

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 U.S. DIVIDEND LEADERS ETF**

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
<b>Consumer Discretionary</b>				
16 640	American Eagle Outfitters	\$ 246	\$ 510	
7 879	Best Buy Co. Inc.	601	773	
10 488	Carnival Corp.	872	791	
11 397	Core-Mark Holding Co. Inc.	281	340	
7 697	Cracker Barrel Old Country Store Inc.	1 544	1 582	
9 201	Foot Locker Inc.	497	637	
14 388	Gap Inc.	499	613	
7 156	Garmin Ltd.	443	574	
18 139	Gentex Corp.	417	549	
5 896	Genuine Parts Co.	709	712	
5 572	Hasbro Inc.	625	677	
8 371	Haverty Furniture Co. Inc.	257	238	
7 216	Home Depot Inc.	1 418	1 852	
4 868	John Wiley & Sons Inc., Class A	353	400	
3 337	LCI Industries	379	396	
9 576	Leggett & Platt Inc.	602	562	
24 281	McDonald's Corp.	3 746	5 005	
3 903	Polaris Industries Inc.	561	627	
5 582	Royal Caribbean Cruises Ltd.	763	761	
59 480	Starbucks Corp.	4 328	3 822	
11 612	Tapestry Inc.	679	713	
28 061	TEGNA Inc.	445	401	
4 798	Tiffany and Co.	553	831	
6 827	Tupperware Brands Corp.	526	370	
8 579	V.F. Corporation	663	920	
16 510	Viacom Inc.	688	655	
		22 695	25 311	<b>5.5</b>
<b>Consumer Staples</b>				
67 422	Altria Group Inc.	5 192	5 038	
16 357	Clorox Company	2 556	2 910	
47 817	Colgate-Palmolive Company	4 353	4 077	
25 014	Kimberly-Clark Corp.	3 538	3 466	
41 905	PepsiCo Inc.	5 598	6 001	
48 726	Philip Morris International Inc.	5 906	5 175	
38 726	SpartanNash Co.	882	1 300	
39 096	Sysco Corp.	2 587	3 512	
102 022	The Coca-Cola Co.	5 574	5 886	
20 077	The Hershey Co.	2 554	2 458	
46 706	Walgreens Boots Alliance Inc.	4 186	3 687	
46 806	Walmart Inc.	4 467	5 274	
		47 393	48 784	<b>10.7</b>
<b>Energy</b>				
16 343	Core Laboratories N.V.	2 065	2 714	
98 917	Exxon Mobil Corp.	10 580	10 765	
32 605	Helmerich & Payne	2 732	2 735	
49 284	Marathon Petroleum Corp.	3 214	4 548	
19 355	ONEOK, Inc.	1 215	1 778	
35 747	Phillips 66 Company	4 172	5 281	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Energy (cont.)</b>				
74 491	Schlumberger Ltd.	\$ 7 221	\$ 6 568	
36 779	Valero Energy Corp.	3 459	5 362	
		34 658	39 751	<b>8.7</b>
<b>Financials</b>				
31 225	Aflac Inc.	1 698	1 767	
7 601	American Financial Group Inc.	872	1 073	
8 537	Ameriprise Financial Inc.	1 309	1 571	
14 528	Arthur J. Gallagher & Co.	995	1 248	
7 787	Bank of Hawaii Corp.	735	855	
27 365	BB&T Corporation	1 859	1 816	
3 233	BlackRock Inc.	1 632	2 122	
27 532	Brookline Bancorp Inc.	551	674	
15 174	Cathay General Bancorp	689	808	
13 905	Central Pacific Financial Corp.	532	524	
2 762	Chubb Ltd.	462	461	
10 235	CME Group Inc., Class A	1 681	2 207	
6 895	Cullen/Frost Bankers Inc.	795	982	
24 997	CVB Financial Corp.	685	737	
17 088	Discover Financial Services	1 365	1 583	
14 330	Eaton Vance Corp.	873	984	
36 344	Fifth Third Bancorp	1 346	1 372	
14 471	First American Financial Corp.	867	985	
19 572	First Financial Bancorp	801	789	
28 647	Franklin Resources Inc.	1 395	1 208	
35 829	Fulton Financial Corp.	836	778	
16 176	Glacier Bancorp Inc.	663	823	
14 827	Hanmi Financial Corp.	518	553	
12 087	Horace Mann Educators Corp.	626	709	
72 732	Huntington Bancshares	1 242	1 412	
34 456	Invesco Ltd.	1 488	1 204	
27 658	JPMorgan Chase & Co.	2 967	3 791	
59 105	KeyCorp	1 526	1 519	
15 240	MB Financial Inc.	791	936	
13 457	NBT Bancorp Inc.	614	675	
32 434	Old National Bancorp	700	794	
35 961	Old Republic International Corp.	955	942	
15 223	PacWest Bancorp	878	990	
11 824	PNC Bank Corp.	1 998	2 101	
18 348	Principal Financial Group Inc.	1 384	1 278	
13 641	ProAssurance Corp.	990	636	
18 912	Provident Financial Services Inc.	551	685	
15 008	Prudential Financial Inc.	2 115	1 846	
11 249	S&T Bancorp Inc.	482	640	
5 635	Safety Insurance Group Inc.	513	633	
19 836	Suntrust Banks Inc.	1 474	1 723	
11 179	T. Rowe Price Group Inc.	1 503	1 707	
27 243	TCF Financial Corp.	745	882	
22 854	The Progressive Corp.	1 589	1 778	
5 330	Tompkins Financial Corp.	486	602	
10 799	Travelers Cos. Inc.	1 803	1 738	
46 500	Trustco Bank Corp.	454	544	
36 160	U.S. Bancorp	2 310	2 379	

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



June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
31 365	Umpqua Holdings Corp.	\$ 855	\$ 932	
23 066	Unum Group	1 123	1 122	
12 193	Webster Financial Corp.	730	1 022	
49 092	Wells Fargo & Company	3 519	3 580	
		59 570	64 720	<b>14.2</b>
<b>Health Care</b>				
61 171	Abbott Laboratories	3 760	4 908	
41 697	AbbVie Inc.	3 647	5 082	
22 180	Amgen Inc.	4 692	5 386	
66 910	Bristol-Myers Squibb Co.	4 948	4 871	
37 033	Cardinal Health Inc.	3 324	2 379	
41 211	Eli Lilly & Co.	4 206	4 626	
52 858	Gilead Sciences Inc.	5 147	4 926	
43 406	Johnson & Johnson	6 350	6 928	
45 040	Medtronic Plc.	4 775	5 072	
72 013	Merck & Co. Inc.	5 345	5 750	
47 404	Meridian Bioscience Inc.	982	991	
132 592	Pfizer Inc.	5 920	6 328	
		53 096	57 247	<b>12.5</b>
<b>Industrials</b>				
14 323	3M Co.	3 268	3 706	
11 795	Applied Industrial Technology Inc.	785	1 088	
9 332	Boeing Co.	2 349	4 383	
19 201	Brady Corp., Class A	862	974	
15 720	C.H. Robinson Worldwide Inc.	1 543	1 730	
2 569	Caterpillar Inc.	456	458	
11 476	Cummins Engine Inc.	2 173	2 008	
36 411	Delta Air Lines Inc.	2 332	2 373	
29 406	Emerson Electric Co.	2 207	2 674	
28 140	Fastenal Co.	1 652	1 782	
4 945	Grainger (W.W.) Inc.	1 215	2 006	
19 303	Honeywell International Inc.	3 122	3 658	
14 431	Illinois Tool Works Inc.	2 607	2 630	
15 570	Insteel Industries Inc.	520	684	
7 889	Lockheed Martin Corporation	2 446	3 066	
11 425	Manpower Inc.	1 393	1 293	
22 864	Miller (Herman) Inc.	928	1 020	
10 346	MSC Industrial Direct Co.	958	1 155	
13 645	Norfolk Southern Corp.	1 802	2 708	
77 325	Pitney Bowes Inc.	902	872	
29 181	Resources Connection Inc.	567	649	
18 633	Robert Half International Inc.	1 053	1 596	
20 054	Union Pacific Corp.	2 544	3 738	
22 053	United Parcel Service Inc.	2 993	3 082	
22 919	Waste Management Inc.	2 014	2 452	
5 931	Watsco Inc.	1 107	1 391	
		43 798	53 176	<b>11.6</b>
<b>Information Technology</b>				
54 920	Adtran Inc.	1 131	1 073	
27 789	Automatic Data Processing Inc.	3 953	4 903	
17 587	Broadcom Inc.	5 449	5 613	
121 488	Cisco Systems Inc.	4 950	6 877	
135 593	HP Inc.	2 986	4 047	
107 127	Intel Corp.	7 528	7 005	
31 868	International Business Machines	6 633	5 856	
21 521	KLA-Tencor Corp.	2 500	2 903	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology (cont.)</b>				
85 876	Microsoft Corp.	\$ 7 078	\$ 11 139	
36 171	National Instruments Corp.	1 625	1 997	
39 697	Paychex Inc.	3 030	3 569	
41 122	Seagate Technology	2 347	3 055	
40 145	Texas Instruments Inc.	3 777	5 822	
33 511	Western Digital Corp.	3 513	3 412	
34 698	Xilinx Inc.	2 547	2 979	
		59 047	70 250	<b>15.4</b>
<b>Materials</b>				
10 441	Air Products & Chemicals Inc.	1 997	2 139	
32 080	Commercial Metals Co.	781	891	
11 039	Hawkins Inc.	526	513	
27 426	International Paper Co.	1 973	1 879	
15 427	LyondellBasell Industries N.V.	1 849	2 229	
18 290	Myers Industries Inc.	434	462	
22 554	Nucor Corp.	1 630	1 854	
9 994	Packaging Corp. of America	1 225	1 470	
11 844	Praxair Inc.	2 020	2 464	
10 743	Reliance Steel & Aluminum Co.	1 046	1 237	
9 024	Schweitzer-Mauduit International Inc.	473	519	
20 502	Tredegar Industries Inc.	454	634	
14 331	Worthington Industries	747	791	
		15 155	17 082	<b>3.7</b>
<b>Real Estate</b>				
7 762	American Assets Trust Inc. Real Estate Investment Trust	385	391	
10 640	American Campus Communities Inc. Real Estate Investment Trust	573	600	
6 841	American Tower Corp. Real Estate Investment Trust	1 207	1 297	
4 119	AvalonBay Communities Inc. Real Estate Investment Trust	928	931	
5 189	Boston Properties Inc.	833	856	
16 739	CareTrust REIT Inc. Real Estate Investment Trust	326	368	
11 741	Chatham Lodging Trust Real Estate Investment Trust	334	328	
9 595	Chesapeake Lodging Real Estate Investment Trust	324	399	
15 606	CoreCivic Inc. Real Estate Investment Trust	561	490	
3 460	CoreSite Realty Corp. Real Estate Investment Trust	473	504	
8 148	Crown Castle International Corp. Real Estate Investment Trust	1 012	1 156	
11 424	Douglas Emmett Inc. Real Estate Investment Trust	514	604	
18 237	Duke Realty Corporation Real Estate Investment Trust	678	696	
11 325	Easterly Government Properties Inc. REIT	281	294	
6 307	EPR Properties Real Estate Investment Trust	524	538	
1 901	Equinix Inc. Real Estate Investment Trust	972	1 075	
10 964	Equity Residential Properties Trust	777	919	

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



June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Real Estate (cont.)</b>				
4 179	Federal Realty Investment Trust	\$ 715	\$ 696	
11 812	First Industrial Realty Trust Inc. Real Estate Investment Trust	480	518	
29 196	Franklin Street Properties Corp. Real Estate Investment Trust	396	329	
8 932	Getty Realty Corp. Real Estate Investment Trust	314	331	
7 618	HFF Inc., Class A	299	344	
8 731	Highwoods Properties Inc.	518	583	
14 346	Hospitality Properties Trust	551	540	
28 822	Host Marriott Corp.	765	799	
17 418	Kite Realty Group Trust Real Estate Investment Trust	404	391	
6 406	Lamar Advertising Co., Class A Real Estate Investment Trust	603	576	
35 259	Lexington Real Estate Investment Trust	428	405	
10 306	Liberty Property Trust	500	601	
7 106	LTC Properties Inc. Real Estate Investment Trust	395	400	
30 545	Medical Properties Trust Inc. Real Estate Investment Trust	522	564	
10 985	National Retail Properties Inc. Real Estate Investment Trust	615	635	
12 049	ProLogis Inc. Trust	843	1 041	
2 707	PS Business Parks Inc. Real Estate Investment Trust	347	458	
3 606	Public Storage Inc. Real Estate Investment Trust	940	1 076	
11 234	Realty Income Corp. Real Estate Investment Trust	863	795	
4 107	Saul Centers Inc. Real Estate Investment Trust	288	289	
23 201	Senior Housing Properties Trust Real Estate Investment Trust	559	552	
5 546	Simon Property Group Inc.	1 239	1 242	
6 498	Taubman Centers Inc.	562	502	
14 501	The Geo Group Inc. Real Estate Investment Trust	530	525	
14 184	UDR Inc. Real Estate Investment Trust	698	700	
9 926	Urstadt Biddle Properties Inc., Class A Real Estate Investment Trust	258	295	
12 032	Ventas Inc. Real Estate Investment Trust	908	901	
12 979	Weingarten Real Estate Investment Trust	567	526	
11 792	Welltower Inc. Real Estate Investment Trust	1 009	972	
19 910	Weyerhaeuser Company Ltd.	926	955	
		<u>28 744</u>	<u>29 987</u>	<b>6.6</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Telecommunication Services</b>				
109 934	Spok Holdings Inc.	\$ 2 223	\$ 2 176	
290 575	Verizon Communications Inc.	17 985	19 230	
		<u>20 208</u>	<u>21 406</u>	<b>4.7</b>
<b>Utilities</b>				
69 412	AES Corp.	1 032	1 224	
8 633	ALLETE Inc.	709	879	
20 279	American Electric Power	1 926	1 847	
22 432	Aqua America Inc.	897	1 038	
10 293	Atmos Energy Corp.	924	1 220	
35 913	Centerpoint Energy Inc.	1 292	1 309	
21 891	CMS Energy Corp.	1 327	1 361	
22 832	Dominion Energy Inc.	2 080	2 048	
10 932	DTE Energy Company	1 295	1 490	
9 907	El Paso Electric Co.	567	770	
7 736	Idacorp Inc.	796	939	
26 489	MDU Resources Group Inc.	837	999	
13 562	National Fuel Gas Co.	1 021	945	
15 160	New Jersey Resources Corp.	655	892	
11 169	NextEra Energy Inc.	1 765	2 454	
23 537	OGE Energy Corp.	977	1 090	
9 136	ONE Gas Inc.	808	898	
40 933	PPL Corporation	1 722	1 537	
24 527	Public Service Enterprise Group	1 357	1 747	
8 857	Southwest Gas Holdings Inc.	753	889	
17 446	UGI Corp.	949	1 195	
18 470	WEC Energy Group Inc.	1 509	1 571	
		<u>25 198</u>	<u>28 342</u>	<b>6.2</b>
<b>TOTAL UNITED STATES EQUITIES</b>		409 562	456 056	<b>99.8</b>
<b>Less: Transaction costs</b>		(9)	—	—
<b>TOTAL INVESTMENTS</b>		<u>\$ 409 553</u>	<u>456 056</u>	<b>99.8</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			694	<b>0.2</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			<u>\$ 456 750</u>	<b>100.0</b>



**Statements of Financial Position** (unaudited)

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
<b>ASSETS</b>		
Investments at fair value	\$ 456 056	\$ 449 029
Cash	865	2 294
Due from investment dealers	242	–
Dividends receivable, interest accrued and other assets	673	756
<b>TOTAL ASSETS</b>	<b>457 836</b>	<b>452 079</b>
<b>LIABILITIES</b>		
Due to investment dealers	911	–
Distributions payable	–	987
Accounts payable and accrued expenses	175	172
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>1 086</b>	<b>1 159</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 456 750</b>	<b>\$ 450 920</b>
Investments at cost	\$ 409 553	\$ 402 692
<b>NAV</b>		
<b>CAD UNITS</b>	<b>\$ 408 758</b>	<b>\$ 404 548</b>
<b>USD UNITS</b>	<b>\$ 47 992</b>	<b>\$ 46 372</b>
<b>NAV PER UNIT</b>		
<b>CAD UNITS</b>	<b>\$ 33.10</b>	<b>\$ 31.98</b>
<b>USD UNITS*</b>	<b>\$ 25.16</b>	<b>\$ 25.52</b>

\* Stated in U.S. dollars.

**Statements of Comprehensive Income** (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 7 023	\$ 6 365
Net realized gain (loss) on investments	15 251	17 625
Change in unrealized gain (loss) on investments	166	(16 590)
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>22 440</b>	<b>7 400</b>
Other income (loss)	2	–
Securities lending revenue (see note 8 in the generic notes)	32	25
Net gain (loss) on foreign cash balances	37	(54)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>71</b>	<b>(29)</b>
<b>TOTAL INCOME (LOSS)</b>	<b>22 511</b>	<b>7 371</b>
<b>EXPENSES (see notes – ETF Specific Information)</b>		
Management fees	893	816
Independent Review Committee costs	1	1
GST/HST	81	79
Transaction costs	22	53
Withholding tax	940	874
<b>TOTAL EXPENSES</b>	<b>1 937</b>	<b>1 823</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 20 574</b>	<b>\$ 5 548</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>CAD UNITS</b>	<b>\$ 18 576</b>	<b>\$ 4 892</b>
<b>USD UNITS</b>	<b>\$ 1 998</b>	<b>\$ 656</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>CAD UNITS</b>	<b>\$ 1.47</b>	<b>\$ 0.41</b>
<b>USD UNITS*</b>	<b>\$ 1.06</b>	<b>\$ 0.23</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	\$ 20 574	\$ 5 548
<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	(15 251)	(17 625)
Change in unrealized loss (gain) on investments	(166)	16 590
Non-cash distributions from underlying funds	—	—
(Increase) decrease in accrued receivables	83	(52)
Increase (decrease) in accrued payables	3	34
Cost of investments purchased*	(96 652)	(118 322)
Proceeds from sale and maturity of investments*	95 684	118 135
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>4 275</b>	<b>4 308</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	70	200
Cash paid on redemption of redeemable units*	(85)	(77)
Distributions paid to holders of redeemable units	(5 689)	(4 792)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (5 704)</b>	<b>\$ (4 669)</b>
Net unrealized foreign exchange gain (loss) on cash	—	—
Net increase (decrease) in cash for the period	(1 429)	(361)
Cash (bank overdraft), beginning of period	2 294	1 268
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 865</b>	<b>\$ 907</b>
Interest received (paid)	\$ —	\$ —
Dividends received, net of withholding taxes	\$ 6 166	\$ 5 439

\* Excludes in-kind transactions.



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

For the periods ended June 30 (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>	\$ 404 548	\$ 325 819	\$ 46 372	\$ 43 758	\$ 450 920	\$ 369 577
<b>INCREASE (DECREASE) IN NAV</b>	<b>18 576</b>	<b>4 892</b>	<b>1 998</b>	<b>656</b>	<b>20 574</b>	<b>5 548</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	33 975	90 177	6 512	12 111	40 487	102 288
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—
Redemption of redeemable units	(44 131)	(48 788)	(6 398)	(6 552)	(50 529)	(55 340)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(10 156)</b>	<b>41 389</b>	<b>114</b>	<b>5 559</b>	<b>(10 042)</b>	<b>46 948</b>
Distributions from net income	(4 210)	(3 845)	(492)	(516)	(4 702)	(4 361)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(4 210)</b>	<b>(3 845)</b>	<b>(492)</b>	<b>(516)</b>	<b>(4 702)</b>	<b>(4 361)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>4 210</b>	<b>42 436</b>	<b>1 620</b>	<b>5 699</b>	<b>5 830</b>	<b>48 135</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 408 758</b>	<b>\$ 368 255</b>	<b>\$ 47 992</b>	<b>\$ 49 457</b>	<b>\$ 456 750</b>	<b>\$ 417 712</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 U.S. dividend-paying equity securities 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:

Investment mix	June 30 2018	December 31 2017
United States Equities		
Information Technology	15.4	14.5
Financials	14.2	13.4
Health Care	12.5	11.4
Industrials	11.6	12.0
Consumer Staples	10.7	11.7
Energy	8.7	8.4
Real Estate	6.6	5.9
Utilities	6.2	6.2
Consumer Discretionary	5.5	9.0
Telecommunication Services	4.7	3.7
Materials	3.7	3.5
Other Net Assets	0.2	0.3
<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:

Currency	June 30 2018	December 31 2017
United States dollar	100.2	100.3
<b>Total</b>	<b>100.2</b>	<b>100.3</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 5.0% (December 31, 2017 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

**Other price risk (% impact on 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 2018	December 31 2017
S&P Composite 1500 Total Return 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>456 056</b>	–	–	<b>456 056</b>
<b>Underlying funds</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>456 056</b>	–	–	<b>456 056</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>449 029</b>	–	–	<b>449 029</b>
<b>Underlying funds</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>449 029</b>	–	–	<b>449 029</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.

**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	0.39%
USD Units	0.39%





June 30, 2018

**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	12 650	11 050
Issued number of units	1 050	1 600
Reinvested number of units	–	–
Redeemed number of units	(1 350)	(300)
Ending number of units	12 350	12 350
<b>USD Units</b>		
Opening units	1 450	1 300
Issued number of units	200	1 750
Reinvested number of units	–	–
Redeemed number of units	(200)	(1 500)
Ending number of units	1 450	1 550

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

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

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	22	100	53	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements <sup>†</sup>	1	5	–	–

\* 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 2018	June 30 2017
Fair value of securities loaned	64 272	46 524
Fair value of collateral received	65 557	47 455

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 2018		June 30 2017	
	\$	%	\$	%
Gross revenue	46	100	36	100
RBC IS (paid)	(11)	(25)	(10)	(28)
Tax withheld	(3)	(7)	(1)	(4)
ETF revenue	32	68	25	68

**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 2018	December 31 2017
RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF	26.3	25.8
RBC Strategic Global Dividend Leaders ETF	0.8	0.6
Total	27.1	26.4

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 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 RUD.U	Not applicable
RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF	RUDH	Not applicable
RBC Quant U.S. Equity Leaders ETF	RUE RUE.U	Not applicable
RBC Quant U.S. Equity Leaders (CAD Hedged) ETF	RUEH	Not applicable
RBC U.S. Equity Index ETF	RUSA RUSA.U	FTSE USA Index
RBC Quant European Dividend Leaders ETF	RPD RPD.U	Not applicable
RBC Quant European Dividend Leaders (CAD Hedged) ETF	RPDH	Not applicable
RBC Quant EAFE Dividend Leaders ETF	RID RID.U	Not applicable
RBC Quant EAFE Dividend Leaders (CAD Hedged) ETF	RIDH	Not applicable
RBC Quant EAFE Equity Leaders ETF	RIE RIE.U	Not applicable
RBC Quant EAFE Equity Leaders (CAD Hedged) ETF	RIEH	Not applicable
RBC International Equity Index ETF	RINT RINT.U	FTSE Developed ex North America Index
RBC Quant Emerging Markets Dividend Leaders ETF	RXD RXD.U	Not applicable
RBC Quant Emerging Markets Equity Leaders ETF	RXE RXE.U	Not applicable

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

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

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## 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.