc.	492	542	
55 563	Intel Corp.	2 777	3 561	
11 050	International Business Machines	2 038	1 716	
2 934	Intuit Inc.	533	789	
372	IPG Photonics Corp.	120	58	
1 938	Jabil Inc.	71	66	
4 140	Juniper Networks Inc.	148	152	
2 261	Keysight Technologies Inc.	121	192	
1 838	KLA-Tencor Corp.	237	225	
1 838	Lam Research Corp.	424	342	
6 567	Marvell Technology Group Ltd.	162	145	
11 050	Mastercard Inc.	2 011	2 847	
3 330	Maxim Integrated Products	204	231	
2 766	Microchip Technology Inc.	312	272	
13 703	Micron Technology Inc.	715	594	
92 207	Microsoft Corp.	8 846	12 791	
1 938	Motorola Solutions Inc.	211	305	
3 230	NetApp Inc.	185	263	
3 553	Nuance Communications Inc.	71	64	
7 000	Nvidia Corp.	1 625	1 276	
4 146	NXP Semiconductor N.V.	586	415	
30 923	Oracle Corporation	1 886	1 907	
1 069	Palo Alto Networks Inc.	198	275	
3 876	Paychex Inc.	302	345	
14 323	PayPal Holdings Inc.	1 194	1 645	
1 364	PTC Inc.	181	154	
1 515	Qorvo Inc.	136	126	
14 712	QUALCOMM Inc.	975	1 144	
2 161	Red Hat Inc.	306	518	
8 729	Salesforce.com Inc.	1 099	1 633	
3 353	Seagate Technology	146	177	
2 120	ServiceNow Inc.	337	516	
1 113	Shopify Inc., Class A	232	210	
2 161	Skyworks Solutions Inc.	277	198	
1 707	Splunk Inc.	149	244	
3 401	Square Inc., Class A	374	261	
2 428	SS&C Technologies Holdings Inc.	172	150	
7 421	Symantec Corp.	302	192	
1 747	SynOpsys Inc.	179	201	
4 099	TE Connectivity Ltd.	438	423	
11 670	Texas Instruments Inc.	1 328	1 506	
5 491	The Western Union Co.	133	128	
2 161	Total System Services Inc.	182	240	
2 907	Trimble Inc.	148	131	
1 251	Verisign Inc.	185	253	
21 420	Visa Inc., Class A	2 875	3 860	
869	VMware Inc.	128	163	
3 553	Western Digital Corp.	367	179	
1 750	Workday Inc.	240	382	
3 638	Worldpay Inc.	341	380	
2 579	Xerox Corp.	106	70	
3 090	Xilinx Inc.	276	359	
		63 337	74 580	<b>20.6</b>

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Materials</b>				
2 639	Air Products & Chemicals Inc.	\$ 509	\$ 577	
1 292	Albemarle Corp.	219	136	
2 261	Alcoa Corp.	136	82	
746	Ashland Global Holdings Inc.	65	72	
1 069	Avery Dennison Corp.	135	131	
3 999	Ball Corp.	208	251	
1 615	Celanese Corp.	216	198	
2 707	CF Industries Holdings Inc.	121	161	
27 951	DowDuPont Inc.	2 459	2 042	
1 715	Eastman Chemical Company	197	171	
3 080	Ecolab Inc.	508	620	
1 615	FMC Corp.	182	163	
17 370	Freeport-McMoRan Inc.	319	245	
1 194	International Flavors & Fragrances Inc.	217	219	
4 845	International Paper Co.	347	267	
6 689	Linde Plc.	1 323	1 426	
3 776	LyondellBasell Industries N.V.	473	429	
746	Martin Marietta Materials	193	175	
6 460	Newmont Mining Corporation	308	306	
3 876	Nucor Corp.	274	274	
1 161	Packaging Corp. of America	170	132	
2 898	PPG Industries Inc.	407	405	
1 879	Sealed Air Corp.	103	89	
1 006	Sherwin-Williams Co.	479	541	
969	Southern Copper Corp.	50	41	
2 728	Steel Dynamics Inc.	160	112	
4 199	The Mosaic Co.	116	168	
1 615	Vulcan Materials Co.	242	218	
423	Westlake Chemical Corporation	48	38	
3 104	WestRock Co.	224	160	
		10 408	9 849	<b>2.7</b>
<b>Real Estate</b>				
1 246	Alexandria Real Estate Equities Inc.	191	196	
5 260	American Tower Corp.			
	Real Estate Investment Trust	907	1 136	
1 661	AvalonBay Communities Inc.			
	Real Estate Investment Trust	370	395	
1 838	Boston Properties Inc.	282	283	
1 313	Brookfield Property REIT Inc., Class A	34	29	
3 835	CBRE Group Inc.	189	210	
4 978	Crown Castle International Corp.			
	Real Estate Investment Trust	628	739	
2 484	Digital Realty Trust Inc.	361	361	
4 199	Duke Realty Corporation			
	Real Estate Investment Trust	152	149	
969	Equinix Inc. Real Estate			
	Investment Trust	536	467	
4 291	Equity Residential Properties Trust	353	387	
797	Essex Property Trust Inc.	253	267	
1 465	Extra Space Storage Inc.			
	Real Estate Investment Trust	148	181	
869	Federal Realty Investment Trust	136	140	
5 673	HCP Inc. Real Estate			
	Investment Trust	192	216	
1 938	Hospitality Properties Trust	69	63	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Real Estate (cont.)</b>				
8 713	Host Marriott Corp.	\$ 200	\$ 198	
3 492	Invitation Homes Inc.			
	Real Estate Investment Trust	104	96	
3 412	Iron Mountain Inc. Real Estate			
	Investment Trust	165	151	
4 845	Kimco Realty Corp.	115	97	
1 798	Liberty Property Trust	95	103	
1 365	Mid-America Apartment			
	Communities Inc. Real Estate			
	Investment Trust	182	178	
2 449	Park Hotels & Resorts Inc.			
	Real Estate Investment Trust	86	87	
7 578	ProLogis Inc. Trust	611	608	
1 801	Public Storage Inc. Real Estate			
	Investment Trust	478	498	
3 508	Realty Income Corp. Real Estate			
	Investment Trust	251	302	
1 832	Regency Centers Corp.			
	Real Estate Investment Trust	143	147	
1 392	SBA Communications Corp.,			
	Class A Real Estate			
	Investment Trust	257	308	
3 729	Simon Property Group Inc.	749	856	
1 020	SL Green Realty Corp.			
	Real Estate Investment Trust	131	110	
1 615	The Macerich Company	112	95	
3 230	UDR Inc. Real Estate			
	Investment Trust	153	175	
4 299	Ventas Inc. Real Estate			
	Investment Trust	341	344	
11 620	VEREIT Inc. Real Estate			
	Investment Trust	122	113	
2 033	Vornado Realty Trust	195	172	
4 522	Welltower Inc. Real Estate			
	Investment Trust	391	429	
9 044	Weyerhaeuser Company Ltd.	386	270	
		10 068	10 556	<b>2.9</b>
<b>Utilities</b>				
7 729	AES Corp.	109	153	
2 761	Alliant Energy Corp.	143	159	
2 907	Ameren Corporation	211	259	
5 906	American Electric Power	522	603	
2 161	American Water Works Co. Inc.	222	268	
646	Avangrid Inc.	38	44	
5 940	Centerpoint Energy Inc.	215	229	
3 409	CMS Energy Corp.	199	231	
3 730	Consolidated Edison Inc.	380	390	
7 844	Dominion Energy Inc.	747	766	
2 161	DTE Energy Company	289	326	
8 589	Duke Energy Corp.	904	1 011	
3 876	Edison International	371	301	
2 161	Entergy Corp.	206	254	
3 210	Evergy Inc.	232	249	
3 876	Eversource Energy	293	344	
11 580	Exelon Corp.	553	713	
5 834	FirstEnergy Corporation	235	299	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Utilities (cont.)</b>				
2 261	MDU Resources Group Inc.	\$ 75	\$ 74	
5 798	NextEra Energy Inc.	1 085	1 375	
4 336	NiSource Inc.	140	150	
3 544	NRG Energy Inc.	116	192	
6 132	PG&E Corporation	513	199	
1 392	Pinnacle West Capital Corp.	149	162	
8 449	PPL Corporation	390	326	
6 137	Public Service Enterprise Group	358	435	
1 715	SCANA Corp.	104	112	
3 289	Sempra Energy	471	485	
12 425	Southern Co.	757	744	
4 665	Vistra Energy Corp.	144	145	
3 876	WEC Energy Group Inc.	308	367	
6 137	Xcel Energy Inc.	363	413	
		10 842	11 778	<b>3.2</b>
<b>TOTAL UNITED STATES EQUITIES</b>		340 036	361 260	<b>99.5</b>
<b>Less: Transaction costs</b>		(1)	—	<b>—</b>
<b>TOTAL INVESTMENTS</b>		<u>\$ 340 035</u>	361 260	<b>99.5</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO</b>				
<b>HOLDERS OF REDEEMABLE UNITS</b>				<b>0.5</b>
<b>NET ASSETS ATTRIBUTABLE TO</b>				
<b>HOLDERS OF REDEEMABLE UNITS</b>				<b>100.0</b>



## Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
<b>ASSETS</b>		
Investments at fair value	\$ 361 260	\$ 375 965
Cash	3 124	747
Due from investment dealers	6 690	994
Subscriptions receivable	1 111	–
Dividends receivable, interest accrued and other assets	375	330
<b>TOTAL ASSETS</b>	<b>372 560</b>	<b>378 036</b>
<b>LIABILITIES</b>		
Due to investment dealers	1 116	375
Redemptions payable	6 666	–
Distributions payable	2 198	1 009
Accounts payable and accrued expenses	33	35
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>10 013</b>	<b>1 419</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 362 547</b>	<b>\$ 376 617</b>
Investments at cost	\$ 340 035	\$ 356 327
<b>NAV PER UNIT</b>	<b>\$ 22.45</b>	<b>\$ 22.02</b>

## Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 8 117	\$ 1 844
Income from investment trusts	548	(2)
Net realized gain (loss) on investments	5 654	1 212
Change in unrealized gain (loss) on investments	1 587	19 638
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>15 906</b>	<b>22 692</b>
Other income (loss)	8	–
Securities lending revenue		
(see note 8 in the generic notes)	29	4
Net gain (loss) on foreign cash balances	95	(3)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>132</b>	<b>1</b>
<b>TOTAL INCOME (LOSS)</b>	<b>16 038</b>	<b>22 693</b>
<b>EXPENSES (see notes – ETF Specific Information)</b>		
Management fees	356	85
GST/HST	53	11
Transaction costs	2	–
Withholding tax	1 369	291
<b>TOTAL EXPENSES</b>	<b>1 780</b>	<b>387</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 14 258</b>	<b>\$ 22 306</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>	<b>\$ 0.84</b>	<b>\$ 1.57</b>



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

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 14 258	\$ 22 306
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Net unrealized foreign exchange (gain) loss on cash	—	10
Net realized loss (gain) on investments	(5 654)	(1 212)
Change in unrealized loss (gain) on investments	(1 587)	(19 638)
Non-cash distributions from underlying funds	—	—
(Increase) decrease in accrued receivables	(45)	(330)
Increase (decrease) in accrued payables	(2)	35
Cost of investments purchased*	(17 883)	(3 252)
Proceeds from sale and maturity of investments*	18 916	2 164
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>8 003</b>	<b>83</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	38	696
Cash paid on redemption of redeemable units*	(113)	(22)
Distributions paid to holders of redeemable units	(5 551)	—
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (5 626)</b>	<b>\$ 674</b>
Net unrealized foreign exchange gain (loss) on cash	—	(10)
Net increase (decrease) in cash for the period	2 377	757
Cash (bank overdraft), beginning of period	747	—
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 3 124</b>	<b>\$ 747</b>
Interest received (paid)	\$ —	\$ —
Income received from investment trusts	\$ —	\$ —
Dividends received, net of withholding taxes	\$ 6 703	\$ 1 223

\* Excludes in-kind transactions.



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

For the periods ended December 31 (see note 2 in the generic notes)		Total	
	2018		2017
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 376 617</b>	<b>\$</b>	<b>—</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>14 258</b>		<b>22 306</b>
Early redemption fees	—		—
Proceeds from redeemable units issued	<b>19 701</b>		368 916
Reinvestments of distributions to holders of redeemable units	<b>3 490</b>		301
Redemption of redeemable units	<b>(41 289)</b>		(13 596)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(18 098)</b>		<b>355 621</b>
Distributions from net income	<b>(6 740)</b>		(959)
Distributions from net gains	<b>(3 490)</b>		(351)
Distributions from capital	—		—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(10 230)</b>		<b>(1 310)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(14 070)</b>		<b>376 617</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 362 547</b>	<b>\$</b>	<b>376 617</b>



December 31, 2018

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

The investment objective of the ETF is to replicate, to the extent possible and before fees and expenses, the performance of a broad U.S. equity index. Currently, the ETF seeks to track the FTSE USA Index (or any successor thereto).

The ETF was started August 9, 2017.

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

**Concentration risk (%)**

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

	December 31 2018	December 31 2017
Investment mix		
United States Equities		
Information Technology	20.6	24.3
Health Care	15.0	13.4
Financials	13.5	15.0
Consumer Discretionary	10.3	12.8
Communication Services	10.1	2.1
Industrials	8.8	9.5
Consumer Staples	7.2	8.0
Energy	5.2	6.0
Utilities	3.2	2.9
Real Estate	2.9	2.9
Materials	2.7	3.0
Other Net Assets	0.5	0.1
Total	100.0	100.0

**Currency risk (% of NAV)**

The table below summarizes the ETF's net exposure (after hedging, if any) to currency risk as at:

	December 31 2018	December 31 2017
Currency		
United States dollar	100.0	100.3
Total	100.0	100.3

As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the ETF's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The table below shows the impact of a 1% change in the broad-based index (noted below) on the ETF's NAV, using a 15-month historical correlation of data of the ETF's return and the index, with all other factors kept constant, as at:

	December 31 2018
S&P 500 Total Return Index (CAD)	+ or - 1.0

Due to the fact that the ETF was in existence for less than six months prior to December 31, 2017, no comparative disclosure is provided because there is insufficient data, and any resulting calculation of the impact on the NAV of the ETF using historical correlation between the ETF's return and a broad-based index could be materially misleading.

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, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	361 260	–	–	361 260
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	361 260	–	–	361 260
% of total portfolio	100.0	–	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	375 965	–	–	375 965
Underlying funds	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	375 965	–	–	375 965
% of total portfolio	100.0	–	–	100.0

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



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### Management fees (see note 9 in the generic notes)

RBC GAM is paid a management fee per annum of the NAV by the ETF as compensation for its services. The management fee of the ETF is calculated at 0.09% annually, before GST/HST, of the daily NAV of the ETF.

### Taxes (\$000s) (see note 7 in the generic notes)

The ETF had no capital or non-capital losses as at December 31, 2018.

### Redeemable units (000s) (see note 6 in the generic notes)

The NAV per unit is arrived at by dividing the NAV of the ETF by the total number of units outstanding at the end of each trading day of the ETF.

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

	2018	2017
Opening units	17 100	—
Issued number of units	850	17 700
Reinvested number of units	153	14
Units consolidated*	(153)	(14)
Redeemed number of units	(1 800)	(600)
Ending number of units	16 150	17 100

\* The units of the ETF are consolidated immediately after a distribution is reinvested so that the total number of units outstanding of the ETF after consolidation is the same as before the distribution.

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

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	2	100	—	—
Related-party brokerage commissions*	—	—	—	—
Commission arrangements†	—	—	—	—

\* See note 9 in the generic notes.

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

### Securities lending revenue (\$000s except %) (see note 8 in the generic notes)

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

	December 31 2018	December 31 2017
Fair value of securities loaned	23 524	25 429
Fair value of collateral received	23 995	25 938

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

	December 31 2018		December 31 2017	
	\$	%	\$	%
Gross revenue	41	100	5	100
RBC IS (paid)	(10)	(25)	(1)	(25)
Tax withheld	(2)	(5)	—	(9)
ETF revenue	29	70	4	66

### Investments by other related investment funds (%) (see note 9 in the generic notes)

The table below summarizes, as a percentage, the NAV of the ETF owned by other related investment funds as at:

	December 31 2018	December 31 2017
RBC U.S. Index Currency Neutral Fund	93.7	98.3

### Subsequent event

RBC GAM has called and will hold a special meeting of unitholders of the ETF on March 22, 2019. Subject to unitholder and regulatory approvals, the ETF will be merged into the iShares Core S&P 500 Index ETF, an ETF managed by BlackRock Asset Management Canada Limited, effective on or about April 5, 2019. The ETF will terminate following completion of the merger.



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## 1. The ETFs

The RBC ETFs, the exchange-traded funds (“ETF” or “ETFs”), 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 manager of the ETFs 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 11, 2019.

The units of the ETFs are listed either on the Toronto Stock Exchange (the “TSX”) or on the Aequis NEO Exchange (the “NEO Exchange”) as the case may be. The TSX and the NEO Exchange are each referred to herein as the “Exchange.” Investors may purchase or sell units on the applicable Exchange in the same way as other securities listed on the Exchange.

ETF	Exchange Ticker Symbol	Index*
RBC 1-5 Year Laddered Canadian Bond ETF	RLB	Not applicable
RBC 1-5 Year Laddered Corporate Bond ETF	RBO	Not applicable
RBC 6-10 Year Laddered Canadian Corporate Bond ETF	RMBO	Not applicable
RBC Target 2019 Corporate Bond Index ETF	RQG	FTSE Canada 2019 Maturity Corporate Bond Index
RBC Target 2020 Corporate Bond Index ETF	RQH	FTSE Canada 2020 Maturity Corporate Bond Index
RBC Target 2021 Corporate Bond Index ETF	RQI	FTSE Canada 2021 Maturity Corporate Bond Index
RBC Target 2022 Corporate Bond Index ETF	RQJ	FTSE Canada 2022 Maturity Corporate Bond Index
RBC Target 2023 Corporate Bond Index ETF	RQK	FTSE Canada 2023 Maturity Corporate Bond Index
RBC Target 2024 Corporate Bond Index ETF	RQL	FTSE Canada 2024 Maturity Corporate Bond Index
RBC Target 2025 Corporate Bond Index ETF	RQN	FTSE Canada 2025 Maturity Corporate Bond Index
RBC PH&N Short Term Canadian Bond ETF	RPSB	Not applicable
RBC Canadian Short Term Bond Index ETF	RCSB	FTSE Canada Universe + Maple Short Term Overall Bond Index
RBC Canadian Bond Index ETF	RCUB	FTSE Canada Universe + Maple Bond Index
RBC Short Term U.S. Corporate Bond ETF	RUSB RUSB.U	Not applicable
RBC Global Government Bond (CAD Hedged) Index ETF	RGGB	FTSE World Government Bond Index (hedged to CAD)

ETF	Exchange Ticker Symbol	Index*
RBC BlueBay Global Diversified Income (CAD Hedged) ETF	RBDI	Not applicable
RBC Canadian Preferred Share ETF	RPF	Not applicable
RBC Quant Canadian Dividend Leaders ETF	RCD	Not applicable
RBC Quant Canadian Equity Leaders ETF	RCE	Not applicable
RBC Canadian Equity Index ETF	RCAN	FTSE Canada All Cap Domestic Index
RBC Vision Women’s Leadership MSCI Canada Index ETF	RLDR	MSCI Canada IMI Women’s Leadership Select Index
RBC Canadian Bank Yield Index ETF	RBNK	Solactive Canada Bank Yield Index
RBC Quant U.S. Dividend Leaders ETF	RUD RUD.U	Not applicable
RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF	RUDH	Not applicable
RBC Quant U.S. Equity Leaders ETF	RUE RUE.U	Not applicable
RBC Quant U.S. Equity Leaders (CAD Hedged) ETF	RUEH	Not applicable
RBC U.S. Equity Index ETF	RUSA	FTSE USA Index
RBC U.S. Equity (CAD Hedged) Index ETF	RUSH	FTSE USA Hedged 100% to CAD Index
RBC U.S. Banks Yield Index ETF	RUBY RUBY.U	Solactive U.S. Bank Yield Index
RBC U.S. Banks Yield (CAD Hedged) Index ETF	RUBH	Solactive U.S. Bank Yield (CAD Hedged) Index
RBC Quant European Dividend Leaders ETF	RPD RPD.U	Not applicable
RBC Quant European Dividend Leaders (CAD Hedged) ETF	RPDH	Not applicable
RBC Quant EAFE Dividend Leaders ETF	RID RID.U	Not applicable
RBC Quant EAFE Dividend Leaders (CAD Hedged) ETF	RIDH	Not applicable
RBC Quant EAFE Equity Leaders ETF	RIE RIE.U	Not applicable
RBC Quant EAFE Equity Leaders (CAD Hedged) ETF	RIEH	Not applicable
RBC International Equity Index ETF	RINT	FTSE Developed ex North America Index
RBC International Equity (CAD Hedged) Index ETF	RINH	FTSE Developed ex North America Index (hedged to CAD)

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ETF	Exchange Ticker Symbol	Index*
RBC Quant Emerging Markets Dividend Leaders ETF	RXD RXD.U	Not applicable
RBC Quant Emerging Markets Equity Leaders ETF	RXE RXE.U	Not applicable
RBC Emerging Markets Equity Index ETF	REEM	FTSE Emerging Index
RBC Strategic Global Dividend Leaders ETF	RLD	Not applicable
RBC Strategic Global Equity Leaders ETF	RLE	Not applicable
RBC Quant Global Infrastructure Leaders ETF	RIG RIG.U	Not applicable
RBC Quant Global Real Estate Leaders ETF	RGRE RGRE.U	Not applicable

\* These indices have been licensed for use for certain purposes to RBC GAM by FTSE Global Debt Capital Markets Inc., FTSE International Limited, FTSE Fixed Income LLC, Solactive AG and MSCI Inc. (each an "Index Provider" and together, the "Index Providers"), as applicable. The ETFs are not sponsored, endorsed, sold or promoted by the Index Providers. The Index Providers make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the indices they have licensed to RBC GAM and/or the figures at which the indices they have licensed to RBC GAM stand at any particular time on any particular day or otherwise. The indices are compiled, calculated and published by the applicable Index Provider. The Index Providers shall not be liable (whether in negligence or otherwise) to any person for any error in the indices they have licensed to RBC GAM and the Index Providers shall not be under any obligation to advise any person of any error therein. The Index Providers make no representation regarding the advisability of investing in the ETFs.

## 2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2018 and December 31, 2017, as applicable, and for the 12-month periods ended December 31, 2018 and December 31, 2017, as applicable, except for ETFs or classes established during either period, in which case the information for the ETF or class, is provided for the period from the start date as described in the Notes to Financial Statements – ETF Specific Information of the ETF.

## 3. Summary of significant accounting policies

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

**Adoption of New Accounting Standards** Effective January 1, 2018, the ETFs adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be classified as amortized cost and fair value, with changes in fair value through profit and loss ("FVTPL") or fair value

through other comprehensive income ("FVOCI") based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgment. IFRS 9 also introduces a new expected credit loss impairment model.

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The ETFs' financial assets previously designated at FVTPL under IAS 39 Financial Instruments are now mandatorily classified and measured at FVTPL. The ETFs' financial assets and liabilities previously classified as FVTPL under the held for trading category continue to be classified as held for trading and measured at FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost. There was no material impact on the adoption of the new impairment model.

In addition, certain comparative figures in the Statements of Comprehensive Income have been revised to meet the disclosure requirements on initial application of IFRS 9. Amounts previously recorded as "Net gain (loss) on foreign currencies and other net assets," "Other derivatives" and "Net gain (loss) from futures contracts" are now recorded as "Derivative income." And certain amounts previously recorded as "Other income (loss)" are now recorded as "Income from investment trusts."

**Classification and Measurement of Financial Assets, Liabilities and Derivatives** Each of the ETFs 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 ETFs' 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 ETFs' business model objectives. Consequently, all investments are measured at FVTPL. Derivative assets and liabilities are also measured at FVTPL.

The ETFs' 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.

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**Offsetting Financial Assets and Liabilities** In the normal course of business, the ETFs 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 – ETF Specific Information.

**Classification of Redeemable Units** The ETFs' redeemable units, which are puttable instruments, are held by different types of unitholders that are entitled to different redemption rights. Consequently, the ETFs' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

**Unconsolidated Structured Entities** The ETFs may invest in other Funds and 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 ETF. 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 ETFs do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the ETFs are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the ETFs meet the following criteria:

- (i) The ETFs obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The ETFs 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 ETFs 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 ETFs' 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 ETFs 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 ETFs 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 ETFs' financial instruments. The hierarchy of inputs is summarized below:

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

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

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*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.

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 and mortgage-backed securities are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

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

*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.

*Fair Valuation of Investments* – The ETFs 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 ETFs 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 ETFs 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 ETFs' 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.

**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars 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.

**Functional Currency** The ETFs have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the ETFs.

**Investment Transactions** Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the ETFs 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 ETFs and income trusts.

**Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit** Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units, divided by the average units outstanding during the period.

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

AUD – Australian dollar	JPY – Japanese yen
CAD – Canadian dollar	MXN – Mexican peso
CHF – Swiss franc	NOK – Norwegian krone
DKK – Danish krone	PLN – Polish zloty
EUR – Euro	SEK – Swedish krona
GBP – Pound sterling	SGD – Singapore dollar
HKD – Hong Kong dollar	USD – United States dollar
ILS – Israeli new shekel	ZAR – South African rand

#### 4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the ETFs’ 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 ETFs 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 ETFs’ assets and liabilities are believed to be appropriate as at the reporting date.

The ETFs 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 ETF’s capital, which is its NAV and consists primarily of its financial instruments.

An ETF’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on an ETF’s performance by employing professional, experienced portfolio managers, daily monitoring of the ETF’s holdings and market events and diversifying its investment portfolio within the constraints of its investment objectives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each ETF’s investment activities and monitors compliance with the ETF’s investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to an ETF, is disclosed in its Notes to Financial Statements – ETF Specific Information. These risks include an ETF’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 an ETF cannot be readily converted into cash when required. An ETF is exposed to liquidity risk to the extent that it is subject to daily redemptions of redeemable units. Since the delivery of redemptions is in the form of securities, an ETF is not exposed to any significant liquidity risk. Liquidity risk is managed by investing the majority of an ETF’s assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulation, an ETF must maintain at least 90% of its assets in liquid investments. In addition, an ETF aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its NAV. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Any securities deemed to be illiquid are identified in the Schedules of Investment Portfolio.

##### ***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 an ETF’s Statements of Financial Position. The ETFs 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



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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 ETFs. The fair value of fixed-income securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure is mitigated for those ETFs participating in a securities lending program (see note 8). RBC GAM monitors each ETF's credit exposure and counterparty ratings daily. Rating data is provided by the Licensors Parties.

#### **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 an ETF's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Securities with a stated maturity date beyond the target maturity year of the ETF have an effective maturity date in the target year of the ETF, as determined with the rules based on methodology developed by the Licensors Parties.

#### **Currency risk**

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

#### **Other price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market

prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

### **6. Redeemable units**

The beneficial interest in the ETFs is divided into equal interests of one class referred to as outstanding units. Each ETF is authorized to issue an unlimited number of redeemable and transferable units, each of which represents an equal, undivided interest in the net asset value of the ETF. Each unit outstanding shall participate pro rata in any distributions made, other than management fee distributions, and in the event of termination of the ETF, in the net assets of the ETF.

On any trading day, an underwriter or designated broker may place a subscription or redemption order for an integral multiple of the prescribed number of units of an ETF. If the order is accepted, the ETF will issue or redeem units to or from the underwriter or designated broker within two trading days thereafter. For each prescribed number of units issued or redeemed, the underwriter or designated broker must deliver or receive payment consisting of:

- a) a basket of applicable securities for each prescribed number of units; and
- b) cash in an amount sufficient so that the value of the basket of the applicable securities and cash delivered is equal to the net asset value of the prescribed number of units plus the distribution price adjustment, if applicable, of the ETF.

A trading day is each day on which the TSX is open for trading.

A unitholder is entitled on any trading day to redeem units for cash at a redemption price of 95% of net asset value per unit of the ETF's units at the next valuation following receipt of the cash redemption request. To be effective on a particular trading day, a cash redemption request must be received by such time as RBC GAM may, from time to time, determine on that trading day. If a cash redemption request is received later than the prescribed time on a trading day or a day which is not a trading day, the cash redemption request shall be deemed to be received as of the next trading day.

The net asset value per unit is arrived at by dividing the net asset value of the ETF by the total number of units outstanding at the end of each trading day of the ETF. The capital of the ETFs is managed in accordance with the investment objective as outlined in the Prospectus.

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## 7. Taxes

The ETFs qualify as “mutual fund trusts” or “unit trusts” as defined in the *Income Tax Act* (Canada). In general, the ETFs 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 ETFs 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 ETFs are redeemed. It is the intention of the ETFs to pay out all net income and realized capital gains each year so that the ETFs will not be subject to income taxes.

Accordingly, no provision for income taxes is recorded.

Net investment income and capital gains are distributable to the unitholders in amounts determined under the provisions of the Declaration of Trust on a monthly or quarterly basis. All distributions, other than management fee distributions, shall be credited to the unitholder pro rata in accordance with the number of units held by them on record date of the distribution. Reinvested distributions will be automatically reinvested in additional units of the applicable class of the RBC ETF at a price equal to the net asset value per unit of the applicable class of the RBC ETF. The units of that class will be immediately consolidated such that the number of outstanding units of the applicable class following the distribution will equal the number of units of the applicable class outstanding prior to the distribution. Management fee distributions shall be credited to the unitholder entitled thereto.

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.

## 8. Securities lending revenue

Certain of the ETFs 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 the ETF. Each ETF will have entered into a securities lending agreement with its custodian, RBC Investor Services Trust (“RBC IS”). The aggregate market value of all securities loaned by an ETF cannot exceed 50% of the assets of an ETF. The ETF receives collateral, with an approved credit rating of at least A, of at least 102% of the value of the

securities on loan. The ETF is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

## 9. Administrative and other related-party transactions

### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”). RBC GAM is the manager, trustee and portfolio manager of the ETFs. RBC GAM is responsible for the ETFs’ day-to-day operations, holds title to the ETFs’ property on behalf of its unitholders, provides investment advice and portfolio management services to the ETFs and appoints underwriters or designated brokers for the ETFs. RBC GAM is paid a management fee by the ETFs as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the NAV of the ETFs. The fee plus applicable taxes are accrued daily and paid monthly in arrears.

RBC GAM in turn pays certain operating expenses of the ETFs. 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 cost of preparing and distributing annual and interim reports, prospectuses and investor communications. The ETFs also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the ETFs 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).

Certain ETFs may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying funds”). To the extent an ETF 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 ETF. However, an ETF 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 ETF’s ownership interest in underlying funds is disclosed in the Notes to Financial Statements – ETF Specific Information. The fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions

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with, the ETFs, 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 ETFs denominated in different currencies. The ETFs 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 ETFs in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

#### **Sub-Advisors**

RBC Global Asset Management (U.S.) Inc. is the sub-advisor for the RBC Short Term U.S. Corporate Bond ETF. BlueBay Asset Management LLP is the sub-advisor for the RBC BlueBay Global Diversified Income (CAD Hedged) ETF.

The sub-advisors earn a fee which is calculated and accrued on a daily basis and is based on a percentage of the NAV of the ETFs. The sub-advisors are paid by the manager from the management fee paid by the ETFs.

#### **Custodian and Valuation Agent**

RBC IS is the custodian and valuation agent for the ETFs. RBC IS is responsible for certain aspects of day-to-day administration including holding the assets and the daily calculation of the net asset value of the ETFs. RBC IS earns a variable fee based on the value of assets under custody and a fixed fee for other valuation and administrative services.

#### **Designated Broker and Authorized Dealer**

RBC Dominion Securities Inc. is a designated broker and/or an authorized dealer for the ETFs. As such, RBC Dominion Securities Inc. may subscribe or redeem units of the ETFs.

#### **Brokers and Dealers**

The ETFs 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 an ETF may engage in securities lending transactions, RBC IS may act as the ETF's securities lending agent. Any revenue earned on such securities lending is split between the ETF and the securities lending agent.

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

Pursuant to applicable securities legislation, the ETFs relied on the standing instructions from the Independent Review Committee with respect to the following related-party 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; and
- (c) purchases of debt securities from or sales of debt securities to a related-party dealer, where it acted as principal.

The applicable standing instructions require that Related-Party Trading Activities 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 ETFs, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETFs.

#### **10. Revision of comparative information**

Where applicable, certain comparative figures on the Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in NAV and ETF Specific Information have been revised to reflect series specific information for the following ETFs:

RBC Short Term U.S. Corporate Bond ETF, RBC Quant U.S. Dividend Leaders ETF, RBC Quant U.S. Equity Leaders ETF, RBC Quant European Dividend Leaders ETF, RBC Quant EAFE Dividend Leaders ETF, RBC Quant EAFE Equity Leaders ETF, RBC Quant Emerging Markets Dividend Leaders ETF, RBC Quant Emerging Markets Equity Leaders ETF, RBC Quant Global Infrastructure Leaders ETF and RBC Quant Global Real Estate Leaders ETF.