

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.



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

August 9, 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 ETFs. The external auditors will be auditing the annual financial statements of the ETFs in accordance with Canadian generally accepted auditing standards.



SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)  
**RBC QUANT EAFE DIVIDEND LEADERS ETF**

June 30, 2018

| Holdings                      | Security                                   | Cost     | Fair Value | % of Net Assets |
|-------------------------------|--|----------|------------|-----------------|
| <b>INTERNATIONAL EQUITIES</b> |  |          |            |                 |
| <b>Consumer Discretionary</b> |  |          |            |                 |
| 155 460                       | Barratt Developments Plc.                  | \$ 1 493 | \$ 1 391   |                 |
| 43 700                        | Bridgestone Corp.                          | 2 296    | 2 249      |                 |
| 92 777                        | Hennes & Mauritz AB, Series B              | 2 689    | 1 821      |                 |
| 11 155                        | Hugo Boss AG                               | 1 295    | 1 332      |                 |
| 79 800                        | Isuzu Motors Ltd.                          | 1 344    | 1 395      |                 |
| 540 824                       | ITV Plc.                                   | 1 764    | 1 634      |                 |
| 25 643                        | Nokian Renkaat OYJ                         | 1 255    | 1 333      |                 |
| 11 618                        | Paddy Power Betfair Plc.                   | 1 800    | 1 695      |                 |
| 14 284                        | Pandora A/S                                | 1 943    | 1 313      |                 |
| 35 638                        | Persimmon Plc.                             | 1 342    | 1 568      |                 |
| 34 359                        | ProSiebenSat.1 Media SE                    | 1 692    | 1 147      |                 |
| 10 036                        | RTL Group S.A.                             | 1 043    | 896        |                 |
| 239 200                       | Sands China Ltd.                           | 1 456    | 1 682      |                 |
| 46 966                        | Schaeffler AG Preference                   | 858      | 804        |                 |
| 49 900                        | Subaru Corp.                               | 2 378    | 1 911      |                 |
| 43 500                        | USS Co. Ltd.                               | 1 004    | 1 089      |                 |
| 39 700                        | Yamaha Motor Co. Ltd.                      | 1 224    | 1 314      |                 |
|                               |  | 26 876   | 24 574     | <b>5.4</b>      |
| <b>Consumer Staples</b>       |  |          |            |                 |
| 113 448                       | British American Tobacco Plc.              | 7 572    | 7 545      |                 |
| 272 725                       | Coca-Cola Amatil Ltd.                      | 2 264    | 2 439      |                 |
| 105 667                       | Imperial Brands Plc.                       | 4 966    | 5 179      |                 |
| 117 412                       | Marine Harvest                             | 2 492    | 3 074      |                 |
| 22 700                        | Nippon Meat Packers Inc.                   | 1 225    | 1 206      |                 |
| 115 656                       | Unilever N.V.                              | 7 363    | 8 488      |                 |
| 2 432 500                     | WH Group Ltd.                              | 3 076    | 2 606      |                 |
|                               |  | 28 958   | 30 537     | <b>6.7</b>      |
| <b>Energy</b>                 |  |          |            |                 |
| 63 138                        | Enagas                                     | 2 281    | 2 428      |                 |
| 98 773                        | OMV AG                                     | 7 231    | 7 367      |                 |
| 543 551                       | Royal Dutch Shell Plc., B Shares           | 24 914   | 25 615     |                 |
| 40 200                        | Showa Shell Sekiyu K.K.                    | 727      | 789        |                 |
| 255 371                       | Total S.A.                                 | 16 940   | 20 477     |                 |
|                               |  | 52 093   | 56 676     | <b>12.5</b>     |
| <b>Financials</b>             |  |          |            |                 |
| 70 776                        | ABN AMRO Group N.V.                        | 2 646    | 2 414      |                 |
| 50 700                        | AEON Financial Service Co. Ltd.            | 1 311    | 1 423      |                 |
| 254 436                       | AIB Group Plc.                             | 1 933    | 1 817      |                 |
| 18 254                        | Allianz SE                                 | 4 313    | 4 963      |                 |
| 18 197                        | Amundi S.A.                                | 1 988    | 1 658      |                 |
| 37 460                        | Aozora Bank Ltd.                           | 1 718    | 1 875      |                 |
| 132 873                       | Assicurazioni Generali S.p.A.              | 2 627    | 2 933      |                 |
| 167 738                       | Australia & New Zealand Banking Group Ltd. | 4 507    | 4 604      |                 |
| 123 904                       | AXA S.A.                                   | 4 097    | 3 999      |                 |
| 245 247                       | Bank Hapoalim Ltd.                         | 1 952    | 2 181      |                 |
| 297 465                       | Bank Leumi Le-Israel                       | 2 406    | 2 309      |                 |
| 167 969                       | Bank of Queensland Ltd.                    | 2 000    | 1 664      |                 |
| 171 528                       | Bendigo and Adelaide Bank Ltd.             | 1 975    | 1 807      |                 |

| Holdings                  | Security                                | Cost     | Fair Value | % of Net Assets |
|---------------------------|---|----------|------------|-----------------|
| <b>Financials (cont.)</b> |   |          |            |                 |
| 52 150                    | BNP Paribas S.A.                        | \$ 5 105 | \$ 4 260   |                 |
| 461 800                   | BOC Hong Kong Holdings Ltd.             | 2 346    | 2 861      |                 |
| 58 775                    | CNP Assurances                          | 1 490    | 1 759      |                 |
| 75 529                    | Commonwealth Bank of Australia          | 6 155    | 5 349      |                 |
| 314 900                   | Daiwa Securities Group Inc.             | 2 433    | 2 406      |                 |
| 339 391                   | Direct Line Insurance Group Plc.        | 2 044    | 2 021      |                 |
| 86 569                    | Gjensidige Forsikring ASA               | 1 868    | 1 867      |                 |
| 94 400                    | Hang Seng Bank Ltd.                     | 2 740    | 3 105      |                 |
| 13 357                    | Hannover Rueckversicherung SE           | 1 888    | 2 191      |                 |
| 221 620                   | ING Groep N.V.                          | 4 539    | 4 196      |                 |
| 900 162                   | Intesa Sanpaolo S.p.A.                  | 4 198    | 3 438      |                 |
| 202 788                   | Investec Plc.                           | 1 831    | 1 895      |                 |
| 101 500                   | Japan Exchange Group Inc.               | 2 037    | 2 482      |                 |
| 29 493                    | KBC Groep N.V.                          | 3 092    | 2 995      |                 |
| 659 222                   | Legal & General Group Plc.              | 2 907    | 3 045      |                 |
| 31 561                    | Macquarie Group Ltd.                    | 2 782    | 3 793      |                 |
| 362 100                   | Mebuki Financial Group Inc.             | 1 758    | 1 600      |                 |
| 147 262                   | Mediobanca S.p.A.                       | 2 248    | 1 801      |                 |
| 198 300                   | Mitsubishi UFJ Lease & Finance Co. Ltd. | 1 274    | 1 604      |                 |
| 67 109                    | Mizrahi Tefahot Bank Ltd.               | 1 631    | 1 620      |                 |
| 1 713 900                 | Mizuho Financial Group Inc.             | 4 001    | 3 796      |                 |
| 163 667                   | National Australia Bank Ltd.            | 4 929    | 4 360      |                 |
| 216 660                   | Natixis                                 | 1 797    | 2 022      |                 |
| 270 336                   | Nordbanken Holding AB                   | 4 181    | 3 430      |                 |
| 142 800                   | Orix Corp.                              | 2 820    | 2 971      |                 |
| 158 196                   | Poste Italiane S.p.A.                   | 1 893    | 1 742      |                 |
| 49 023                    | Sampo OYJ                               | 3 087    | 3 147      |                 |
| 58 500                    | SBI Holdings Inc.                       | 1 520    | 1 983      |                 |
| 43 269                    | SCOR SE                                 | 2 252    | 2 115      |                 |
| 377 800                   | Seven Bank Ltd.                         | 1 567    | 1 521      |                 |
| 261 600                   | Singapore Exchange Ltd.                 | 1 859    | 1 810      |                 |
| 80 700                    | Sumitomo Mitsui Financial Group Inc.    | 4 443    | 4 127      |                 |
| 49 400                    | Sumitomo Mitsui Trust Holdings Inc.     | 2 327    | 2 577      |                 |
| 201 451                   | Suncorp-Metway Limited                  | 2 712    | 2 857      |                 |
| 205 925                   | Svenska Handelsbanken AB                | 3 660    | 3 015      |                 |
| 109 198                   | Swedbank AB                             | 3 365    | 3 080      |                 |
| 5 651                     | Swiss Life Holding                      | 2 520    | 2 583      |                 |
| 55 080                    | Tryg A/S                                | 1 449    | 1 701      |                 |
| 483 803                   | UnipolSai S.p.A.                        | 1 485    | 1 406      |                 |
| 167 029                   | Westpac Banking Corporation             | 5 305    | 4 756      |                 |
|                           |   | 145 011  | 142 934    | <b>31.6</b>     |
| <b>Health Care</b>        |   |          |            |                 |
| 396 400                   | Astellas Pharma Inc.                    | 6 934    | 7 950      |                 |
| 45 237                    | Coloplast A/S                           | 4 613    | 5 947      |                 |
| 170 500                   | Mitsubishi Tanabe Pharma Corp.          | 4 110    | 3 876      |                 |
| 177 380                   | Novo Nordisk A/S                        | 8 993    | 10 823     |                 |
| 92 286                    | Orion OYJ                               | 4 319    | 3 273      |                 |
| 45 957                    | Roche Holdings AG Genussscheine         | 13 497   | 13 428     |                 |
|                           |   | 42 466   | 45 297     | <b>10.0</b>     |

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



June 30, 2018

| Holdings                      | Security   | Cost          | Fair Value    | % of Net Assets |
|-------------------------------|--|---------------|---------------|-----------------|
| <b>Industrials</b>            |  |               |               |                 |
| 144 874                       | ABB Ltd.   | \$ 4 049      | \$ 4 167      |                 |
| 33 555                        | Adecco S.A.  | 2 725         | 2 612         |                 |
| 28 184                        | Andritz AG   | 1 942         | 1 968         |                 |
| 878 900                       | ComfortDelGro Corporation Ltd.                                   | 1 862         | 1 993         |                 |
| 63 199                        | Deutsche Lufthansa AG  | 2 400         | 2 000         |                 |
| 15 600                        | FANUC Corp.  | 4 303         | 4 077         |                 |
| 43 500                        | Japan Airlines Co. Ltd.  | 1 869         | 2 029         |                 |
| 12 870                        | Kuehne + Nagel International AG                                  | 2 483         | 2 544         |                 |
| 55 700                        | Kyushu Railway Co.   | 2 229         | 2 242         |                 |
| 29 350                        | Randstad N.V.  | 2 091         | 2 273         |                 |
| 920                           | SGS S.A.   | 2 519         | 3 220         |                 |
| 626 200                       | Singapore Tech Engineering Ltd.                                  | 2 024         | 1 988         |                 |
| 13 614                        | Société BIC S.A.   | 2 001         | 1 660         |                 |
| 328 485                       | Sydney Airport Holdings Ltd.                                     | 2 144         | 2 286         |                 |
|                               |  | <u>34 641</u> | <u>35 059</u> | <u>7.7</u>      |
| <b>Information Technology</b> |  |               |               |                 |
| 23 000                        | Mixi Inc.  | 1 346         | 766           |                 |
| 11 600                        | Tokyo Electron Ltd.  | 2 280         | 2 620         |                 |
| 25 200                        | Trend Micro Inc.   | 1 696         | 1 891         |                 |
|                               |  | <u>5 322</u>  | <u>5 277</u>  | <u>1.2</u>      |
| <b>Materials</b>              |  |               |               |                 |
| 2 023 691                     | Alumina Ltd.   | 5 276         | 5 507         |                 |
| 64 227                        | Israel Chemicals Ltd.  | 405           | 385           |                 |
| 86 800                        | Maruichi Steel Tube Ltd.   | 3 488         | 3 871         |                 |
| 179 850                       | Rio Tinto Limited  | 11 962        | 14 585        |                 |
| 238 700                       | Tosoh Corp.  | 6 479         | 4 867         |                 |
|                               |  | <u>27 610</u> | <u>29 215</u> | <u>6.5</u>      |
| <b>Real Estate</b>            |  |               |               |                 |
| 417 400                       | Ascendas Real Estate Investment Trust                            | 978           | 1 063         |                 |
| 6 600                         | Daito Trust Construction Co. Ltd.                                | 1 241         | 1 412         |                 |
| 34 800                        | Daiwa House Industry Co. Ltd.                                    | 1 349         | 1 561         |                 |
| 130 822                       | Dexus Real Estate Investment Trust                               | 1 231         | 1 235         |                 |
| 6 245                         | Covivio Real Estate Investment Trust                             | 757           | 855           |                 |
| 248 485                       | General Property Trust   | 1 206         | 1 222         |                 |
| 7 522                         | ICADE Real Estate Investment Trust                               | 799           | 928           |                 |
| 178                           | Japan Prime Realty Investment Corp. Real Estate Investment Trust | 810           | 851           |                 |
| 178                           | Japan Real Estate Investment Corp. Real Estate Investment Trust  | 1 231         | 1 239         |                 |
| 448                           | Japan Retail Fund Investment Corp. Real Estate Investment Trust  | 1 046         | 1 062         |                 |
| 136 500                       | Kerry Properties Ltd.  | 788           | 859           |                 |
| 493 657                       | Mirvac Group Real Estate Investment Trust                        | 1 057         | 1 041         |                 |
| 356                           | Nippon Prologis Inc. Real Estate Investment Trust                | 977           | 972           |                 |
| 26 100                        | Nomura Real Estate Holdings Inc.                                 | 690           | 762           |                 |
| 394 098                       | Scentre Group Real Estate Investment Trust                       | 1 651         | 1 681         |                 |
| 303 137                       | Stockland Real Estate Investment Trust                           | 1 306         | 1 170         |                 |

| Holdings  | Security   | Cost              | Fair Value     | % of Net Assets   |              |
|---|--|-------------------|----------------|-------------------|--------------|
| <b>Real Estate (cont.)</b>  |  |                   |                |                   |              |
| 86 000  | Sun Hung Kai Properties Ltd.                               | \$ 1 702          | \$ 1 707       |                   |              |
| 5 912   | Unibail-Rodamco-Westfield                                  | 1 827             | 1 712          |                   |              |
| 520   | United Urban Investment Corp. Real Estate Investment Trust | 1 071             | 1 062          |                   |              |
|   |  | <u>21 717</u>     | <u>22 394</u>  | <u>4.9</u>        |              |
| <b>Telecommunication Services</b>                                   |  |                   |                |                   |              |
| 1 041 537   | Bezeq Israeli Telecommunication Corporation Ltd.           | 2 069             | 1 541          |                   |              |
| 901 560   | BT Group Plc.  | 4 355             | 3 410          |                   |              |
| 35 751  | Elisa OYJ  | 1 664             | 2 178          |                   |              |
| 119 000   | KDDI Corporation   | 4 342             | 4 284          |                   |              |
| 114 700   | NTT DoCoMo Inc.  | 3 142             | 3 845          |                   |              |
| 51 634  | Proximus   | 2 192             | 1 531          |                   |              |
| 932 900   | Singapore Telecommunications Ltd.                          | 3 311             | 2 772          |                   |              |
| 598 172   | Spark New Zealand Ltd.                                     | 1 873             | 1 987          |                   |              |
| 556 000   | StarHub Ltd.   | 1 554             | 890            |                   |              |
| 4 410   | Swisscom AG  | 2 871             | 2 589          |                   |              |
| 117 276   | Tele2 AB   | 1 885             | 1 816          |                   |              |
| 105 677   | Telenor ASA  | 2 448             | 2 851          |                   |              |
| 884 720   | Telstra Corp. Ltd.   | 3 786             | 2 253          |                   |              |
|   |  | <u>35 492</u>     | <u>31 947</u>  | <u>7.1</u>        |              |
| <b>Underlying Funds</b>   |  |                   |                |                   |              |
| 1 398   | iShares MSCI EAFE Fund                                     | 123               | 123            |                   |              |
|   |  | <u>123</u>        | <u>123</u>     | <u>-</u>          |              |
| <b>Utilities</b>  |  |                   |                |                   |              |
| 130 326   | AGL Energy Ltd.  | 2 693             | 2 847          |                   |              |
| 1 084 663   | Centrica Plc.  | 3 338             | 2 970          |                   |              |
| 224 000   | CK Infrastructure Holdings Ltd.                            | 2 508             | 2 184          |                   |              |
| 240 900   | CLP Holdings Ltd.  | 2 951             | 3 413          |                   |              |
| 81 322  | Endesa S.A.  | 2 286             | 2 360          |                   |              |
| 89 376  | Fortum OYJ   | 2 749             | 2 806          |                   |              |
| 286 500   | Power Assets Holdings Ltd.                                 | 3 347             | 2 635          |                   |              |
| 99 048  | Red Electrica Corp. S.A.                                   | 2 759             | 2 653          |                   |              |
| 136 941   | SSE Plc.   | 3 467             | 3 223          |                   |              |
| 337 890   | Terna Rete Elettrica Nazionale S.p.A.                      | 2 330             | 2 404          |                   |              |
|   |  | <u>28 428</u>     | <u>27 495</u>  | <u>6.1</u>        |              |
| <b>TOTAL INTERNATIONAL EQUITIES</b>                                 |  | <u>448 737</u>    | <u>451 528</u> | <u>99.7</u>       |              |
| <b>Less: Transaction costs</b>                                      |  | (361)             | -              | -                 |              |
| <b>TOTAL INVESTMENTS</b>  |  | <u>\$ 448 376</u> | <u>451 528</u> | <u>99.7</u>       |              |
| <b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b> |  |                   |                | <u>1 009</u>      | <u>0.3</u>   |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>       |  |                   |                | <u>\$ 452 537</u> | <u>100.0</u> |

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



**Statements of Financial Position** (unaudited)

(in \$000s except per unit amounts)

| (see note 2 in the generic notes)   | June 30<br>2018   | December 31<br>2017 |
|---|-------------------|---------------------|
| <b>ASSETS</b>   |                   |                     |
| Investments at fair value   | \$ 451 528        | \$ 521 187          |
| Cash  | –                 | 2 733               |
| Due from investment dealers   | 13 341            | –                   |
| Dividends receivable, interest accrued<br>and other assets  | 1 311             | 1 071               |
| <b>TOTAL ASSETS</b>   | <b>466 180</b>    | <b>524 991</b>      |
| <b>LIABILITIES</b>  |                   |                     |
| Bank overdraft  | 1 344             | –                   |
| Due to investment dealers   | 6 043             | –                   |
| Redemptions payable   | 6 023             | –                   |
| Distributions payable   | –                 | 1 379               |
| Accounts payable and accrued expenses   | 233               | 247                 |
| <b>TOTAL LIABILITIES EXCLUDING NET ASSETS<br/>ATTRIBUTABLE TO HOLDERS OF<br/>REDEEMABLE UNITS</b> | <b>13 643</b>     | <b>1 626</b>        |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS<br/>OF REDEEMABLE UNITS ("NAV")</b>                         | <b>\$ 452 537</b> | <b>\$ 523 365</b>   |
| Investments at cost   | \$ 448 376        | \$ 499 413          |
| <b>NAV</b>  |                   |                     |
| <b>CAD UNITS</b>  | <b>\$ 395 970</b> | <b>\$ 461 436</b>   |
| <b>USD UNITS</b>  | <b>\$ 56 567</b>  | <b>\$ 61 929</b>    |
| <b>NAV PER UNIT</b>   |                   |                     |
| <b>CAD UNITS</b>  | <b>\$ 24.07</b>   | <b>\$ 24.29</b>     |
| <b>USD UNITS*</b>   | <b>\$ 18.30</b>   | <b>\$ 19.38</b>     |

\* Stated in U.S. dollars.

**Statements of Comprehensive Income** (unaudited)

(in \$000s except per unit amounts)

| For the periods ended June 30<br>(see note 2 in the generic notes) | 2018            | 2017             |
|--|-----------------|------------------|
| <b>INCOME (see note 3 in the generic notes)</b>                    |                 |                  |
| Dividends  | \$ 16 456       | \$ 9 398         |
| Income from investment trusts                                      | 3               | 234              |
| Net realized gain (loss) on investments                            | 9 892           | 11 754           |
| Change in unrealized gain (loss) on investments                    | (18 622)        | 4 600            |
| <b>TOTAL NET GAIN (LOSS) ON<br/>INVESTMENTS AND DERIVATIVES</b>    | <b>7 729</b>    | <b>25 986</b>    |
| Other income (loss)  | (5)             | (2)              |
| Securities lending revenue<br>(see note 8 in the generic notes)    | 199             | 154              |
| Net gain (loss) on foreign cash balances                           | (106)           | 43               |
| <b>TOTAL OTHER INCOME (LOSS)</b>                                   | <b>88</b>       | <b>195</b>       |
| <b>TOTAL INCOME (LOSS)</b>   | <b>7 817</b>    | <b>26 181</b>    |
| <b>EXPENSES (see notes – ETF Specific Information)</b>             |                 |                  |
| Management fees  | 1 272           | 881              |
| Independent Review Committee costs                                 | 1               | 1                |
| GST/HST  | 113             | 79               |
| Transaction costs  | 646             | 587              |
| Withholding tax  | 2 691           | 1 330            |
| <b>TOTAL EXPENSES</b>  | <b>4 723</b>    | <b>2 878</b>     |
| <b>INCREASE (DECREASE) IN NAV</b>                                  | <b>\$ 3 094</b> | <b>\$ 23 303</b> |
| <b>INCREASE (DECREASE) IN NAV</b>                                  |                 |                  |
| <b>CAD UNITS</b>   | <b>\$ 2 672</b> | <b>\$ 19 718</b> |
| <b>USD UNITS</b>   | <b>\$ 422</b>   | <b>\$ 3 585</b>  |
| <b>INCREASE (DECREASE) IN NAV PER UNIT</b>                         |                 |                  |
| <b>CAD UNITS</b>   | <b>\$ 0.14</b>  | <b>\$ 1.54</b>   |
| <b>USD UNITS*</b>  | <b>\$ 0.13</b>  | <b>\$ 0.87</b>   |

\* Stated in U.S. dollars.



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

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

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |                   |                   |
| Increase (decrease) in NAV  | \$ 3 094          | \$ 23 303         |
| <b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b> |                   |                   |
| Interest for distribution purposes  | —                 | —                 |
| Net unrealized foreign exchange (gain) loss on cash                       | —                 | —                 |
| Net realized loss (gain) on investments                                   | (9 892)           | (11 754)          |
| Change in unrealized loss (gain) on investments                           | 18 622            | (4 600)           |
| Non-cash distributions from underlying funds                              | —                 | —                 |
| (Increase) decrease in accrued receivables                                | (240)             | (695)             |
| Increase (decrease) in accrued payables                                   | (14)              | 49                |
| Cost of investments purchased*  | (228 536)         | (209 927)         |
| Proceeds from sale and maturity of investments*                           | 222 168           | 212 681           |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>                | <b>5 202</b>      | <b>9 057</b>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |                   |                   |
| Proceeds from issue of redeemable units*                                  | 632               | 712               |
| Cash paid on redemption of redeemable units*                              | (1 284)           | (42)              |
| Distributions paid to holders of redeemable units                         | (8 627)           | (5 652)           |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>                | <b>\$ (9 279)</b> | <b>\$ (4 982)</b> |
| Net unrealized foreign exchange gain (loss) on cash                       | —                 | —                 |
| Net increase (decrease) in cash for the period                            | (4 077)           | 4 075             |
| Cash (bank overdraft), beginning of period                                | 2 733             | 1 707             |
| <b>CASH (BANK OVERDRAFT), END OF PERIOD</b>                               | <b>\$ (1 344)</b> | <b>\$ 5 782</b>   |
| Interest received (paid)  | \$ —              | \$ —              |
| Dividends received, net of withholding taxes                              | \$ 13 525         | \$ 7 607          |

\* Excludes in-kind transactions.



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

| For the periods ended June 30<br>(see note 2 in the generic notes)   | CAD Units         |                   | USD Units        |                  | Total             |                   |
|--|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
|  | 2018              | 2017              | 2018             | 2017             | 2018              | 2017              |
| <b>NAV AT BEGINNING OF PERIOD</b>                                    | \$ 461 436        | \$ 264 568        | \$ 61 929        | \$ 48 093        | \$ 523 365        | \$ 312 661        |
| <b>INCREASE (DECREASE) IN NAV</b>                                    | <b>2 672</b>      | <b>19 718</b>     | <b>422</b>       | <b>3 585</b>     | <b>3 094</b>      | <b>23 303</b>     |
| Early redemption fees  | –                 | –                 | –                | –                | –                 | –                 |
| Proceeds from redeemable units issued                                | 44 150            | 60 321            | 4 819            | 10 965           | 48 969            | 71 286            |
| Reinvestments of distributions to holders<br>of redeemable units     | –                 | –                 | –                | –                | –                 | –                 |
| Redemption of redeemable units                                       | (105 918)         | (997)             | (9 725)          | (181)            | (115 643)         | (1 178)           |
| <b>NET INCREASE (DECREASE) FROM<br/>REDEEMABLE UNIT TRANSACTIONS</b> | <b>(61 768)</b>   | <b>59 324</b>     | <b>(4 906)</b>   | <b>10 784</b>    | <b>(66 674)</b>   | <b>70 108</b>     |
| Distributions from net income  | (6 370)           | (4 233)           | (878)            | (770)            | (7 248)           | (5 003)           |
| Distributions from net gains   | –                 | –                 | –                | –                | –                 | –                 |
| Distributions from capital   | –                 | –                 | –                | –                | –                 | –                 |
| <b>TOTAL DISTRIBUTIONS TO HOLDERS<br/>OF REDEEMABLE UNITS</b>        | <b>(6 370)</b>    | <b>(4 233)</b>    | <b>(878)</b>     | <b>(770)</b>     | <b>(7 248)</b>    | <b>(5 003)</b>    |
| <b>NET INCREASE (DECREASE) IN NAV</b>                                | <b>(65 466)</b>   | <b>74 809</b>     | <b>(5 362)</b>   | <b>13 599</b>    | <b>(70 828)</b>   | <b>88 408</b>     |
| <b>NAV AT END OF PERIOD</b>  | <b>\$ 395 970</b> | <b>\$ 339 377</b> | <b>\$ 56 567</b> | <b>\$ 61 692</b> | <b>\$ 452 537</b> | <b>\$ 401 069</b> |



June 30, 2018

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

The investment objective of the ETF is to provide unitholders with exposure to the performance of a diversified portfolio of high-quality dividend-paying equity securities in markets in Europe, Australasia and the Far East (EAFE) that will provide regular income and that have the potential for long-term capital growth.

### 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:

|                            | June 30<br>2018 | December 31<br>2017 |
|----------------------------|-----------------|---------------------|
| Investment mix             |                 |                     |
| International Equities     |                 |                     |
| Financials                 | 31.6            | 33.0                |
| Energy                     | 12.5            | 11.3                |
| Health Care                | 10.0            | 9.6                 |
| Industrials                | 7.7             | 8.4                 |
| Telecommunication Services | 7.1             | 6.2                 |
| Consumer Staples           | 6.7             | 6.8                 |
| Materials                  | 6.5             | 5.9                 |
| Utilities                  | 6.1             | 4.9                 |
| Consumer Discretionary     | 5.4             | 5.3                 |
| Real Estate                | 4.9             | 4.4                 |
| Information Technology     | 1.2             | 1.1                 |
| Underlying Funds           | –               | 2.5                 |
| Other Net Assets           | 0.3             | 0.6                 |
| <b>Total</b>               | <b>100.0</b>    | <b>100.0</b>        |

#### Currency risk (% of NAV)

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

|                      | June 30<br>2018 | December 31<br>2017 |
|----------------------|-----------------|---------------------|
| Currency             |                 |                     |
| Euro                 | 27.7            | 27.8                |
| Japanese yen         | 20.4            | 20.5                |
| Australian dollar    | 14.8            | 11.7                |
| Pound sterling       | 13.4            | 12.5                |
| Swiss franc          | 7.0             | 6.5                 |
| Hong Kong dollar     | 4.7             | 4.3                 |
| Danish krone         | 4.4             | 3.6                 |
| Swedish krona        | 3.0             | 3.6                 |
| Singapore dollar     | 2.4             | 2.3                 |
| Israeli new shekel   | 1.8             | 0.9                 |
| Norwegian krone      | 1.7             | 2.6                 |
| New Zealand dollar   | 0.4             | 1.1                 |
| United States dollar | –               | 2.6                 |
| <b>Total</b>         | <b>101.7</b>    | <b>100.0</b>        |

As at June 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 ETF's NAV may have decreased or increased, respectively, by approximately 5.1% (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 36-month historical correlation of data of the ETF's return and the index, with all other factors kept constant, as at:

|  | June 30<br>2018 | December 31<br>2017 |
|--|-----------------|---------------------|
| MSCI EAFE Total Return Net Index (CAD) | + or - 0.8      | + 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 June 30, 2018 and December 31, 2017.

| June 30, 2018                           | Level 1        | Level 2 | Level 3 | Total          |
|---|----------------|---------|---------|----------------|
| <b>Equities</b>                         | <b>451 405</b> | –       | –       | <b>451 405</b> |
| <b>Underlying funds</b>                 | <b>123</b>     | –       | –       | <b>123</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>451 528</b> | –       | –       | <b>451 528</b> |
| <b>% of total portfolio</b>             | <b>100.0</b>   | –       | –       | <b>100.0</b>   |

| December 31, 2017                       | Level 1        | Level 2 | Level 3 | Total          |
|---|----------------|---------|---------|----------------|
| <b>Equities</b>                         | <b>508 103</b> | –       | –       | <b>508 103</b> |
| <b>Underlying funds</b>                 | <b>13 084</b>  | –       | –       | <b>13 084</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>521 187</b> | –       | –       | <b>521 187</b> |
| <b>% of total portfolio</b>             | <b>100.0</b>   | –       | –       | <b>100.0</b>   |

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



June 30, 2018

**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 the following annual percentages, before GST/HST, of the daily NAV of the ETF

|           | Management fees |  |
|-----------|-----------------|--|
| CAD Units | 0.49%           |  |
| USD Units | 0.49%           |  |

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

The table below summarizes the ETF's interest in the unsponsored funds as a percentage of NAV, and the ETF's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

|                        | June 30<br>2018 |           | December 31<br>2017 |           |
|------------------------|-----------------|-----------|---------------------|-----------|
|                        | NAV             | Ownership | NAV                 | Ownership |
| iShares MSCI EAFE Fund | –               | –         | 2.5                 | –         |

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

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

**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 June 30  
(see note 2 in the generic notes)

|                            | 2018    | 2017   |
|----------------------------|---------|--------|
| <b>CAD Units</b>           |         |        |
| Opening units              | 19 000  | 11 500 |
| Issued number of units     | 1 800   | 2 950  |
| Reinvested number of units | –       | –      |
| Redeemed number of units   | (4 350) | (50)   |
| Ending number of units     | 16 450  | 14 400 |
| <b>USD Units</b>           |         |        |
| Opening units              | 2 550   | 2 300  |
| Issued number of units     | 200     | 50     |
| Reinvested number of units | –       | –      |
| Redeemed number of units   | (400)   | –      |
| Ending number of units     | 2 350   | 2 350  |

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

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

|                                      | June 30<br>2018 |     | June 30<br>2017 |     |
|--------------------------------------|-----------------|-----|-----------------|-----|
|                                      | \$              | %   | \$              | %   |
| Total transaction costs              | 646             | 100 | 587             | 100 |
| Related-party brokerage commissions* | –               | –   | –               | –   |
| Commission arrangements <sup>†</sup> | –               | –   | –               | –   |

\* See note 9 in the generic notes.

<sup>†</sup> 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:

|                                   | June 30<br>2018 | June 30<br>2017 |
|-----------------------------------|-----------------|-----------------|
| Fair value of securities loaned   | 88 253          | 64 769          |
| Fair value of collateral received | 90 018          | 66 064          |

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.

|               | June 30<br>2018 |      | June 30<br>2017 |      |
|---------------|-----------------|------|-----------------|------|
|               | \$              | %    | \$              | %    |
| Gross revenue | 266             | 100  | 214             | 100  |
| RBC IS (paid) | (66)            | (25) | (60)            | (28) |
| Tax withheld  | (1)             | –    | –               | –    |
| ETF revenue   | 199             | 75   | 154             | 72   |

**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:

|   | June 30<br>2018 | December 31<br>2017 |
|---|-----------------|---------------------|
| RBC Quant EAFE Dividend Leaders<br>(CAD Hedged) ETF | 22.3            | 23.3                |
| RBC Strategic Global Dividend Leaders ETF           | 0.5             | 0.3                 |
| Total   | 22.8            | 23.6                |



June 30, 2018

## 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 August 9, 2018.

The units of the ETFs are listed either on the Toronto Stock Exchange (the “TSX”) or on the Aequitas 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 2018 Corporate Bond Index ETF           | RQF                    | FTSE TMX Canada 2018 Maturity Corporate Bond Index             |
| RBC Target 2019 Corporate Bond Index ETF           | RQG                    | FTSE TMX Canada 2019 Maturity Corporate Bond Index             |
| RBC Target 2020 Corporate Bond Index ETF           | RQH                    | FTSE TMX Canada 2020 Maturity Corporate Bond Index             |
| RBC Target 2021 Corporate Bond Index ETF           | RQI                    | FTSE TMX Canada 2021 Maturity Corporate Bond Index             |
| RBC Target 2022 Corporate Bond Index ETF           | RQJ                    | FTSE TMX Canada 2022 Maturity Corporate Bond Index             |
| RBC Target 2023 Corporate Bond Index ETF           | RQK                    | FTSE TMX Canada 2023 Maturity Corporate Bond Index             |
| RBC PH&N Short Term Canadian Bond ETF              | RPSB                   | Not applicable   |
| RBC Canadian Short Term Bond Index ETF             | RCSB                   | FTSE TMX Canada Universe + Maple Short Term Overall Bond Index |
| RBC Canadian Bond Index ETF                        | RCUB                   | FTSE TMX Canada Universe + Maple Bond Index                    |

| ETF  | Exchange Ticker Symbol | Index*  |
|--|------------------------|---|
| RBC Short Term U.S. Corporate Bond ETF                 | RUSB<br>RUSB.U         | Not applicable  |
| RBC Global Government Bond (CAD Hedged) Index ETF      | RGGB                   | FTSE World Government Bond Index (Currency-Hedged in CAD) |
| 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<br>RUD.U           | Not applicable  |
| RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF       | RUDH                   | Not applicable  |
| RBC Quant U.S. Equity Leaders ETF                      | RUE<br>RUE.U           | Not applicable  |
| RBC Quant U.S. Equity Leaders (CAD Hedged) ETF         | RUEH                   | Not applicable  |
| RBC U.S. Equity Index ETF                              | RUSA<br>RUSA.U         | FTSE USA Index  |
| RBC Quant European Dividend Leaders ETF                | RPD<br>RPD.U           | Not applicable  |
| RBC Quant European Dividend Leaders (CAD Hedged) ETF   | RPDH                   | Not applicable  |
| RBC Quant EAFE Dividend Leaders ETF                    | RID<br>RID.U           | Not applicable  |
| RBC Quant EAFE Dividend Leaders (CAD Hedged) ETF       | RIDH                   | Not applicable  |
| RBC Quant EAFE Equity Leaders ETF                      | RIE<br>RIE.U           | Not applicable  |
| RBC Quant EAFE Equity Leaders (CAD Hedged) ETF         | RIEH                   | Not applicable  |
| RBC International Equity Index ETF                     | RINT<br>RINT.U         | FTSE Developed ex North America Index                     |
| RBC Quant Emerging Markets Dividend Leaders ETF        | RXD<br>RXD.U           | Not applicable  |
| RBC Quant Emerging Markets Equity Leaders ETF          | RXE<br>RXE.U           | Not applicable  |

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

"TMX" is a trademark of TSX Inc. and is used under licence.

## 2. Financial period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2018 and 2017, or as at June 30, 2018 and December 31, 2017, as applicable. In the year an ETF is established, "period" represents the period from inception to June 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 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.

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 and financial liabilities previously designated as 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.

**Classification and Measurement of Financial Assets, Liabilities and Derivatives** Each of the ETFs 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 ETFs' 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 ETFs' business model objectives. Consequently, all investments and derivative contracts are 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.

**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

June 30, 2018

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

*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.

June 30, 2018

**Forward Contracts** – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “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. Under these fair valuation procedures, 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. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The 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 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 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 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 Licensor 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 Licensor Parties.

##### ***Currency risk***

Currency risk is the risk that the value of investments denominated in currencies, other than the functional

June 30, 2018

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.

### **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.

June 30, 2018

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 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 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. "Cost of investments purchased" and "Proceeds from issue of redeemable units" exclude in-kind subscription transactions. "Proceeds from sale and maturity of investments" and "Cash paid on redemption of redeemable units" exclude in-kind redemption transactions.

Certain reclassifications have been made to comparative figures to conform to the current year's presentation due to the implementation of IFRS 9. As a result, where applicable, on the Statements of Comprehensive Income, income from exchange-traded funds and Real Estate Investment Trusts has been reclassified from "Other income (loss)" to "Income from investment trusts."

Also, where applicable, fair value of exchange traded funds have been reclassified on Fair value hierarchy table from Equities to Underlying Funds.

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.