

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

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



**Damon G. Williams, FSA, FCIA, CFA**  
Chief Executive Officer  
RBC Global Asset Management Inc.  
November 15, 2018



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

**Unaudited Interim Financial Statements**

The accompanying interim financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with Canadian generally accepted auditing standards.



SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)  
**RBC U.S. DIVIDEND CLASS**

September 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNDERLYING FUNDS</b>				
4 153 073	RBC U.S. Dividend Fund*	\$ 96 563	\$ 131 513	
<b>TOTAL UNDERLYING FUNDS</b>		<u>\$ 96 563</u>	<u>131 513</u>	<b>100.0</b>
<b>OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			<u>(26)</u>	<u>—</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			<u>\$ 131 487</u>	<b>100.0</b>

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



**Statements of Financial Position** (unaudited)

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

(see note 2 in the generic notes)	September 30 2018	March 31 2018
<b>ASSETS</b>		
Investments at fair value	\$ 131 513	\$ 125 770
Cash	128	136
Due from investment dealers	15	50
Subscriptions receivable	159	3
Dividends receivable, interest accrued and other assets	1	–
<b>TOTAL ASSETS</b>	<b>131 816</b>	<b>125 959</b>
<b>LIABILITIES</b>		
Redemptions payable	213	99
Accounts payable and accrued expenses	116	120
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES</b>	<b>329</b>	<b>219</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES ("NAV")</b>	<b>\$ 131 487</b>	<b>\$ 125 740</b>
Investments at cost	\$ 96 563	\$ 98 222
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 24 860</b>	<b>\$ 25 587</b>
<b>ADVISOR SERIES</b>	<b>\$ 16 597</b>	<b>\$ 16 187</b>
<b>SERIES D</b>	<b>\$ 15 128</b>	<b>\$ 14 159</b>
<b>SERIES F</b>	<b>\$ 74 902</b>	<b>\$ 69 807</b>
<b>NAV PER MUTUAL FUND SHARE</b>		
<b>SERIES A</b>	<b>\$ 23.59</b>	<b>\$ 21.97</b>
<b>ADVISOR SERIES</b>	<b>\$ 23.61</b>	<b>\$ 21.99</b>
<b>SERIES D</b>	<b>\$ 24.90</b>	<b>\$ 23.08</b>
<b>SERIES F</b>	<b>\$ 25.25</b>	<b>\$ 23.38</b>

**Statements of Comprehensive Income** (unaudited)

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

For the periods ended September 30 (see note 2 in the generic notes)	2018	2017
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ –	\$ (2)
Income from investment trusts	1 434	1 322
Derivative income	(23)	(2)
Net realized gain (loss) on investments	1 479	1 039
Change in unrealized gain (loss) on investments	7 402	(1 280)
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>10 292</b>	<b>1 077</b>
Net gain (loss) on foreign cash balances	(9)	(14)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>(9)</b>	<b>(14)</b>
<b>TOTAL INCOME (LOSS)</b>	<b>10 283</b>	<b>1 063</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	610	598
Administration fees	60	55
Board of Directors fees	6	7
Independent Review Committee costs	1	1
GST/HST	69	67
Expenses reimbursed by manager	(1)	(2)
<b>TOTAL EXPENSES</b>	<b>745</b>	<b>726</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 9 538</b>	<b>\$ 337</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 1 790</b>	<b>\$ (23)</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 166</b>	<b>\$ 6</b>
<b>SERIES D</b>	<b>\$ 1 100</b>	<b>\$ 47</b>
<b>SERIES F</b>	<b>\$ 5 482</b>	<b>\$ 307</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>PER MUTUAL FUND SHARE</b>		
<b>SERIES A</b>	<b>\$ 1.63</b>	<b>\$ (0.02)</b>
<b>ADVISOR SERIES</b>	<b>\$ 1.61</b>	<b>\$ 0.01</b>
<b>SERIES D</b>	<b>\$ 1.81</b>	<b>\$ 0.07</b>
<b>SERIES F</b>	<b>\$ 1.85</b>	<b>\$ 0.11</b>



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

For the periods ended September 30  
(see note 2 in the generic notes)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 9 538	\$ 337
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	(1 434)	(1 322)
Net realized loss (gain) on investments	(1 479)	(1 039)
Change in unrealized loss (gain) on investments	(7 402)	1 280
(Increase) decrease in accrued receivables	(1)	(2)
Increase (decrease) in accrued payables	(4)	(23)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(1 650)	(500)
Proceeds from sale and maturity of investments	6 257	5 342
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>3 825</b>	<b>4 073</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable mutual fund shares	6 297	7 515
Cash paid on redemption of redeemable mutual fund shares	(10 130)	(11 642)
Distributions paid to holders of redeemable mutual fund shares	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (3 833)</b>	<b>\$ (4 127)</b>
Net increase (decrease) in cash for the period	(8)	(54)
Cash (bank overdraft), beginning of period	136	193
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 128</b>	<b>\$ 139</b>
Interest received (paid)	\$ –	\$ (2)
Dividends received, net of withholding taxes	\$ –	\$ –



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

For the periods ended September 30 (see note 2 in the generic notes)	Series A		Advisor Series		Series D	
	2018	2017	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 25 587	\$ 30 876	\$ 16 187	\$ 16 981	\$ 14 159	\$ 13 362
<b>INCREASE (DECREASE) IN NAV</b>	<b>1 790</b>	<b>(23)</b>	<b>1 166</b>	<b>6</b>	<b>1 100</b>	<b>47</b>
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable mutual fund shares issued	859	339	891	687	481	595
Reinvestments of distributions to holders of redeemable mutual fund shares	–	–	–	–	–	–
Redemption of redeemable mutual fund shares	(3 376)	(4 206)	(1 647)	(2 258)	(612)	(984)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE MUTUAL FUND SHARE TRANSACTIONS</b>	<b>(2 517)</b>	<b>(3 867)</b>	<b>(756)</b>	<b>(1 571)</b>	<b>(131)</b>	<b>(389)</b>
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(727)</b>	<b>(3 890)</b>	<b>410</b>	<b>(1 565)</b>	<b>969</b>	<b>(342)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 24 860</b>	<b>\$ 26 986</b>	<b>\$ 16 597</b>	<b>\$ 15 416</b>	<b>\$ 15 128</b>	<b>\$ 13 020</b>

For the periods ended September 30 (see note 2 in the generic notes)	Series F		Total	
	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 69 807	\$ 60 584	\$ 125 740	\$ 121 803
<b>INCREASE (DECREASE) IN NAV</b>	<b>5 482</b>	<b>307</b>	<b>9 538</b>	<b>337</b>
Early redemption fees	–	–	–	–
Proceeds from redeemable mutual fund shares issued	7 318	7 895	9 549	9 516
Reinvestments of distributions to holders of redeemable mutual fund shares	–	–	–	–
Redemption of redeemable mutual fund shares	(7 705)	(6 063)	(13 340)	(13 511)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE MUTUAL FUND SHARE TRANSACTIONS</b>	<b>(387)</b>	<b>1 832</b>	<b>(3 791)</b>	<b>(3 995)</b>
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE MUTUAL FUND SHARES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>5 095</b>	<b>2 139</b>	<b>5 747</b>	<b>(3 658)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 74 902</b>	<b>\$ 62 723</b>	<b>\$ 131 487</b>	<b>\$ 118 145</b>



September 30, 2018

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

The investment objective of the Fund is to provide long-term capital growth and regular dividend income by investing primarily in common and preferred shares of major U.S. companies with above-average dividend yields in order to provide targeted exposure to opportunities in U.S. equity markets. Stocks that qualify as investments will generally carry above-average dividend yields and offer the potential for increased payouts.

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

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

**Concentration risk (%)**

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

	September 30 2018	March 31 2018
Investment mix		
Information Technology	22.7	22.1
Health Care	15.9	14.8
Financials	11.7	16.5
Industrials	10.3	10.2
Consumer Discretionary	9.0	10.1
Consumer Staples	7.9	8.4
Energy	7.5	5.2
Utilities	4.3	4.1
Real Estate	1.7	1.0
Materials	1.6	2.4
Telecommunication Services	1.3	1.7
Cash/Other	6.1	3.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Currency risk (% of NAV)**

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

	September 30 2018	March 31 2018
Currency		
United States dollar	100.0	100.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

As at September 30, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (March 31, 2018 – 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 Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	September 30 2018	March 31 2018
S&P 500 Total Return Index (CAD)	+ or - 0.9	+ or - 0.9

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 September 30, 2018 and March 31, 2018.

September 30, 2018	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Underlying funds</b>	<b>131 513</b>	–	–	<b>131 513</b>
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	–	–	–
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>131 513</b>	–	–	<b>131 513</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

March 31, 2018	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Underlying funds</b>	<b>125 770</b>	–	–	<b>125 770</b>
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	–	–	–
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>125 770</b>	–	–	<b>125 770</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

For the periods ended September 30, 2018 and March 31, 2018, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



September 30, 2018

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

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

	Management fees	Administration fees
Series A	1.60%	0.13%
Advisor Series	1.60%	0.13%
Series D	0.85%	0.08%
Series F	0.60%	0.08%

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

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

	September 30 2018	March 31 2018
<b>Mutual fund shares held</b>		
Series A	101	101
Advisor Series	100	100
Series D	100	100
Series F	201	201
<b>Value of all mutual fund shares</b>	<b>12</b>	<b>11</b>

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

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

	September 30 2018		March 31 2018	
	NAV	Ownership	NAV	Ownership
RBC U.S. Dividend Fund	100.0	3.0	100.0	3.1

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

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

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

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

For the periods ended September 30  
(see note 2 in the generic notes)

	2018	2017
<b>Series A</b>		
Opening mutual fund shares	1 165	1 503
Issued number of mutual fund shares	38	16
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(149)	(205)
Ending number of mutual fund shares	1 054	1 314
<b>Advisor Series</b>		
Opening mutual fund shares	736	826
Issued number of mutual fund shares	40	33
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(73)	(109)
Ending number of mutual fund shares	703	750
<b>Series D</b>		
Opening mutual fund shares	613	625
Issued number of mutual fund shares	20	27
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(25)	(46)
Ending number of mutual fund shares	608	606
<b>Series F</b>		
Opening mutual fund shares	2 986	2 804
Issued number of mutual fund shares	302	363
Reinvested number of mutual fund shares	–	–
Redeemed number of mutual fund shares	(322)	(280)
Ending number of mutual fund shares	2 966	2 887

## 1. The Funds

The mutual funds (“Fund” or “Funds”) are classes of mutual fund shares of RBC Corporate Class Inc. (the “Corporation”). The Corporation is a mutual fund corporation incorporated under the laws of Canada by articles of incorporation dated July 8, 2011. RBC GAM is the manager and portfolio manager of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of the Corporation on November 15, 2018.

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

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

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

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

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

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

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

Series O mutual fund shares have no management fees.

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

## 2. Financial period

The information provided in these financial statements and notes thereto is for the six-month periods ended September 30, 2018 and 2017, or as at September 30, 2018 and March 31, 2018, as applicable. In the year a Fund or series is established, “period” represents the period from inception to September 30 of that fiscal year.

## 3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies of the Funds, which are investment entities, are as follows:

**Adoption of New Accounting Standards** Effective January 1, 2018, the Funds 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.

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 Funds’ financial assets and financial liabilities previously measured at FVTPL under IAS 39 Financial Instruments continue to be measured as FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost.

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 received from underlying funds” are now recorded as “Income from investment trusts.”



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**Classification and Measurement of Financial Assets, Liabilities and Derivatives** Each of the Funds classify their investment and derivative portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets, liabilities and derivatives is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities are solely principal and interest; however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objectives. Consequently, all investments and derivative contracts are measured at FVTPL.

The Funds' obligation for net assets attributable to holders of redeemable mutual fund shares 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.

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

**Unconsolidated Structured Entities** The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's

option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

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

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

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

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

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

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

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

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

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

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

**Underlying Funds** – Underlying funds that are mutual funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

**Fair Valuation of Investments** – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value.

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

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

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

**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the RBC \$U.S. Short Term Income Class and BlueBay \$U.S. Global Convertible Bond Class (Canada)) at the rate of exchange on each valuation date. 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 Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. RBC \$U.S. Short Term Income Class and BlueBay \$U.S. Global Convertible Bond Class (Canada) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

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

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

**Income Recognition** Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

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

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

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

#### 4. Critical accounting judgments and estimates

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

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

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

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

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

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

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

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

##### ***Liquidity risk***

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

##### ***Credit risk***

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

##### ***Concentration risk***

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

##### ***Interest rate risk***

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

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**Currency risk**

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

**Other price risk**

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

**6. Taxes**

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

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

Taxable dividends received from taxable Canadian corporations are subject to a tax of 38½% effective January 1, 2016 (previously 33½%). Such taxes are fully refundable upon payment of taxable dividends to its shareholders when sufficient dividends are paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. The Corporation will pay out sufficient Canadian dividends to ensure that such tax is fully refunded. Interest income and foreign dividends, net of applicable expense, are taxed at full corporate rates applicable to mutual fund corporations with credits, subject to certain limitations for foreign taxes paid. All tax on net realized taxable capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption

of shares at the request of shareholders. The Corporation will pay out sufficient capital gains dividends, to the extent necessary, such that tax on net realized taxable capital gains is fully refunded. Income taxes, if any, are allocated to the classes of shares of the Corporation on a fair and reasonable basis.

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

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

**7. Administrative and other related-party transactions****Manager and Portfolio Manager**

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

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

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Board of Directors of the Corporation, the Independent Review Committee of the Funds and the trustees of the Corporate Class Trust (the holders of the Common Shares of the Corporation), the cost of any new government or regulatory requirements introduced and any



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borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to shareholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

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

#### **Distributors**

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

#### **Custodian**

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

#### **Registrars**

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

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

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

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

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

##### *Inter-Fund Trading*

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

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

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

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

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

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

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

RBC Short Term Income Class, RBC \$U.S. Short Term Income Class, BlueBay Global Convertible Bond Class (Canada), Phillips, Hager & North Monthly Income Class, RBC Canadian Dividend Class, RBC Canadian Equity Class, RBC Canadian Equity Income Class, RBC Canadian Mid-Cap Equity Class and RBC U.S. Dividend Class.

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

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