



Global Asset  
Management

RBC ETFs

**2017**  
**Annual Management**  
**Report of Fund**  
**Performance**

**FIXED-INCOME ETFs**

RBC 1-5 Year Laddered Canadian Bond ETF	2
RBC 1-5 Year Laddered Corporate Bond ETF	7
RBC 6-10 Year Laddered Canadian Corporate Bond ETF	12
RBC Target 2018 Corporate Bond Index ETF	17
RBC Target 2019 Corporate Bond Index ETF	22
RBC Target 2020 Corporate Bond Index ETF	27
RBC Target 2021 Corporate Bond Index ETF	32
RBC Target 2022 Corporate Bond Index ETF	37
RBC Target 2023 Corporate Bond Index ETF	42
RBC PH&N Short Term Canadian Bond ETF	47
RBC Canadian Short Term Bond Index ETF	52
RBC Canadian Bond Index ETF	56
RBC Short Term U.S. Corporate Bond ETF	60
RBC Global Government Bond (CAD Hedged) Index ETF	65
RBC BlueBay Global Diversified Income (CAD Hedged) ETF	69

**CANADIAN EQUITY ETFs**

RBC Canadian Preferred Share ETF	74
RBC Quant Canadian Dividend Leaders ETF	79
RBC Quant Canadian Equity Leaders ETF	84
RBC Canadian Equity Index ETF	89
RBC Canadian Bank Yield Index ETF	93

**U.S. EQUITY ETFs**

RBC Quant U.S. Dividend Leaders ETF	97
RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF	102
RBC Quant U.S. Equity Leaders ETF	107
RBC Quant U.S. Equity Leaders (CAD Hedged) ETF	112
RBC U.S. Equity Index ETF	117

**INTERNATIONAL EQUITY ETFs**

RBC Quant European Dividend Leaders ETF	121
RBC Quant European Dividend Leaders (CAD Hedged) ETF	126
RBC Quant EAFE Dividend Leaders ETF	131
RBC Quant EAFE Dividend Leaders (CAD Hedged) ETF	136
RBC Quant EAFE Equity Leaders ETF	141
RBC Quant EAFE Equity Leaders (CAD Hedged) ETF	146
RBC International Equity Index ETF	151
RBC Quant Emerging Markets Dividend Leaders ETF	155
RBC Quant Emerging Markets Equity Leaders ETF	160
RBC Emerging Markets Equity Index ETF	165

**GLOBAL EQUITY ETFs**

RBC Strategic Global Dividend Leaders ETF	169
RBC Strategic Global Equity Leaders ETF	174
RBC Quant Global Infrastructure Leaders ETF	179
RBC Quant Global Real Estate Leaders ETF	184

**CONTACT US**

188



FIXED-INCOME ETF

## RBC 1-5 YEAR LADDERED CANADIAN BOND ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure primarily to the performance of a diversified portfolio of Canadian corporate and government bonds, divided (“laddered”) into five groupings with staggered maturities from one to five years, which will provide regular income while preserving capital.

The ETF will achieve exposure to Canadian corporate and government bonds primarily by investing in a portfolio of five equally weighted sub-portfolios, each of which is targeted to provide at least 30% exposure to government bonds and no more than 70% exposure to corporate bonds. The portfolios may deviate at times from their targeted weights due to market fluctuations between rebalance periods. The government bond exposure will be obtained by direct investment in one or more government bonds. The decision to invest in each government bond is based on RBC GAM’s assessment of each bond’s term to maturity, credit quality, yield to maturity and an overall emphasis on issuer diversification. The corporate bond exposure will be obtained primarily by investing in an appropriate RBC Target Maturity Corporate Bond ETF. Each sub-portfolio will have remaining terms to maturity ranging from one to five years. At the end of each year, the nearest term sub-portfolio will be sold and proceeds rolled into a new five-year sub-portfolio in order to maintain the one- to five-year ladder. The portfolio holdings will be rebalanced on a quarterly basis. The frequency of the rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each ETF’s risk rating on an annual basis or if there has been a material change to an ETF’s investment objectives or investment strategies. Any changes to an ETF’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF’s risk rating during the reporting period.

### Results of Operations

The ETF’s net asset value rose to \$232 million as of December 31, 2017, from \$125 million at the end of 2016. The increase was due to net inflows.

Over the past year, the ETF’s units gained 0.5%, which outperformed the 0.1% rise in the benchmark. The ETF’s return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market instruments or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the “BOC”) to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the “Fed”) boosted rates three times during 2017 amid a strengthening economy.

Corporate and provincial bonds with maturities of five years and under had modest total returns this year. Short-dated federal-government bonds had small losses in 2017, while corporate bonds outperformed both federal and provincial bonds across all maturities. Returns for corporate bonds were primarily due to the excess yield (carry) they provide over government bonds.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. The passage late in 2017 of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this point, but higher oil prices are positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.



## Related-Party Transactions

### **Manager, Trustee and Portfolio Manager**

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

### **Custodian and Valuation Agent**

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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**

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

### **Brokers and Dealers**

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$18,000 (2016 – \$17,000) or 100% (2016 – 43%) of the total transaction costs paid for this ETF.

## **Other Related-Party Transactions**

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

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

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.69</b>	<b>0.59</b>	<b>(0.01)</b>	<b>(0.24)</b>	<b>(0.32)</b>	<b>0.02</b>	<b>(0.56)</b>	—	—	<b>(0.01)</b>	<b>(0.57)</b>	<b>19.21</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.62	(0.02)	(0.18)	(0.30)	0.12	(0.55)	—	—	(0.01)	(0.56)	19.69

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 19, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>231 507</b>	<b>12 050</b>	<b>0.25</b>	<b>0.25</b>	<b>0.01</b>	<b>55.15</b>	<b>19.21</b>	<b>19.20</b>
Dec. 31, 2016 <sup>4</sup>	125 017	6 350	0.24	0.24	0.03	79.61	19.69	19.66

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 19, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is charged indirectly and directly to the ETF: indirectly as this ETF invests in the units of other RBC ETFs and the other RBC ETFs pay management fees; and directly for other portfolio manager activities. The total management fee will not exceed 0.22%, before GST/HST, of the daily net asset value of the ETF.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### FTSE TMX Canada Short Term Bond Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	0.5	—	—	—	1.1
Benchmark	0.1	—	—	—	0.5

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since January 19, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**FTSE TMX Canada Short Term Bond Index** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	43.2
Communication	7.0
Energy	6.8
Industrials	4.9
Infrastructure	4.6
Real Estate	2.5
Government and Provincial Bonds	30.2
Other Net Assets	0.8

### Top 25 Holdings\*

	% of Net Asset Value
RBC Target 2019 Corporate Bond Index ETF	14.0
RBC Target 2020 Corporate Bond Index ETF	14.0
RBC Target 2021 Corporate Bond Index ETF	14.0
RBC Target 2022 Corporate Bond Index ETF	14.0
RBC Target 2023 Corporate Bond Index ETF	14.0
Canadian Government Bond 3.750% Jun 01, 2019	6.0
Canada Housing Trust No. 1 1.450% Jun 15, 2020	6.0
Province of Ontario 3.150% Jun 02, 2022	3.0
Province of Quebec 3.500% Dec 01, 2022	3.0
Province of Ontario 2.850% Jun 02, 2023	3.0
Province of Alberta 1.350% Sep 01, 2021	3.0
Province of Quebec 3.000% Sep 01, 2023	3.0
Province of British Columbia 3.250% Dec 18, 2021	3.0
<b>Total</b>	<b>100.0</b>

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



FIXED-INCOME ETF

## RBC 1-5 YEAR LADDERED CORPORATE BOND ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of Canadian corporate bonds, divided (“laddered”) into five groupings with staggered maturities from one to five years, which will provide regular income while preserving capital.

The ETF will achieve exposure to Canadian corporate bonds primarily by investing in an equal-weighted portfolio of five RBC Target Maturity Corporate Bond ETFs with remaining terms to maturity of one to five years. At the end of each year, the nearest term RBC Target Maturity Corporate Bond ETF will be sold and proceeds invested into a longer-dated RBC Target Maturity Corporate Bond ETF to maintain the one- to five-year ladder. The portfolio holdings will be rebalanced initially on a semi-annual basis. The frequency of the rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed. RBC GAM reviews each ETF’s risk rating on an annual basis or if there has been a material change to an ETF’s investment objectives or investment strategies. Any changes to an ETF’s risk rating are the result of RBC GAM’s annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF’s risk rating during the reporting period.

### Results of Operations

The ETF’s net asset value rose to \$256 million as of December 31, 2017, from \$190 million at the end of 2016. The increase was due to net inflows.

Over the past year, the ETF’s units gained 0.7%, which underperformed the 1.0% rise in the benchmark. The ETF’s return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market instruments or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the “BOC”) to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the “Fed”) boosted rates three times during 2017 amid a strengthening economy.

Corporate and provincial bonds with maturities of five years and under had modest total returns this year. Short-dated federal-government bonds had small losses in 2017, while corporate bonds outperformed both federal and provincial bonds across all maturities. Returns for corporate bonds were primarily due to the excess yield (carry) they provide over government bonds.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. The passage late in 2017 of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this point, but higher oil prices are positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”) and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for these services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.



***Custodian and Valuation Agent***

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$29,000 (2016 – \$40,000) or 100% (2016 – 100%) of the total transaction costs paid for this ETF.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.51</b>	<b>0.58</b>	–	<b>(0.18)</b>	<b>(0.30)</b>	<b>0.10</b>	<b>(0.56)</b>	–	–	<b>(0.02)</b>	<b>(0.58)</b>	<b>19.07</b>
Dec. 31, 2016	19.73	0.65	–	(0.14)	(0.11)	0.40	(0.63)	–	–	(0.01)	(0.64)	19.51
Dec. 31, 2015	20.00	0.70	(0.01)	(0.13)	(0.23)	0.33	(0.70)	–	–	–	(0.70)	19.73
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.73	–	–	(0.19)	0.54	(0.65)	–	–	–	(0.65)	20.00

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 15, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>255 527</b>	<b>13 400</b>	<b>0.28</b>	<b>0.28</b>	<b>0.01</b>	<b>31.39</b>	<b>19.07</b>	<b>19.02</b>
Dec. 31, 2016	190 238	9 750	0.28	0.28	0.02	25.30	19.51	19.55
Dec. 31, 2015	148 923	7 550	0.28	0.28	0.04	42.39	19.73	19.68
Dec. 31, 2014 <sup>4</sup>	72 016	3 600	0.28	0.28	–	0.64	20.00	20.00

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 15, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees.



### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

#### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



#### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

##### FTSE TMX Canada Short Term Corporate Bond Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	0.7	1.7	–	–	2.0
Benchmark	1.0	2.0	–	–	2.3

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since January 15, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTION

**FTSE TMX Canada Short Term Corporate Bond Index** This index measures the performance of investment-grade Canadian corporate bonds with terms to maturity of more than one year and fewer than five years.

### SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

#### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	61.7
Communication	10.1
Energy	9.8
Industrials	7.0
Infrastructure	6.6
Real Estate	3.6
Provincial Bonds	0.1
Other Net Assets	1.1

#### Top 25 Holdings\*

	% of Net Asset Value
RBC Target 2019 Corporate Bond Index ETF	20.0
RBC Target 2020 Corporate Bond Index ETF	20.0
RBC Target 2021 Corporate Bond Index ETF	20.0
RBC Target 2022 Corporate Bond Index ETF	20.0
RBC Target 2023 Corporate Bond Index ETF	20.0
Total	100.0

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



FIXED-INCOME ETF

## RBC 6-10 YEAR LADDERED CANADIAN CORPORATE BOND ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of Canadian corporate bonds, divided (“laddered”) into five groupings with successive maturities ranging from six to ten years, that will provide regular income while preserving capital.

The ETF will achieve exposure to Canadian corporate bonds primarily by investing in a portfolio of five sub-portfolios of bonds with targeted weights and remaining terms to maturity ranging from six to ten years. The sub-portfolios may deviate at times from their targeted weights due to market fluctuations and from their remaining terms to maturity due to a possible lack of availability of bonds of the desired maturity. Bond exposure is obtained by direct investment in corporate bonds (and government bonds, if necessary, due to a lack of availability of corporate bonds of the desired maturity). Bonds must meet screening criteria before being considered for a sub-portfolio. The decision to invest in each bond is based on RBC GAM’s assessment of each bond’s key characteristics including term to maturity, credit quality, yield to maturity and duration, with consideration given to issuer diversification. Each sub-portfolio will have a remaining term to maturity ranging from six to ten years. At the end of each year, the nearest term sub-portfolio will be sold, and proceeds rolled into a new ten-year sub-portfolio in order to maintain the six- to ten-year ladder. If there are not enough ten-year bonds to facilitate a one-time roll, the fund may need to gradually roll from five- to ten-year bonds over time as the supply of bonds increases.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The Fund was launched on October 19, 2017, and its net asset value was \$3 million as of December 31, 2017. Performance data is not available for funds that are less than one year old.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the Bank of Canada (the “BOC”) and the U.S. Federal Reserve will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”) and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for these services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;



(c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.14</b>	<b>(0.01)</b>	<b>0.05</b>	<b>(0.04)</b>	<b>0.14</b>	<b>(0.12)</b>	<b>–</b>	<b>(0.04)</b>	<b>–</b>	<b>(0.16)</b>	<b>20.03</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 8, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>3 004</b>	<b>150</b>	<b>0.29</b>	<b>0.29</b>	<b>–</b>	<b>129.53</b>	<b>20.03</b>	<b>19.99</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 8, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC 6-10 Year Laddered Canadian Corporate Bond ETF	0.25%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched October 2017.



## SUMMARY OF INVESTMENT PORTFOLIO

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

### Investment Mix

	% of Net Asset Value
Canadian Bonds	
Energy	22.0
Financials	21.3
Infrastructure	14.5
Real Estate	14.2
Communication	9.0
Industrials	7.4
Provincial Bonds	10.9
Other Net Assets	0.7

### Top 25 Holdings

	% of Net Asset Value
Province of New Brunswick 5.650% Dec 27, 2028	5.5
Province of Newfoundland and Labrador 2.850% Jun 02, 2028	5.5
AIMCo Realty Investors LP 3.043% Jun 01, 2028	5.0
Toronto-Dominion Bank 3.226% Jul 24, 2024	4.0
Royal Bank of Canada 4.930% Jul 16, 2025	3.7
Bank of Nova Scotia 2.620% Dec 02, 2026	3.5
Bank of Montreal 4.609% Sep 10, 2025	3.5
Hydro One Inc. 2.770% Feb 24, 2026	3.5
bcIMC Realty Corp. 2.840% Jun 03, 2025	2.7
407 International Inc. 2.430% May 04, 2027	2.0
Alectra Inc. 2.488% May 17, 2027	2.0
Brookfield Renewable Partners ULC 3.752% Jun 02, 2025	2.0
North West Redwater Partnership / NWR Financing Co., Ltd. 3.200% Jul 22, 2024	2.0
Shaw Communications Inc. 4.350% Jan 31, 2024	2.0
AltaLink LP 3.399% Jun 06, 2024	2.0
AltaLink LP 2.747% May 29, 2026	2.0
bcIMC Realty Corp. 3.000% Mar 31, 2027	2.0
Canadian National Railway Co. 2.800% Sep 22, 2025	2.0
OMERS Realty Corp. 2.858% Feb 23, 2024	2.0
Bank of Montreal 2.700% Dec 09, 2026	2.0
Greater Toronto Airports Authority 6.450% Dec 03, 2027	2.0
Bell Canada Inc. 3.550% Mar 02, 2026	1.5
Enbridge Pipelines Inc. 3.450% Sep 29, 2025	1.5
OMERS Realty Corp. 3.244% Oct 04, 2027	1.5
IGM Financial Inc. 3.440% Jan 26, 2027	1.5
<b>Top 25 Holdings</b>	<b>66.9</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC TARGET 2018 CORPORATE BOND INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE TMX Canada 2018 Maturity Corporate Bond Index\*. The FTSE TMX Canada 2018 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2018.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE TMX Canada 2018 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each ETF's risk rating on an annual basis or if there has been a material change to an ETF's investment objectives or investment strategies. Any changes to an ETF's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF's risk rating during the reporting period.

### Results of Operations

The ETF's net asset value fell to \$52 million as of December 31, 2017, from \$112 million at the end of 2016. The decrease was due to net redemptions.

\* "FTSE TMX Canada 2018 Maturity Corporate Bond Index" is a trademark of FTSE TMX Debt Capital Markets Inc. ("FTDCM"). "TMX" is a trademark of TSX Inc. ("TSX") and is used under licence. "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE TMX Canada 2018 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited, the Exchange or TSX (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Over the past year, the ETF's units gained 1.1%, which underperformed the 1.3% rise in the benchmark. The broad-based index rose 2.5%.

The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the "BOC") to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the "Fed") boosted rates three times during 2017 amid a strengthening economy.

Corporate bonds with one year left until maturity had modest gains. Returns for corporate bonds were driven primarily by investor demand for the extra income offered by corporate bonds relative to government bonds. Short-term bonds with maturities between one and three years experienced the greatest move higher in yields, with short-term federal-government bonds recording losses as coupon payments were offset by declines in prices.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.49</b>	<b>0.70</b>	<b>(0.05)</b>	<b>(0.54)</b>	<b>0.09</b>	<b>0.20</b>	<b>(0.73)</b>	–	–	–	<b>(0.73)</b>	<b>18.97</b>
Dec. 31, 2016	19.81	0.72	(0.05)	(0.03)	(0.31)	0.33	(0.65)	–	–	–	(0.65)	19.49
Dec. 31, 2015	19.93	0.73	(0.06)	0.01	(0.24)	0.44	(0.66)	–	–	–	(0.66)	19.81
Dec. 31, 2014	19.62	0.74	(0.06)	–	0.16	0.84	(0.65)	–	–	–	(0.65)	19.93
Dec. 31, 2013	20.09	0.89	(0.07)	(0.13)	(0.47)	0.22	(0.81)	–	–	–	(0.81)	19.58

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>52 160</b>	<b>2 750</b>	<b>0.28</b>	<b>0.28</b>	–	<b>16.13</b>	<b>18.97</b>	<b>19.00</b>
Dec. 31, 2016	112 073	5 750	0.28	0.28	–	10.22	19.49	19.45
Dec. 31, 2015	75 279	3 800	0.28	0.28	–	5.16	19.81	19.83
Dec. 31, 2014	45 850	2 300	0.29	0.29	–	0.72	19.93	19.94
Dec. 31, 2013	19 622	1 000	0.34	0.34	–	74.31	19.62	19.75

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Target 2018 Corporate Bond Index ETF	0.25%
Effective January 1, 2018	0.20%

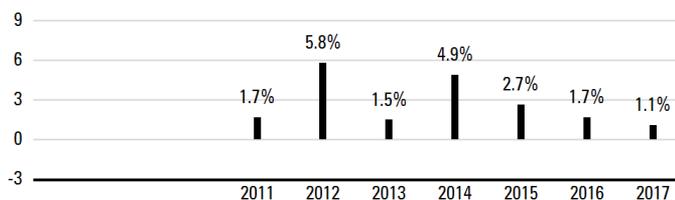


## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

FTSE TMX Canada 2018 Maturity Corporate Bond Index

The broad-based index is the FTSE TMX Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	1.1	1.8	2.4	—	3.1
Benchmark	1.3	2.1	2.7	—	3.4
Broad-based index	2.5	2.6	3.0	—	3.4

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since September 15, 2011.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE TMX Canada 2018 Maturity Corporate Bond Index** This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2018.

**FTSE TMX Canada Universe Bond Index** This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	78.4
Infrastructure	10.7
Real Estate	3.3
Communication	2.6
Industrials	2.6
Energy	2.0
Other Net Assets	0.4

### Top 25 Holdings

	% of Net Asset Value
Wells Fargo Canada Corp. 2.780% Nov 15, 2018	6.6
HSBC Bank Canada 2.078% Nov 26, 2018	6.6
Royal Bank of Canada 3.770% Mar 30, 2018	5.8
Bank of Montreal 3.210% Sep 13, 2018	5.2
Bank of Nova Scotia 2.242% Mar 22, 2018	5.1
Hydro One Inc. 2.780% Oct 09, 2018	4.9
National Bank of Canada 2.794% Aug 09, 2018	4.9
Royal Bank of Canada 2.890% Oct 11, 2018	4.8
Bank of Nova Scotia 2.750% Aug 13, 2018	4.8
Bank of Montreal, FRN 6.170% Mar 28, 2023	4.5
American Express Canada Credit Corp. 2.310% Mar 29, 2018	3.7
Toronto-Dominion Bank, FRN 5.828% Jul 09, 2023	3.6
Great-West Lifeco Finance Delaware LP II, FRN 7.127% Jun 26, 2068	3.4
Ford Credit Canada Ltd. 3.700% Aug 02, 2018	3.3
Greater Toronto Airports Authority 5.260% Apr 17, 2018	3.3
Toyota Credit Canada Inc. 2.800% Nov 21, 2018	3.3
bcIMC Realty Corp. 2.790% Aug 02, 2018	3.3
Toyota Credit Canada Inc. 2.750% Jul 18, 2018	3.3
Canadian Imperial Bank of Commerce, FRN 6.000% Jun 06, 2023	3.0
Bell Canada 3.500% Sep 10, 2018	2.6
Dollarama Inc. 3.095% Nov 05, 2018	2.6
Manulife Financial Corp. 5.505% Jun 26, 2018	2.5
VW Credit Canada Inc. 2.800% Aug 20, 2018	2.2
Enbridge Pipelines Inc. 6.620% Nov 19, 2018	2.0
Sun Life Financial Inc., FRN 5.590% Jan 30, 2023	1.8
<b>Top 25 Holdings</b>	<b>97.1</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC TARGET 2019 CORPORATE BOND INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE TMX Canada 2019 Maturity Corporate Bond Index\*. The FTSE TMX Canada 2019 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2019.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE TMX Canada 2019 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each ETF's risk rating on an annual basis or if there has been a material change to an ETF's investment objectives or investment strategies. Any changes to an ETF's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF's risk rating during the reporting period.

### Results of Operations

The ETF's net asset value rose to \$163 million as of December 31, 2017, from \$127 million at the end of 2016. The increase was due to net inflows.

\* "FTSE TMX Canada 2019 Maturity Corporate Bond Index" is a trademark of FTSE TMX Debt Capital Markets Inc. ("FTDCM"). "TMX" is a trademark of TSX Inc. ("TSX") and is used under licence. "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE TMX Canada 2019 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited, the Exchange or TSX (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Over the past year, the ETF's units gained 0.8%, which underperformed the 1.1% rise in the benchmark. The broad-based index rose 2.5%.

The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the "BOC") to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the "Fed") boosted rates three times during 2017 amid a strengthening economy.

Corporate bonds with two years left until maturity had modest gains. Returns for corporate bonds were driven primarily by investor demand for the extra income offered by corporate bonds relative to government bonds. Short-term bonds with maturities between one and three years experienced the greatest move higher in yields, with short-term federal-government bonds recording losses as coupon payments were offset by declines in prices.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### **Manager, Trustee and Portfolio Manager**

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.88</b>	<b>0.88</b>	<b>(0.05)</b>	<b>(0.22)</b>	<b>(0.46)</b>	<b>0.15</b>	<b>(0.83)</b>	–	–	–	<b>(0.83)</b>	<b>19.22</b>
Dec. 31, 2016	20.15	0.84	(0.06)	(0.04)	(0.26)	0.48	(0.76)	–	–	–	(0.76)	19.88
Dec. 31, 2015	20.27	0.83	(0.06)	(0.01)	(0.23)	0.53	(0.76)	–	–	–	(0.76)	20.15
Dec. 31, 2014	19.77	0.87	(0.06)	–	0.27	1.08	(0.76)	–	(0.01)	–	(0.77)	20.27
Dec. 31, 2013	20.28	0.89	(0.07)	(0.01)	(0.61)	0.20	(0.80)	–	–	–	(0.80)	19.72

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>163 342</b>	<b>8 500</b>	<b>0.28</b>	<b>0.28</b>	–	<b>16.44</b>	<b>19.22</b>	<b>19.23</b>
Dec. 31, 2016	127 224	6 400	0.28	0.28	–	18.51	19.88	19.85
Dec. 31, 2015	90 666	4 500	0.28	0.28	–	15.33	20.15	20.10
Dec. 31, 2014	60 811	3 000	0.28	0.28	–	20.04	20.27	20.28
Dec. 31, 2013	21 747	1 100	0.33	0.33	–	8.02	19.77	19.85

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Target 2019 Corporate Bond Index ETF	0.25%

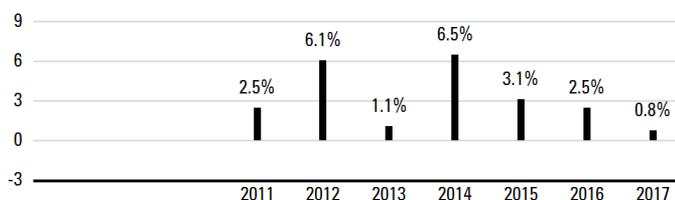


### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

#### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



#### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

FTSE TMX Canada 2019 Maturity Corporate Bond Index

The broad-based index is the FTSE TMX Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	0.8	2.1	2.8	—	3.6
Benchmark	1.1	2.4	3.1	—	3.9
Broad-based index	2.5	2.6	3.0	—	3.4

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since September 15, 2011.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTIONS

**FTSE TMX Canada 2019 Maturity Corporate Bond Index** This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2019.

**FTSE TMX Canada Universe Bond Index** This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

### SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

#### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	52.7
Infrastructure	12.7
Industrials	11.2
Energy	10.8
Communication	9.6
Other Net Assets	3.0

#### Top 25 Holdings\*

	% of Net Asset Value
Bank of Nova Scotia, FRN 3.036% Oct 18, 2024	10.0
National Bank of Canada 2.404% Oct 28, 2019	9.6
Wells Fargo Canada Corp. 2.944% Jul 25, 2019	9.6
Shaw Communications Inc. 5.650% Oct 01, 2019	7.2
Greater Toronto Airports Authority 5.960% Nov 20, 2019	7.0
Brookfield Asset Management Inc. 3.950% Apr 09, 2019	6.7
Royal Bank of Canada 2.980% May 07, 2019	5.1
Royal Bank of Canada, FRN 2.990% Dec 06, 2024	4.8
Enbridge Inc. 4.770% Sep 02, 2019	4.5
IGM Financial Inc. 7.350% Apr 08, 2019	4.2
CU Inc. 6.800% Aug 13, 2019	3.5
Canadian Imperial Bank of Commerce 2.350% Jun 24, 2019	3.3
Sun Life Financial Inc. 5.700% Jul 02, 2019	3.3
Toronto Hydro Corp. 4.490% Nov 12, 2019	2.8
NAV Canada 5.304% Apr 17, 2019	2.8
Cameco Corp. 5.670% Sep 02, 2019	2.8
Intact Financial Corp. 5.410% Sep 03, 2019	2.7
SNC-Lavalin Group Inc. 6.190% Jul 03, 2019	1.7
TransAlta Corp. 6.400% Nov 18, 2019	1.7
Rogers Communications Inc. 5.380% Nov 04, 2019	1.6
Westcoast Energy Inc. 5.600% Jan 16, 2019	1.0
TELUS Corp. 5.050% Dec 04, 2019	0.9
<b>Total</b>	<b>96.8</b>

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

**RBC TARGET 2020  
CORPORATE BOND INDEX ETF**

---

December 31, 2017

**Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

**A Note on Forward-looking Statements**

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE TMX Canada 2020 Maturity Corporate Bond Index\*. The FTSE TMX Canada 2020 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2020.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE TMX Canada 2020 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each ETF's risk rating on an annual basis or if there has been a material change to an ETF's investment objectives or investment strategies. Any changes to an ETF's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF's risk rating during the reporting period.

### Results of Operations

The ETF's net asset value rose to \$129 million as of December 31, 2017, from \$94 million at the end of 2016. The increase was due to net inflows.

\* "FTSE TMX Canada 2020 Maturity Corporate Bond Index" is a trademark of FTSE TMX Debt Capital Markets Inc. ("FTDCM"). "TMX" is a trademark of TSX Inc. ("TSX") and is used under licence. "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE TMX Canada 2020 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited, the Exchange or TSX (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Over the past year, the ETF's units gained 0.7%, which underperformed the 1.0% rise in the benchmark. The broad-based index rose 2.5%.

The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the "BOC") to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the "Fed") boosted rates three times during 2017 amid a strengthening economy.

Corporate bonds with three years left until maturity had modest gains. Returns for corporate bonds were driven primarily by investor demand for the extra income offered by corporate bonds relative to government bonds. Short-term bonds with maturities between one and three years experienced the greatest move higher in yields, with short-term federal-government bonds recording losses as coupon payments were offset by declines in prices.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### **Manager, Trustee and Portfolio Manager**

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>20.47</b>	<b>0.61</b>	<b>(0.06)</b>	<b>(0.10)</b>	<b>(0.34)</b>	<b>0.11</b>	<b>(0.55)</b>	–	–	–	<b>(0.55)</b>	<b>20.07</b>
Dec. 31, 2016	20.52	0.63	(0.06)	(0.01)	(0.11)	0.45	(0.56)	–	–	–	(0.56)	20.47
Dec. 31, 2015	20.49	0.70	(0.06)	(0.06)	(0.26)	0.32	(0.63)	–	–	–	(0.63)	20.52
Dec. 31, 2014	19.81	0.84	(0.06)	(0.03)	0.62	1.37	(0.76)	–	–	–	(0.76)	20.49
Dec. 31, 2013	20.55	0.88	(0.07)	(0.10)	(0.69)	0.02	(0.80)	–	–	–	(0.80)	19.77

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>129 464</b>	<b>6 450</b>	<b>0.28</b>	<b>0.28</b>	–	<b>24.90</b>	<b>20.07</b>	<b>20.08</b>
Dec. 31, 2016	94 176	4 600	0.28	0.28	–	14.05	20.47	20.45
Dec. 31, 2015	58 490	2 850	0.29	0.29	–	49.49	20.52	20.51
Dec. 31, 2014	14 343	700	0.29	0.29	–	31.67	20.49	20.51
Dec. 31, 2013	9 904	500	0.34	0.34	–	43.34	19.81	19.85

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Target 2020 Corporate Bond Index ETF	0.25%

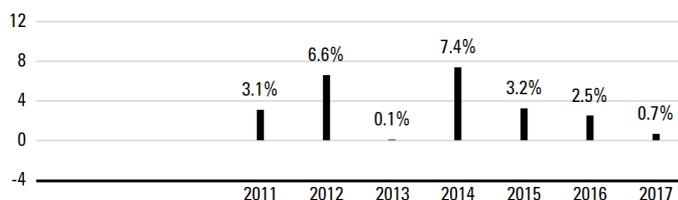


### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

#### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



#### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

##### FTSE TMX Canada 2020 Maturity Corporate Bond Index

The broad-based index is the FTSE TMX Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	0.7	2.2	2.8	—	3.7
Benchmark	1.0	2.5	3.1	—	4.1
Broad-based index	2.5	2.6	3.0	—	3.4

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since September 15, 2011.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTIONS

**FTSE TMX Canada 2020 Maturity Corporate Bond Index** This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2020.

**FTSE TMX Canada Universe Bond Index** This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

### SUMMARY OF INVESTMENT PORTFOLIO

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

#### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	72.6
Energy	9.7
Communication	8.1
Industrials	3.9
Infrastructure	3.2
Real Estate	1.6
Other Net Assets	0.9

#### Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada 1.920% Jul 17, 2020	7.6
Canadian Imperial Bank of Commerce 1.660% Jan 20, 2020	7.6
Caisse Centrale Desjardins 1.748% Mar 02, 2020	6.8
Bank of Nova Scotia 2.270% Jan 13, 2020	6.2
Toronto-Dominion Bank 2.563% Jun 24, 2020	5.8
Bank of Montreal 2.840% Jun 04, 2020	5.7
HSBC Bank Canada 2.938% Jan 14, 2020	5.4
National Bank of Canada 1.742% Mar 03, 2020	5.0
Capital Desjardins Inc. 5.187% May 05, 2020	4.9
Canadian Natural Resources Ltd. 2.050% Jun 01, 2020	4.5
Great-West Lifeco Inc. 4.650% Aug 13, 2020	2.7
Thomson Reuters Corp. 4.350% Sep 30, 2020	2.7
Enbridge Inc. 4.530% Mar 09, 2020	2.7
General Motors Financial of Canada Ltd. 3.080% May 22, 2020	2.6
Nissan Canada Financial Services Inc. 2.420% Oct 19, 2020	2.5
Sun Life Financial Inc., FRN 2.600% Sep 25, 2025	2.5
BMW Canada Inc. 1.880% Dec 11, 2020	2.5
Rogers Communications Inc. 4.700% Sep 29, 2020	2.4
Enbridge Pipelines Inc. 4.450% Apr 06, 2020	1.9
Nissan Canada Financial Services Inc. 1.750% Apr 09, 2020	1.8
407 International Inc. 4.990% Jun 16, 2020	1.6
TELUS Corp. 5.050% Jul 23, 2020	1.6
Hydro One Inc. 4.400% Jun 01, 2020	1.6
Bank of Nova Scotia 2.090% Sep 09, 2020	1.6
OMERS Realty Corp. 3.203% Jul 24, 2020	1.6
<b>Top 25 Holdings</b>	<b>91.8</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

**RBC TARGET 2021  
CORPORATE BOND INDEX ETF**

---

December 31, 2017

**Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

**A Note on Forward-looking Statements**

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE TMX Canada 2021 Maturity Corporate Bond Index\*. The FTSE TMX Canada 2021 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2021.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE TMX Canada 2021 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each ETF's risk rating on an annual basis or if there has been a material change to an ETF's investment objectives or investment strategies. Any changes to an ETF's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF's risk rating during the reporting period.

### Results of Operations

The ETF's net asset value rose to \$122 million as of December 31, 2017, from \$90 million at the end of 2016. The increase was due to net inflows.

\* "FTSE TMX Canada 2021 Maturity Corporate Bond Index" is a trademark of FTSE TMX Debt Capital Markets Inc. ("FTDCM"). "TMX" is a trademark of TSX Inc. ("TSX") and is used under licence. "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE TMX Canada 2021 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited, the Exchange or TSX (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Over the past year, the ETF's units gained 0.9%, which underperformed the 1.2% rise in the benchmark. The broad-based index rose 2.5%.

The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the "BOC") to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the "Fed") boosted rates three times during 2017 amid a strengthening economy.

Corporate bonds with four years left until maturity had modest gains. Returns for corporate bonds were driven primarily by investor demand for the extra income offered by corporate bonds relative to government bonds. Short-term bonds with maturities between one and three years experienced the greatest move higher in yields, with short-term federal-government bonds recording losses as coupon payments were offset by declines in prices.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### **Manager, Trustee and Portfolio Manager**

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>20.24</b>	<b>0.60</b>	<b>(0.06)</b>	<b>(0.02)</b>	<b>(0.38)</b>	<b>0.14</b>	<b>(0.53)</b>	–	–	–	<b>(0.53)</b>	<b>19.88</b>
Dec. 31, 2016	20.21	0.68	(0.06)	0.03	(0.14)	0.51	(0.61)	–	(0.02)	–	(0.63)	20.24
Dec. 31, 2015	20.13	0.73	(0.06)	(0.01)	0.01	0.67	(0.56)	–	–	(0.09)	(0.65)	20.21
Dec. 31, 2014	19.17	0.78	(0.06)	0.03	0.63	1.38	(0.68)	–	–	(0.02)	(0.70)	20.13
Dec. 31, 2013	19.93	0.81	(0.07)	(0.07)	(0.77)	(0.10)	(0.77)	–	–	–	(0.77)	19.12

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>122 285</b>	<b>6 150</b>	<b>0.28</b>	<b>0.28</b>	–	<b>14.62</b>	<b>19.88</b>	<b>19.93</b>
Dec. 31, 2016	90 047	4 450	0.28	0.28	–	58.14	20.24	20.15
Dec. 31, 2015	46 475	2 300	0.28	0.28	–	34.15	20.21	20.24
Dec. 31, 2014	9 060	450	0.29	0.29	–	63.45	20.13	20.51
Dec. 31, 2013	3 834	200	0.34	0.34	–	10.97	19.17	19.26

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Target 2021 Corporate Bond Index ETF	0.25%

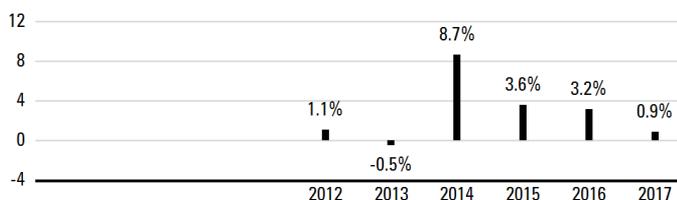


## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

FTSE TMX Canada 2021 Maturity Corporate Bond Index

The broad-based index is the FTSE TMX Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	0.9	2.6	3.1	—	3.2
Benchmark	1.2	2.9	3.4	—	3.5
Broad-based index	2.5	2.6	3.0	—	3.0

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since October 10, 2012.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE TMX Canada 2021 Maturity Corporate Bond Index** This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2021.

**FTSE TMX Canada Universe Bond Index** This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	65.7
Communication	10.6
Energy	9.8
Infrastructure	5.6
Real Estate	5.0
Industrials	2.6
Other Net Assets	0.7

### Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada 1.583% Sep 13, 2021	6.4
Ford Credit Canada Ltd. 2.580% May 10, 2021	5.7
National Bank of Canada 1.809% Jul 26, 2021	5.6
HSBC Bank Canada 2.908% Sep 29, 2021	5.3
Thomson Reuters Corp. 3.309% Nov 12, 2021	4.3
Bank of Montreal 3.400% Apr 23, 2021	4.1
TransCanada PipeLines Ltd. 3.650% Nov 15, 2021	4.0
Rogers Communications Inc. 5.340% Mar 22, 2021	3.9
Capital Desjardins Inc., FRN 4.954% Dec 15, 2026	3.8
Daimler Canada Finance Inc. 1.910% Jul 08, 2021	3.7
Daimler Canada Finance Inc. 2.230% Dec 16, 2021	3.4
407 International Inc. 4.300% May 26, 2021	3.2
Enbridge Inc. 3.160% Mar 11, 2021	3.1
Toyota Credit Canada Inc. 2.200% Feb 25, 2021	3.0
Honda Canada Finance Inc. 2.155% Feb 18, 2021	3.0
Honda Canada Finance Inc. 1.823% Dec 07, 2021	3.0
Bruce Power LP 2.844% Jun 23, 2021	2.7
Sun Life Financial Inc., FRN 3.100% Feb 19, 2026	2.7
Bank of Nova Scotia 3.270% Jan 11, 2021	2.7
Wells Fargo Canada Corp. 3.040% Jan 29, 2021	2.7
Royal Bank of Canada 2.860% Mar 04, 2021	2.6
bcIMC Realty Corp. 2.100% Jun 03, 2021	2.6
Brookfield Asset Management Inc. 5.300% Mar 01, 2021	2.6
Bank of Nova Scotia 2.873% Jun 04, 2021	2.5
Sun Life Financial Inc. 4.570% Aug 23, 2021	2.4
<b>Top 25 Holdings</b>	<b>89.0</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC TARGET 2022 CORPORATE BOND INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE TMX Canada 2022 Maturity Corporate Bond Index\*. The FTSE TMX Canada 2022 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2022.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE TMX Canada 2022 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each ETF's risk rating on an annual basis or if there has been a material change to an ETF's investment objectives or investment strategies. Any changes to an ETF's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF's risk rating during the reporting period.

### Results of Operations

The ETF's net asset value rose to \$104 million as of December 31, 2017, from \$62 million at the end of 2016. The increase was due to net inflows.

\* "FTSE TMX Canada 2022 Maturity Corporate Bond Index" is a trademark of FTSE TMX Debt Capital Markets Inc. ("FTDCM"). "TMX" is a trademark of TSX Inc. ("TSX") and is used under licence. "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE TMX Canada 2022 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited, the Exchange or TSX (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Over the past year, the ETF's units gained 0.9%, which underperformed the 1.1% rise in the benchmark. The broad-based index rose 2.5%.

The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the "BOC") to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the "Fed") boosted rates three times during 2017 amid a strengthening economy.

Corporate bonds with five years left until maturity had modest gains. Returns for corporate bonds were driven primarily by investor demand for the extra income offered by corporate bonds relative to government bonds. Short-term bonds with maturities between one and three years experienced the greatest move higher in yields, with short-term federal-government bonds recording losses as coupon payments were offset by declines in prices.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.67</b>	<b>0.48</b>	<b>(0.05)</b>	<b>(0.04)</b>	<b>(0.32)</b>	<b>0.07</b>	<b>(0.41)</b>	–	–	<b>(0.01)</b>	<b>(0.42)</b>	<b>19.42</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.21	(0.02)	–	(0.41)	(0.22)	(0.10)	–	–	(0.03)	(0.13)	19.67

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 14, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>103 892</b>	<b>5 350</b>	<b>0.28</b>	<b>0.28</b>	–	<b>102.17</b>	<b>19.42</b>	<b>19.46</b>
Dec. 31, 2016 <sup>4</sup>	61 953	3 150	0.29	0.29	–	0.04	19.67	19.70

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 14, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Target 2022 Corporate Bond Index ETF	0.25%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

#### FTSE TMX Canada 2022 Maturity Corporate Bond Index

The broad-based index is the FTSE TMX Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	0.9	—	—	—	-0.2
Benchmark	1.1	—	—	—	-0.5
Broad-based index	2.5	—	—	—	0.0

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since September 20, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE TMX Canada 2022 Maturity Corporate Bond Index** This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2022.

**FTSE TMX Canada Universe Bond Index** This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	76.7
Communication	9.9
Infrastructure	5.0
Industrials	3.6
Energy	3.2
Real Estate	0.9
Other Net Assets	0.7

### Top 25 Holdings

	% of Net Asset Value
Bank of Montreal 2.270% Jul 11, 2022	6.1
Canadian Imperial Bank of Commerce 2.300% Jul 11, 2022	5.6
Bank of Nova Scotia 2.360% Nov 08, 2022	5.6
Toronto-Dominion Bank 1.994% Mar 23, 2022	5.6
Bank of Nova Scotia 1.830% Apr 27, 2022	4.5
Canadian Imperial Bank of Commerce 2.040% Mar 21, 2022	4.0
Manufacturers Life Insurance Co., FRN 3.181% Nov 22, 2027	3.9
Bell Canada Inc. 3.000% Oct 03, 2022	3.8
TELUS Corp. 2.350% Mar 28, 2022	3.7
Caisse Centrale Desjardins 2.091% Jan 17, 2022	3.7
HSBC Bank Canada 2.170% Jun 29, 2022	3.7
Bank of Montreal 2.120% Mar 16, 2022	3.7
Royal Bank of Canada 2.000% Mar 21, 2022	3.3
Federation des Caisses Desjardins du Quebec 2.394% Aug 25, 2022	3.2
National Bank of Canada 2.105% Mar 18, 2022	2.8
National Bank of Canada 1.957% Jun 30, 2022	2.8
Royal Bank of Canada 1.968% Mar 02, 2022	2.7
Rogers Communications Inc. 4.000% Jun 06, 2022	2.4
Hydro One Inc. 3.200% Jan 13, 2022	2.3
Ford Credit Canada Co. 3.349% Sep 19, 2022	2.3
Ford Credit Canada Co. 2.766% Jun 22, 2022	2.2
Toyota Credit Canada Inc. 2.020% Feb 28, 2022	2.2
Central 1 Credit Union 2.600% Nov 07, 2022	1.9
North West Redwater Partnership / NWR Financing Co., Ltd. 2.100% Feb 23, 2022	1.8
Magna International Inc. 3.100% Dec 15, 2022	1.6
<b>Top 25 Holdings</b>	<b>85.4</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC TARGET 2023 CORPORATE BOND INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE TMX Canada 2023 Maturity Corporate Bond Index\*. The FTSE TMX Canada 2023 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2023.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE TMX Canada 2023 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each ETF's risk rating on an annual basis or if there has been a material change to an ETF's investment objectives or investment strategies. Any changes to an ETF's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the ETF's risk rating during the reporting period.

### Results of Operations

The ETF's net asset value rose to \$93 million as of December 31, 2017, from \$4 million at the end of 2016. The increase was due to net inflows.

\* "FTSE TMX Canada 2023 Maturity Corporate Bond Index" is a trademark of FTSE TMX Debt Capital Markets Inc. ("FTDCM"). "TMX" is a trademark of TSX Inc. ("TSX") and is used under licence. "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE TMX Canada 2023 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited, the Exchange or TSX (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Over the past year, the ETF's units gained 1.2%, which underperformed the 1.6% rise in the benchmark. The broad-based index rose 2.5%.

The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

North American corporate bonds recorded gains as demand continued for investments offering excess yield over money-market or government bonds. Economic growth recovered strongly in Canada, as did oil and the Canadian dollar, enabling the Bank of Canada (the "BOC") to raise short-term rates for the first time in seven years. The U.S. Federal Reserve (the "Fed") boosted rates three times during 2017 amid a strengthening economy.

Corporate bonds with six years left until maturity had modest gains. Returns for corporate bonds were driven primarily by investor demand for the extra income offered by corporate bonds relative to government bonds. Short-term bonds with maturities between one and three years experienced the greatest move higher in yields, with short-term federal-government bonds recording losses as coupon payments were offset by declines in prices.

### Recent Developments

The portfolio manager believes that the macroeconomic backdrop of an expanding global economy and its positive impact on corporate earnings and corporate balance sheets support the outlook for corporate bonds. Passage of the U.S. tax plan will help extend an already long credit cycle. As a result, the BOC and the Fed will likely continue on the path of raising short-term interest rates. The results of the NAFTA renegotiation remain unknown for the BOC at this juncture, but stronger oil prices are a positive for the domestic economy.

The portfolio manager expects the first half of 2018 to be characterized by modest returns, higher short-term yields and the continued reduction in the excess yields on non-government bonds.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.56</b>	<b>0.63</b>	<b>(0.06)</b>	<b>(0.05)</b>	<b>(1.63)</b>	<b>(1.11)</b>	<b>(0.30)</b>	–	–	<b>(0.24)</b>	<b>(0.54)</b>	<b>19.26</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.24	(0.02)	(0.06)	(0.48)	(0.32)	(0.16)	–	–	(0.02)	(0.18)	19.56

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 14, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>93 419</b>	<b>4 850</b>	<b>0.29</b>	<b>0.29</b>	–	<b>40.66</b>	<b>19.26</b>	<b>19.31</b>
Dec. 31, 2016 <sup>4</sup>	3 912	200	0.29	0.29	–	11.25	19.56	19.61

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 14, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Target 2023 Corporate Bond Index ETF	0.25%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

#### FTSE TMX Canada 2023 Maturity Corporate Bond Index

The broad-based index is the FTSE TMX Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	1.2	—	—	—	-0.2
Benchmark	1.6	—	—	—	-0.6
Broad-based index	2.5	—	—	—	0.0

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since September 20, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**FTSE TMX Canada 2023 Maturity Corporate Bond Index** This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2023.

**FTSE TMX Canada Universe Bond Index** This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	40.9
Energy	15.3
Industrials	13.9
Communication	12.1
Real Estate	10.1
Infrastructure	6.4
Provincial Bonds	0.6
Other Net Assets	0.7

### Top 25 Holdings\*

	% of Net Asset Value
Sun Life Financial Inc., FRN 3.050% Sep 19, 2028	9.9
Royal Bank of Canada 2.333% Dec 05, 2023	9.9
Toronto-Dominion Bank 1.909% Jul 18, 2023	9.8
TransCanada Pipelines Ltd. 3.690% Jul 19, 2023	9.6
Brookfield Asset Management Inc. 4.540% Mar 31, 2023	7.2
AltaLink LP 3.668% Nov 06, 2023	6.4
Wells Fargo Canada Corp. 3.460% Jan 24, 2023	6.3
OMERS Realty Corp. 3.358% Jun 05, 2023	6.3
TELUS Corp. 3.350% Mar 15, 2023	6.2
Enbridge Inc. 3.940% Jun 30, 2023	5.7
Industrial Alliance Insurance & Financial Services Inc., FRN 3.300% Sep 15, 2028	4.9
First Capital Realty Inc. 3.900% Oct 30, 2023	3.8
Bell Canada Inc. 3.350% Mar 22, 2023	3.6
Saputo Inc. 2.827% Nov 21, 2023	3.6
Loblaw Cos Ltd. 4.860% Sep 12, 2023	3.1
Bell Canada Inc. 4.700% Sep 11, 2023	2.3
Province of Quebec 3.000% Sep 01, 2023	0.2
Province of New Brunswick 2.850% Jun 02, 2023	0.2
Province of Manitoba 2.550% Jun 02, 2023	0.2
<b>Total</b>	<b>99.2</b>

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC PH&N SHORT TERM CANADIAN BOND ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with regular monthly income and the potential for modest capital growth by investing primarily in a well-diversified portfolio of short-term fixed-income securities issued by Canadian corporations and governments.

The ETF invests primarily in an actively managed portfolio of high-quality, short-duration Canadian corporate and government bonds, treasury bills and term deposits. Fixed-income securities are selected on the basis of the portfolio manager's assessment of each security's key characteristics including term to maturity, credit quality, yield to maturity and duration, with consideration given to issuer diversification, in order to build a diversified portfolio with competitive risk-adjusted rates of return.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on October 19, 2017, and its net asset value was \$9 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

Several years of slow global economic growth and resulting growth-enhancing monetary policies have led to historically low global interest rates. However, the portfolio manager believes that interest rates could turn up as central banks lean towards removing stimulus in response to a stronger global economy.

In Canada, stronger-than-expected economic growth in 2017, especially in the first half of the year, prompted the Bank of Canada (the "BOC") to begin raising its overnight policy rate for the first time in seven years. The BOC, however, continues to emphasize that future rate decisions will depend on whether economic growth is sustained. Investors are pricing in several more rate hikes for 2018, and the portfolio manager will use any significant movements in rates as opportunities to find attractive areas of investment.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day

operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.09</b>	<b>(0.02)</b>	<b>0.02</b>	<b>(0.08)</b>	<b>0.01</b>	<b>(0.01)</b>	<b>–</b>	<b>–</b>	<b>(0.09)</b>	<b>(0.10)</b>	<b>19.93</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 8, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>8 967</b>	<b>450</b>	<b>0.42</b>	<b>0.42</b>	<b>–</b>	<b>250.85</b>	<b>19.93</b>	<b>19.94</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 8, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC PH&N Short Term Canadian Bond ETF	0.35%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched October 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
Canadian Bonds	
Federal	49.4
Corporate	26.8
Provincial	13.4
Mortgage-Backed Bonds	3.2
Foreign Corporate Bonds	3.2
Other Net Assets	4.0

**Top 25 Holdings**

	% of Net Asset Value
Canada Housing Trust No. 1 1.950% Jun 15, 2019	9.0
Canada Housing Trust No. 1 1.450% Jun 15, 2020	7.0
Government of Canada 1.250% Nov 01, 2019	6.0
Government of Canada 1.000% Sep 01, 2022	6.0
Province of Ontario 4.400% Jun 02, 2019	5.0
Province of Ontario 4.200% Jun 02, 2020	4.0
Government of Canada 1.250% Feb 01, 2020	4.0
Canada Housing Trust No. 1 1.250% Dec 15, 2020	4.0
Royal Bank of Canada 1.400% Apr 26, 2019	3.0
Government of Canada Treasury Bills 1.014% Mar 08, 2018	3.0
Canada Housing Trust No. 1 1.250% Jun 15, 2021	3.0
Brookfield Asset Management Inc. 3.950% Apr 09, 2019	3.0
Enbridge Pipelines Inc. 4.490% Nov 12, 2019	3.0
Canadian Mortgage Pools 1.840% Dec 01, 2022	3.0
Canada Housing Trust No. 1 2.400% Dec 15, 2022	3.0
Province of Alberta 1.250% Jun 01, 2020	2.0
Government of Canada 1.750% Mar 01, 2023	2.0
OMERS Realty Corp. 3.203% Jul 24, 2020	2.0
Hydro One Inc. 3.200% Jan 13, 2022	2.0
Toronto-Dominion Bank 1.680% Jun 08, 2021	2.0
Canada Housing Trust No. 1 1.500% Dec 15, 2021	2.0
Enbridge Inc. 4.770% Sep 02, 2019	2.0
Bruce Power LP 2.844% Jun 23, 2021	1.0
North West Redwater Partnership 2.100% Feb 23, 2022	1.0
Royal Bank of Canada 1.968% Mar 02, 2022	1.0
<b>Top 25 Holdings</b>	<b>83.0</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC CANADIAN SHORT TERM BOND INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad Canadian bond index with a short-term average maturity. Currently, the ETF seeks to track the FTSE TMX Canada Universe + Maple Short Term Overall Bond Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the FTSE TMX Canada Universe + Maple Short Term Overall Bond Index in the same proportion as they are reflected in the index or securities intended to replicate the performance of the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$46 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.13</b>	<b>(0.01)</b>	<b>–</b>	<b>(0.01)</b>	<b>0.11</b>	<b>(0.09)</b>	<b>–</b>	<b>–</b>	<b>(0.06)</b>	<b>(0.15)</b>	<b>19.96</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>45 919</b>	<b>2 300</b>	<b>0.11</b>	<b>0.11</b>	<b>–</b>	<b>53.00</b>	<b>19.96</b>	<b>20.02</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Canadian Short Term Bond Index ETF	0.10%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
Canadian Bonds	
Federal	49.5
Corporate	31.2
Provincial	17.2
Municipal	0.4
Foreign Corporate Bonds	1.3
Other Net Assets	0.4

**Top 25 Holdings**

	% of Net Asset Value
Government of Canada 1.500% Mar 01, 2020	4.8
Government of Canada 3.750% Jun 01, 2019	4.6
Government of Canada 0.750% Sep 01, 2020	4.5
Government of Canada 0.750% May 01, 2019	3.4
Government of Canada 0.750% Mar 01, 2021	2.8
Government of Canada 0.750% Sep 01, 2021	2.7
Government of Canada 1.750% Sep 01, 2019	2.6
Canada Housing Trust No. 1 2.000% Dec 15, 2019	2.4
Canada Housing Trust No. 1 1.250% Dec 15, 2020	2.3
Canada Housing Trust No. 1 1.250% Jun 15, 2021	2.2
Canada Housing Trust No. 1 1.750% Jun 15, 2022	2.2
Government of Canada 1.000% Sep 01, 2022	2.1
Canada Housing Trust No. 1 1.950% Jun 15, 2019	2.0
Province of Ontario 3.150% Jun 02, 2022	1.9
Province of Ontario 4.200% Jun 02, 2020	1.7
Government of Canada 0.500% Mar 01, 2022	1.6
Canada Housing Trust No. 1 2.400% Dec 15, 2022	1.4
Province of Ontario 4.000% Jun 02, 2021	1.4
Government of Canada 2.750% Jun 01, 2022	1.3
Province of Ontario 4.400% Jun 02, 2019	1.2
Canada Housing Trust No. 1 1.150% Dec 15, 2021	1.2
Province of Quebec 4.250% Dec 01, 2021	1.2
Province of Quebec 3.500% Dec 01, 2022	1.1
Province of Quebec 4.500% Dec 01, 2020	1.1
Bank of Nova Scotia 2.130% Jun 15, 2020	1.0
<b>Top 25 Holdings</b>	<b>54.7</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC CANADIAN BOND INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad Canadian bond index. Currently, the ETF seeks to track the FTSE TMX Canada Universe + Maple Bond Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the FTSE TMX Canada Universe + Maple Bond Index in the same proportion as they are reflected in the index or securities intended to replicate the performance of the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$40 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.18</b>	<b>(0.01)</b>	<b>0.03</b>	<b>0.28</b>	<b>0.48</b>	<b>(0.16)</b>	<b>–</b>	<b>(0.03)</b>	<b>–</b>	<b>(0.19)</b>	<b>20.27</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>39 865</b>	<b>1 966</b>	<b>0.11</b>	<b>0.11</b>	<b>–</b>	<b>120.58</b>	<b>20.27</b>	<b>20.34</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Canadian Bond Index ETF	0.10%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
Canadian Bonds	
Federal	35.8
Provincial	32.6
Corporate	30.8
Foreign Corporate Bonds	0.2
Other Net Assets	0.6

**Top 25 Holdings**

	% of Net Asset Value
Canada Housing Trust No. 1 3.350% Dec 15, 2020	3.7
Canada Housing Trust No. 1 1.250% Jun 15, 2021	3.2
Government of Canada 3.500% Dec 01, 2045	2.5
Province of Quebec 9.500% Mar 30, 2023	2.3
Government of Canada 0.500% Feb 01, 2019	2.3
Government of Canada 1.500% Jun 01, 2026	2.3
Province of Ontario 2.600% Jun 02, 2025	2.1
Canada Housing Trust No. 1 2.350% Sep 15, 2023	2.0
Province of Quebec 5.000% Dec 01, 2041	1.8
Province of Ontario 2.900% Dec 02, 2046	1.8
Government of Canada 1.500% Jun 01, 2023	1.5
TCHC Issuer Trust 4.877% May 11, 2037	1.5
Province of Quebec 3.500% Dec 01, 2045	1.4
Royal Bank of Canada 2.030% Mar 15, 2021	1.2
Government of Canada 0.750% May 01, 2019	1.2
Government of Canada 4.000% Jun 01, 2041	1.2
Government of Canada 0.750% Aug 01, 2019	1.2
Government of Canada 1.000% Jun 01, 2027	1.2
Province of Ontario 2.100% Sep 08, 2019	1.1
Greater Toronto Airports Authority 3.040% Sep 21, 2022	1.0
Canada Housing Trust No. 1 1.950% Jun 15, 2019	1.0
Province of Ontario 3.150% Jun 02, 2022	1.0
Province of Ontario 3.450% Jun 02, 2045	1.0
Hydro One Inc. 5.360% May 20, 2036	0.9
Bank of Montreal 1.880% Mar 31, 2021	0.9
<b>Top 25 Holdings</b>	<b>41.3</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC SHORT TERM U.S. CORPORATE BOND ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: RBC Global Asset Management (U.S.) Inc.,  
Minneapolis, Minnesota

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with regular monthly income with the potential for modest capital growth by investing primarily in a well-diversified portfolio of short-term fixed-income securities issued in the U.S. market by U.S. and foreign corporations.

The ETF invests primarily in an actively managed portfolio of high-quality short-duration bonds issued in the U.S. market by U.S. (and, in some cases, foreign) corporations. These bonds are selected by the portfolio sub-advisor on the basis of company credit and industry analysis to identify investment opportunities offering higher probabilities of competitive rates of return while simultaneously mitigating interest rate risk.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on October 19, 2017, and its net asset value was \$10 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

With U.S. economic growth on a sustainable path, the U.S. Federal Reserve is likely to extend its policy of raising short-term rates and decreasing its stockpile of bonds. In the portfolio manager's view, such policy is appropriate because U.S. tax reform will further boost economic growth. Moreover, inflation pressures may be stirring.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Sub-Advisor*

RBC Global Asset Management (U.S.) Inc. is the sub-advisor and provides investment advice for the ETF. The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the net asset value of the ETF. The sub-advisor is paid by the manager from the management fee paid by the ETF.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.15</b>	<b>(0.02)</b>	<b>0.01</b>	<b>(0.21)</b>	<b>(0.07)</b>	<b>(0.12)</b>	<b>–</b>	<b>(0.01)</b>	<b>–</b>	<b>(0.13)</b>	<b>19.88</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 8, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>9 938</b>	<b>500</b>	<b>0.41</b>	<b>0.41</b>	<b>–</b>	<b>24.00</b>	<b>19.88</b>	<b>19.89</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 8, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Short Term U.S. Corporate Bond ETF	0.35%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched October 2017.



## SUMMARY OF INVESTMENT PORTFOLIO

*(after consideration of derivative products, if any)*

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Corporate Bonds	
United States	79.5
Canadian	4.4
Australia	4.1
Netherlands	3.3
United Kingdom	2.3
Other Global Bonds	5.5
Other Net Assets	0.9

### Top 25 Holdings

	% of Net Asset Value
Westpac Banking Corp. USD 2.21% Jan 11, 2022	3.2
Wells Fargo & Co. 2.15% Jan 30, 2020	1.9
HSBC Holdings Plc. USD 5.10% Apr 05, 2021	1.4
Morgan Stanley 5.50% Jan 26, 2020	1.3
Cooperatieve Rabobank U.A. USD 4.50% Jan 11, 2021	1.3
JPMorgan Chase & Co. 4.95% Mar 25, 2020	1.3
The PNC Financial Services Group Inc. 4.38% Aug 11, 2020	1.3
Noble Energy Inc. 4.15% Dec 15, 2021	1.3
American Tower Corp. Real Estate Investment Trust 3.40% Feb 15, 2019	1.3
Williams Partners LP 3.35% Aug 15, 2022	1.3
American Honda Finance Corp. 2.45% Sep 24, 2020	1.3
Apache Corp. 3.25% Apr 15, 2022	1.3
HSBC USA Inc. 2.75% Aug 07, 2020	1.3
Rockwell Collins Inc. 2.80% Mar 15, 2022	1.3
Verizon Communications Inc. 2.95% Mar 15, 2022	1.3
Becton Dickinson and Co. 2.40% Jun 05, 2020	1.3
The Goldman Sachs Group Inc. 2.91% Jul 24, 2023	1.3
JPMorgan Chase & Co. 1.85% Mar 22, 2019	1.3
Thermo Fisher Scientific Inc. 2.40% Feb 01, 2019	1.3
Toyota Motor Credit Corp. 1.95% Apr 17, 2020	1.3
Tyson Foods Inc. 1.89% Aug 21, 2020	1.3
Canadian Imperial Bank of Commerce USD 1.60% Sep 06, 2019	1.2
Toronto-Dominion Bank USD 2.13% Jul 02, 2019	1.2
Shire Acquisitions Investments Ireland DAC USD 1.90% Sep 23, 2019	1.2
Amgen Inc. 2.65% May 11, 2022	1.2
<b>Top 25 Holdings</b>	<b>34.7</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC GLOBAL GOVERNMENT BOND (CAD HEDGED) INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad world government bond index that is hedged to Canadian dollars. Currently, the ETF seeks to track the Citi World Government Bond Index (Currency-Hedged in CAD) (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the Citi World Government Bond Index (Currency-Hedged in CAD) in the same proportion as they are reflected in the index or securities intended to replicate the performance of the index, while seeking to minimize exposure to currency fluctuations between foreign currencies and the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$26 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.09</b>	<b>(0.02)</b>	<b>(0.97)</b>	<b>0.96</b>	<b>0.06</b>	<b>(0.06)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.06)</b>	<b>20.00</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>26 004</b>	<b>1 300</b>	<b>0.40</b>	<b>0.40</b>	<b>–</b>	<b>21.78</b>	<b>20.00</b>	<b>20.07</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Global Government Bond (CAD Hedged) Index ETF	0.35%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
Global Bonds	
United States	34.3
Japan	19.6
France	8.2
Italy	7.9
Germany	5.8
United Kingdom	5.5
Spain	4.7
Other Global Bonds	13.1
Other Net Assets	0.9

**Top 25 Holdings**

	% of Net Asset Value
Japan Government Twenty Year JPY 0.700% Mar 20, 2037	2.1
Japan Government Ten Year JPY 1.300% Mar 20, 2020	1.7
Japan Government Twenty Year JPY 2.100% Dec 20, 2027	1.4
Japan Government Twenty Year JPY 0.500% Sep 20, 2036	1.3
Japan Government Ten Year JPY 0.100% Jun 20, 2027	1.3
Japan Government Five Year JPY 0.100% Jun 20, 2022	1.2
United States Treasury 2.000% Apr 30, 2024	1.2
United States Treasury 1.500% Aug 15, 2020	1.2
United States Treasury 2.000% May 31, 2024	1.1
Japan Government Twenty Year JPY 1.700% Jun 20, 2033	1.1
Japan Government Thirty Year JPY 0.800% Jun 20, 2047	1.0
United States Treasury 1.500% Feb 28, 2019	1.0
United States Treasury 1.125% Jan 31, 2019	1.0
United States Treasury 1.250% Apr 30, 2019	1.0
United States Treasury 1.750% Dec 31, 2020	1.0
United States Treasury 2.000% Dec 31, 2021	1.0
United States Treasury 1.250% Jun 30, 2019	1.0
United States Treasury 0.875% Jul 31, 2019	0.9
United States Treasury 1.750% Mar 31, 2022	0.9
United States Treasury 0.875% Sep 15, 2019	0.9
Japan Government Ten Year JPY 0.500% Dec 20, 2024	0.9
Japan Government Twenty Year JPY 1.900% Jun 20, 2022	0.9
United States Treasury 1.125% Jul 31, 2021	0.9
United States Treasury 1.125% Sep 30, 2021	0.9
United States Treasury 4.500% Feb 15, 2036	0.9
<b>Top 25 Holdings</b>	<b>27.8</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



FIXED-INCOME ETF

## RBC BLUEBAY GLOBAL DIVERSIFIED INCOME (CAD HEDGED) ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: BlueBay Asset Management LLP, London, England

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of global bonds that provide regular monthly income and total returns comprised of interest income and modest capital appreciation, while seeking to minimize the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The ETF invests primarily in an actively managed portfolio of global investment-grade developed-market corporate bonds, global high-yield bonds and emerging market government and corporate bonds, and may also invest in asset-backed securities and loans. These fixed-income securities are selected by the portfolio sub-advisor on the basis of company credit and industry analysis to identify investment opportunities offering higher probabilities of superior rates of return while simultaneously minimizing the prospect of default.

The ETF uses derivatives to hedge against fluctuations in foreign currencies to minimize exposure to changes of the foreign currencies held by the ETF relative to the Canadian dollar. The ETF may also use derivatives to protect against losses or reduce volatility resulting from changes in interest rates.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on October 19, 2017, and its net asset value was \$17 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor believes that the current environment of strong global economic growth will continue into 2018, and therefore remains positive about the outlook for riskier assets. However, the sub-advisor believes that rising U.S. interest rates could pose a threat to this outlook. There is also the possibility that inflation will be higher than expected, and the sub-advisor believes that the ETF is positioned to defend against such an outcome.

## Related-Party Transactions

### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

### *Sub-Advisor*

BlueBay Asset Management LLP is the sub-advisor and provides investment advice for the ETF. The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the net asset value of the ETF. The sub-advisor is paid by the manager from the management fee paid by the ETF.

### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.



***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.22</b>	<b>(0.03)</b>	<b>(0.49)</b>	<b>0.55</b>	<b>0.25</b>	<b>(0.17)</b>	<b>–</b>	<b>–</b>	<b>(0.57)</b>	<b>(0.74)</b>	<b>19.50</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 8, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>16 575</b>	<b>850</b>	<b>0.71</b>	<b>0.71</b>	<b>–</b>	<b>3.40</b>	<b>19.50</b>	<b>19.54</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 8, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC BlueBay Global Diversified Income (CAD Hedged) ETF	0.60%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched October 2017.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Global Bonds	
United States	25.5
United Kingdom	9.2
France	8.9
Cayman Islands	6.7
Netherlands	4.8
Spain	4.8
Italy	4.4
Other Global Bonds	31.1
Other Net Assets	4.6

### Top 25 Holdings

	% of Net Asset Value
Barclays Plc. GBP 7.250% Dec 31, 2049	2.2
Intesa Sanpaolo S.p.A. EUR 7.750% Dec 31, 2049	2.2
UniCredit S.p.A. EUR 9.250% Dec 31, 2049	2.2
CaixaBank S.A. EUR 6.750% Dec 31, 2049	2.0
TOTAL S.A. EUR 2.708% Dec 31, 2049	1.9
Banque Centrale de Tunisie EUR 5.625% Feb 17, 2024	1.9
Bankia S.A. EUR 6.000% Dec 31, 2049	1.9
Government of Canada Treasury Bills 1.089% Apr 05, 2018	1.9
XLIT Ltd. EUR 3.250% Jun 29, 2047	1.8
Intrum Justitia AB EUR 3.125% Jul 15, 2024	1.8
RAC Bond Co. Plc. GBP 4.870% May 06, 2026	1.8
Emirates NBD 2014 Tier 1 Ltd. USD 6.375% Dec 31, 2049	1.6
Provincia de Entre Rios Argentina USD 8.750% Feb 08, 2025	1.6
China Evergrande Group USD 8.250% Mar 23, 2022	1.6
Trust F/1401 USD 5.250% Dec 15, 2024	1.6
Phoenix Group Holdings USD 5.375% Jul 06, 2027	1.6
NBK Tier 1 Financing Ltd. USD 5.750% Dec 31, 2049	1.6
Türkiye Garanti Bankası A.S. USD 5.250% Sep 13, 2022	1.5
SURA Asset Management S.A. USD 4.375% Apr 11, 2027	1.5
United Rentals North America Inc. 4.875% Jan 15, 2028	1.5
Telecom Italia Finance S.A. EUR 7.750% Jan 24, 2033	1.4
Tesco Plc. GBP 6.125% Feb 24, 2022	1.2
Scottish Widows Ltd. GBP 5.500% Jun 16, 2023	1.2
Groupama S.A. EUR 6.000% Jan 23, 2027	1.1
Orange S.A. EUR 5.000% Dec 31, 2049	1.1
Top 25 Holdings	41.7

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



CANADIAN EQUITY ETF

## RBC CANADIAN PREFERRED SHARE ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of primarily Canadian preferred share securities that will provide regular income and that have the potential for long-term capital growth.

The ETF invests primarily in an actively managed portfolio of rate reset preferred shares issued by Canadian companies, selected on the basis of fundamental analysis, credit research and interest rate sensitivity analysis. The ETF may also hold preferred shares issued by Canadian companies that are not rate reset preferred shares, fixed-income securities issued by Canadian governments or companies, dividend-paying common stock from Canadian issuers or preferred shares from U.S. issuers, as well as other Canadian listed exchange-traded funds. Some of the Canadian listed preferred shares in which the ETF invests may be denominated in U.S. dollars. The ETF may also hold money market instruments and cash.

The ETF may use derivative instruments for hedging purposes, for example, to hedge its U.S. dollar exposure back to the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$703 million as of December 31, 2017, from \$147 million at the end of 2016. The rise was due to net inflows.

Over the past year, the ETF's units gained 16.1%, which outperformed the 15.6% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The Canadian preferred-share market produced strong returns during 2017, pulled higher by an upward move in government-bond yields after strong Canadian economic data led to two interest-rate hikes by the Bank of Canada. Rate-reset preferred shares tend to benefit in a rising-rate environment as investors anticipate that dividends will reset at higher rates. Also aiding returns was a drop in the number of new preferred-share issues in 2017 from 2016, reducing supply.

Against this backdrop, the ETF's relative returns benefited from higher-than-benchmark exposure to preferred shares due for dividend resets in 2017, as these securities were the most sensitive to the rise in interest rates. Moreover, the Fund largely avoided companies whose credit profiles had deteriorated, such as Aimia.

The ETF had a preference for bank-issued preferred shares that can be converted to equity or written off in the event of a financial institution's failure. In the opinion of the portfolio manager, these securities, known as non-viability contingent capital, offered attractive risk-adjusted yields relative to bank reset securities without the feature.

### Recent Developments

The solid U.S. economic backdrop means that the U.S. Federal Reserve is likely to continue raising interest rates at a gradual pace to satisfy its mandate of full employment and price stability. The portfolio manager expects Canadian government-bond yields to also climb, albeit more slowly, lending support to preferred reset securities. However, in the opinion of the portfolio manager, disappointing economic growth could result in moderating demand for rate-reset preferred shares.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$22,000 (2016 – \$2,000) or 14% (2016 – 5%) of the total transaction costs paid for this ETF.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>21.79</b>	<b>1.11</b>	<b>(0.15)</b>	<b>0.20</b>	<b>1.69</b>	<b>2.85</b>	—	<b>(0.75)</b>	<b>(0.16)</b>	<b>(0.05)</b>	<b>(0.96)</b>	<b>24.27</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.45	(0.06)	0.08	2.85	3.32	—	(0.12)	(0.06)	(0.07)	(0.25)	21.79

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 14, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>702 506</b>	<b>28 944</b>	<b>0.59</b>	<b>0.59</b>	<b>0.04</b>	<b>19.39</b>	<b>24.27</b>	<b>24.32</b>
Dec. 31, 2016 <sup>4</sup>	147 358	6 764	0.62	0.62	0.09	23.38	21.79	21.80

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 14, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

#### Management Fees

RBC Canadian Preferred Share ETF	0.53%
----------------------------------	-------



### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

#### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



#### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

##### Solactive Laddered Canadian Preferred Share Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	16.1	—	—	—	20.7
Benchmark	15.6	—	—	—	20.9

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since September 20, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTION

**Solactive Laddered Canadian Preferred Share Index** This index is a measure of the performance of Canadian preferred shares that will generally have adjustable dividend rates. Constituents must meet minimum standards for market capitalization, quality and liquidity.

### SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

#### Investment Mix

	% of Net Asset Value
Canadian Equities	
Financials	50.8
Energy	27.4
Utilities	14.3
Telecommunication Services	3.8
Real Estate	2.6
Consumer Discretionary	0.3
Other Net Assets	0.8

#### Top 25 Holdings

	% of Net Asset Value
Enbridge Inc., Preferred Series N, 4.000%	1.7
Pembina Pipeline Corp., Preferred Series 1, 4.250%	1.7
Enbridge Inc., Preferred Series F, 4.000%	1.7
Toronto-Dominion Bank, Preferred Series 14, 4.850%	1.7
Enbridge Inc., Preferred Series D, 4.000%	1.5
Emera Inc., Preferred Series C, 4.100%	1.5
BCE Inc., Preferred Series AK, 4.150%	1.5
Royal Bank of Canada, Preferred Series BK, 5.500%	1.5
BCE Inc., Preferred Series AQ, 4.250%	1.4
Fortis Inc., Preferred Series G, 5.250%	1.4
Royal Bank of Canada, Preferred Series BD, 3.600%	1.4
Toronto-Dominion Bank, Preferred Series 12, 5.500%	1.4
Royal Bank of Canada, Preferred Series BM, 5.500%	1.4
Toronto-Dominion Bank, Preferred Series 5, 3.750%	1.3
TransCanada Corp., Preferred Series 7, 4.000%	1.2
Fortis Inc., Preferred Series M, 4.100%	1.2
Bank of Montreal, Preferred Series 27, 4.000%	1.2
Manulife Financial Corporation, Preferred Series 13, 3.800%	1.1
Enbridge Inc., Preferred Series H, 4.000%	1.1
Toronto-Dominion Bank, Preferred Series 1, 3.900%	1.1
Manulife Financial Corporation, Preferred Series 11, 4.000%	1.1
AltaGas Ltd., Preferred Series E, 5.000%	1.1
TransCanada Corp., Preferred Series 9, 4.250%	1.0
Bank of Montreal, Preferred Series 38, 4.850%	1.0
Pembina Pipeline Corp., Preferred Series 15, 4.464%	1.0
<b>Top 25 Holdings</b>	<b>33.2</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



CANADIAN EQUITY ETF

## RBC QUANT CANADIAN DIVIDEND LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of high-quality Canadian dividend-paying equity securities that will provide regular income and that have the potential for long-term capital growth.

Portfolio securities for the RBC Quant Canadian Dividend Leaders ETF will be selected using a rules-based, multifactor investment approach that considers a company's balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced initially on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$134 million as of December 31, 2017, from \$109 million at the end of 2016. The increase was due to a combination of net inflows and investment returns.

Over the past year, the ETF's units gained 6.9%, which underperformed the 9.1% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Rogers Communications, Veresen and Telus had the most positive impact on returns, while Peyto Exploration & Development, Canadian National Railway and Toronto-Dominion Bank were negative for performance. The ETF had the highest relative exposure to Intact Financial, Telus and Rogers Communications, and the smallest relative exposure to Toronto-Dominion Bank, Enbridge and Canadian National Railway.

At the sector level, the ETF had the highest relative weightings in Telecommunication Services, Real Estate and Utilities, and the lowest relative exposure to Materials, Consumer Staples and Industrials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Brokers and Dealers*

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$8,000 (2016 – \$5,000) or 10% (2016 – 13%) of the total transaction costs paid for this ETF.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

(a) trades in securities of Royal Bank;



- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>20.64</b>	<b>0.86</b>	<b>(0.10)</b>	<b>0.44</b>	<b>0.22</b>	<b>1.42</b>	–	<b>(0.71)</b>	–	<b>(0.04)</b>	<b>(0.75)</b>	<b>21.28</b>
Dec. 31, 2016	17.74	0.82	(0.09)	–	3.06	3.79	–	(0.67)	(0.04)	(0.04)	(0.75)	20.64
Dec. 31, 2015	20.44	0.85	(0.10)	(1.17)	(1.69)	(2.11)	–	(0.68)	–	(0.09)	(0.77)	17.74
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.90	(0.10)	0.51	(2.20)	(0.89)	–	(0.52)	(0.31)	(0.04)	(0.87)	20.44

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 15, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>134 050</b>	<b>6 300</b>	<b>0.43</b>	<b>0.43</b>	<b>0.07</b>	<b>66.78</b>	<b>21.28</b>	<b>21.24</b>
Dec. 31, 2016	109 386	5 300	0.43	0.43	0.06	54.10	20.64	20.67
Dec. 31, 2015	61 195	3 450	0.43	0.43	0.09	67.74	17.74	18.01
Dec. 31, 2014 <sup>4</sup>	47 010	2 300	0.44	0.44	–	44.85	20.44	20.39

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 15, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Quant Canadian Dividend Leaders ETF	0.39%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### S&P/TSX Capped Composite Total Return Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	6.9	5.3	—	—	5.3
Benchmark	9.1	6.6	—	—	7.3

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since January 15, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Canadian Equities	
Financials	42.4
Energy	20.7
Utilities	13.6
Telecommunication Services	10.6
Real Estate	5.4
Materials	3.2
Industrials	2.8
Consumer Discretionary	0.5
Consumer Staples	0.1
Information Technology	0.1
Health Care	0.1
Other Net Assets	0.5

### Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	7.2
Bank of Nova Scotia	6.0
TELUS Corp.	5.6
Bank of Montreal	5.4
Rogers Communications Inc., Class B	5.1
Sun Life Financial Inc.	4.4
Suncor Energy Inc.	3.3
Intact Financial Corp.	3.2
Brookfield Infrastructure Partners LP	2.9
Great-West Lifeco Inc.	2.9
Canadian Natural Resources Ltd.	2.8
CI Financial Corp.	2.7
Power Financial Corp.	2.6
Industrial Alliance Insurance & Financial Services Inc.	2.5
Inter Pipeline Ltd.	2.4
Hydro One Ltd.	2.1
Keyera Corp.	2.1
IGM Financial Inc.	2.1
Brookfield Renewable Partners LP	2.0
Canadian Utilities Ltd., Class A	1.9
Parkland Fuel Corp.	1.8
Atco Ltd., Class I, Non-Voting	1.7
Gibson Energy Inc.	1.7
TMX Group Ltd.	1.7
Genworth MI Canada Inc.	1.6
<b>Top 25 Holdings</b>	<b>77.7</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



CANADIAN EQUITY ETF

## RBC QUANT CANADIAN EQUITY LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure to the performance of a diversified portfolio of high-quality Canadian equity securities that have the potential for long-term capital growth.

Portfolio securities for the ETF will be selected using a rules-based, multi-factor investment approach designed to select companies with a high quality of earnings while filtering out slow-growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$14 million as of December 31, 2017, from \$9 million at the end of 2016. The increase was mainly due to a combination of net inflows and investment returns.

Over the past year, the ETF's units gained 9.0%, which underperformed the 9.1% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Toronto-Dominion Bank, Rogers Communications and Air Canada had the most positive impact on returns, while Bank of Montreal, Sun Life Financial and Royal Bank of Canada were negative for performance. The ETF had the highest relative exposure to Bank of Nova Scotia, Bank of Montreal and National Bank of Canada, and the smallest relative exposure to Potash Corp. of Saskatchewan, Franco-Nevada and Waste Connections.

At the sector level, the ETF had the highest relative weightings in Utilities, Consumer Discretionary and Industrials, and the lowest relative exposure to Energy, Telecommunication Services and Information Technology.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>20.17</b>	<b>0.62</b>	<b>(0.10)</b>	<b>0.85</b>	<b>0.43</b>	<b>1.80</b>	–	<b>(0.43)</b>	<b>(0.57)</b>	–	<b>(1.00)</b>	<b>21.47</b>
Dec. 31, 2016	16.76	0.61	(0.10)	0.19	3.34	4.04	–	(0.42)	–	–	(0.42)	20.17
Dec. 31, 2015 <sup>3</sup>	20.00 <sup>†</sup>	0.42	(0.06)	(0.70)	(2.87)	(3.21)	–	(0.24)	–	–	(0.24)	16.76

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From May 5, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>13 955</b>	<b>650</b>	<b>0.44</b>	<b>0.44</b>	<b>0.06</b>	<b>100.24</b>	<b>21.47</b>	<b>21.43</b>
Dec. 31, 2016	9 078	450	0.44	0.44	0.07	97.09	20.17	20.32
Dec. 31, 2015 <sup>4</sup>	3 353	200	0.44	0.44	0.03	67.50	16.76	17.02

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From May 5, 2015.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Quant Canadian Equity Leaders ETF	0.39%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### S&P/TSX Capped Composite Total Return Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	9.0	—	—	—	5.5
Benchmark	9.1	—	—	—	6.0

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since May 12, 2015.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Canadian Equities	
Financials	34.4
Energy	15.1
Materials	11.4
Industrials	9.5
Utilities	8.2
Consumer Discretionary	5.9
Telecommunication Services	4.5
Consumer Staples	3.6
Real Estate	3.1
Information Technology	3.0
Health Care	0.8
Other Net Assets	0.5

### Top 25 Holdings

	% of Net Asset Value
Toronto-Dominion Bank	9.8
Bank of Nova Scotia	9.1
National Bank of Canada	4.5
Suncor Energy Inc.	3.7
Manulife Financial Corporation	3.6
Canadian National Railway Co.	3.3
TransCanada Corp.	2.6
Brookfield Asset Management Inc., Class A	2.5
TELUS Corp.	2.5
Canadian Pacific Railway Ltd.	2.3
Rogers Communications Inc., Class B	2.0
Power Corporation of Canada	1.7
Fortis Inc.	1.5
Magna International Inc., Class A	1.5
Power Financial Corp.	1.5
Agrium Inc.	1.5
Brookfield Infrastructure Partners LP	1.4
Teck Resources Ltd., Class B	1.2
Inter Pipeline Ltd.	1.1
CGI Group Inc., Class A	1.1
Husky Energy Inc.	1.1
Air Canada	1.0
Constellation Software Inc.	1.0
Loblaw Companies Ltd.	1.0
CAE Inc.	1.0

Top 25 Holdings 63.5

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



CANADIAN EQUITY ETF

## RBC CANADIAN EQUITY INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad Canadian equity index. Currently, the ETF seeks to track the FTSE Canada All Cap Domestic Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the FTSE Canada All Cap Domestic Index in substantially the same proportion as they are reflected in the index or securities intended to replicate the performance of the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$9 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.19</b>	<b>-</b>	<b>0.01</b>	<b>1.30</b>	<b>1.50</b>	<b>-</b>	<b>(0.10)</b>	<b>-</b>	<b>-</b>	<b>(0.10)</b>	<b>21.45</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>8 581</b>	<b>400</b>	<b>0.06</b>	<b>0.06</b>	<b>-</b>	<b>2.72</b>	<b>21.45</b>	<b>21.43</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Canadian Equity Index ETF	0.05%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
Canadian Equities	
Financials	36.2
Energy	20.3
Materials	11.3
Industrials	9.5
Consumer Discretionary	5.3
Telecommunication Services	4.8
Consumer Staples	3.8
Utilities	2.8
Information Technology	2.7
Real Estate	2.3
Health Care	0.6
Other Net Assets	0.4

**Top 25 Holdings**

	% of Net Asset Value
Royal Bank of Canada	6.9
Toronto-Dominion Bank	6.4
Bank of Nova Scotia	4.5
Enbridge Inc.	3.8
Canadian National Railway Co.	3.6
Suncor Energy Inc.	3.6
Bank of Montreal	3.0
Canadian Imperial Bank of Commerce	2.5
Canadian Natural Resources Ltd.	2.5
TransCanada Corp.	2.5
BCE Inc.	2.4
Manulife Financial Corporation	2.4
Brookfield Asset Management Inc., Class A	2.1
Canadian Pacific Railway Ltd.	1.6
Sun Life Financial Inc.	1.5
TELUS Corp.	1.3
Alimentation Couche-Tard Inc.	1.3
Magna International Inc., Class A	1.1
Waste Connections Inc.	1.1
Rogers Communications Inc., Class B	1.1
Pembina Pipeline Corp.	1.0
Potash Corporation of Saskatchewan Inc.	1.0
National Bank of Canada	1.0
Barrick Gold Corp.	1.0
Agrium Inc.	0.9
<b>Top 25 Holdings</b>	<b>60.1</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



CANADIAN EQUITY ETF

## RBC CANADIAN BANK YIELD INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a portfolio of Canadian bank stocks. Currently, the ETF seeks to track the Solactive Canada Bank Yield Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the index in substantially the same proportion as they are reflected in the index.

The Solactive Canada Bank Yield Index includes equity securities of Canada's six largest banks, determined by market capitalization, weighted based on their indicative annual dividend yields such that the two highest dividend yielding Canadian bank stocks each receive a 1/4 weight, the next two highest dividend yielding Canadian bank stocks each receive a 1/6 weight, and the two lowest dividend yielding Canadian bank stocks each receive a 1/12 weight. The Solactive Canada Bank Yield Index will be rebalanced quarterly.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on October 19, 2017, and its net asset value was \$20 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

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

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.29</b>	<b>(0.02)</b>	<b>0.03</b>	<b>0.44</b>	<b>0.74</b>	<b>–</b>	<b>–</b>	<b>(0.02)</b>	<b>(0.10)</b>	<b>(0.12)</b>	<b>20.85</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From October 19, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>19 804</b>	<b>950</b>	<b>0.34</b>	<b>0.34</b>	<b>0.01</b>	<b>32.34</b>	<b>20.85</b>	<b>20.80</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From October 19, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Canadian Bank Yield Index ETF	0.29%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched October 2017.



## SUMMARY OF INVESTMENT PORTFOLIO

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

### Investment Mix

	% of Net Asset Value
Canadian Equities	
Financials	99.2
Other Net Assets	0.8

### Top 25 Holdings\*

	% of Net Asset Value
Canadian Imperial Bank of Commerce	26.3
Bank of Nova Scotia	23.7
Bank of Montreal	16.5
National Bank of Canada	16.3
Royal Bank of Canada	8.3
The Toronto-Dominion Bank	8.2
Total	99.3

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



U.S. EQUITY ETF

## RBC QUANT U.S. DIVIDEND LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks 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.

Portfolio securities for the RBC Quant U.S. Dividend Leaders ETF will be selected using a rules-based, multifactor investment approach that considers a company's balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced initially on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$451 million as of December 31, 2017, from \$370 million at the end of 2016. The increase was due to a combination of net inflows and investment returns.

Over the past year, the ETF's units gained 9.2%, which underperformed the 13.4% rise in the benchmark. The broad-based index rose 14.1%. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Wal-Mart Stores, Texas Instruments and McDonald's had the most positive impact on the ETF's returns, while Apple, Amazon and Facebook were negative for performance. The ETF had the highest relative exposure to Verizon Communications, Texas Instruments and International Business Machines, and the smallest relative exposure to Facebook, Berkshire Hathaway and Amazon.

At the sector level, the ETF had the highest relative weightings in Utilities, Consumer Staples and Real Estate, and the lowest relative exposure to Information Technology, Consumer Discretionary and Financials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;



(c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>29.93</b>	<b>0.79</b>	<b>(0.14)</b>	<b>1.66</b>	<b>0.45</b>	<b>2.76</b>	–	<b>(0.68)</b>	<b>(1.14)</b>	–	<b>(1.82)</b>	<b>31.98</b>
Dec. 31, 2016	26.69	0.76	(0.12)	1.21	2.19	4.04	–	(0.60)	(0.92)	–	(1.52)	29.93
Dec. 31, 2015	23.79	0.89	(0.25)	1.41	1.11	3.16	–	(0.59)	(1.26)	–	(1.85)	26.69
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.88	(0.23)	0.47	3.91	5.03	–	(0.37)	(0.27)	(0.01)	(0.65)	23.79

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 15, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>450 920</b>	<b>14 100</b>	<b>0.43</b>	<b>0.43</b>	<b>0.02</b>	<b>70.75</b>	<b>31.98</b>	<b>32.12</b>
Dec. 31, 2016	369 577	12 350	0.43	0.43	0.03	68.57	29.93	29.96
Dec. 31, 2015	250 912	9 400	0.43	0.43	0.05	110.87	26.69	26.64
Dec. 31, 2014 <sup>4</sup>	132 021	5 550	0.44	0.44	0.01	47.29	23.79	23.95

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 15, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Quant U.S. Dividend Leaders ETF	0.39%



### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

#### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



#### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

##### S&P Composite 1500 Total Return Index (CAD)

The broad-based index is the S&P 500 Total Return Index (CAD).

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	9.2	13.0	—	—	14.8
Benchmark	13.4	14.4	—	—	15.9
Broad-based index	14.1	14.4	—	—	16.1

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since January 15, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTIONS

**S&P Composite 1500 Total Return Index (CAD)** This index combines the S&P 500, the S&P 400 and the S&P 600 to cover approximately 90% of the U.S. stock-market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

### SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

#### Investment Mix

	% of Net Asset Value
United States Equities	
Information Technology	14.5
Financials	13.4
Industrials	12.0
Consumer Staples	11.7
Health Care	11.4
Consumer Discretionary	9.0
Energy	8.4
Utilities	6.2
Real Estate	5.9
Telecommunication Services	3.7
Materials	3.5
Other Net Assets	0.3

#### Top 25 Holdings

	% of Net Asset Value
Verizon Communications Inc.	2.8
Microsoft Corp.	2.7
Cisco Systems Inc.	1.9
Exxon Mobil Corp.	1.7
International Business Machines	1.6
Texas Instruments Inc.	1.5
Johnson & Johnson	1.5
PepsiCo Inc.	1.5
Philip Morris International Inc.	1.4
Wal-Mart Stores, Inc.	1.4
The Coca-Cola Co.	1.4
Altria Group Inc.	1.4
McDonald's Corp.	1.3
Pfizer Inc.	1.2
Automatic Data Processing Inc.	1.2
Schlumberger Ltd.	1.1
Starbucks Corp.	1.1
AbbVie Inc.	1.1
Merck & Co. Inc.	1.1
Colgate-Palmolive Company	1.1
ConocoPhillips	1.0
Walgreens Boots Alliance Inc.	1.0
Amgen Inc.	1.0
TE Connectivity Ltd.	1.0
Medtronic Plc.	1.0
Top 25 Holdings	35.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



U.S. EQUITY ETF

## RBC QUANT U.S. DIVIDEND LEADERS (CAD HEDGED) ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, 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, while seeking to minimize the exposure to currency fluctuations between the U.S. and Canadian dollars.

The ETF intends to invest substantially all of its assets in units of the RBC Quant U.S. Dividend Leaders ETF (the "underlying fund") but may also invest directly in a portfolio of U.S. dividend-paying equity securities. Portfolio securities for the underlying fund (and for the ETF, to the extent it invests directly in equity securities) will be selected using a rules-based, multifactor investment approach that considers a company's balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

The ETF uses derivatives to hedge against fluctuations in the U.S. dollar to minimize exposure to changes of the U.S. dollar relative to the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$120 million as of December 31, 2017, from \$105 million at the end of 2016. The increase was due to investment returns, partially offset by net redemptions.

Over the past year, the ETF's units gained 16.0%, which underperformed the 21.2% rise in the benchmark. The broad-based index rose 21.2%. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Wal-Mart Stores, Texas Instruments and McDonald's had the most positive impact on the ETF's returns, while Apple, Amazon and Facebook were negative for performance. The ETF had the highest relative exposure to Verizon

Communications, Texas Instruments and International Business Machines, and the smallest relative exposure to Facebook, Berkshire Hathaway and Amazon.

At the sector level, the ETF had the highest relative weightings in Utilities, Consumer Staples and Real Estate, and the lowest relative exposure to Information Technology, Consumer Discretionary and Financials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.



***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$9,000 (2016 – \$1,000) or 100% (2016 – 3%) of the total transaction costs paid for this ETF.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>23.17</b>	<b>0.53</b>	–	<b>1.72</b>	<b>1.36</b>	<b>3.61</b>	–	<b>(0.53)</b>	<b>(1.52)</b>	–	<b>(2.05)</b>	<b>26.29</b>
Dec. 31, 2016	20.16	0.48	–	2.42	1.02	3.92	–	(0.50)	(0.87)	–	(1.37)	23.17
Dec. 31, 2015	21.47	0.56	–	(2.70)	1.53	(0.61)	(0.01)	(0.49)	–	–	(0.50)	20.16
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.14	–	(0.09)	0.71	0.76	–	(0.08)	(0.03)	(0.01)	(0.12)	21.47

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From October 22, 2014.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>119 631</b>	<b>4 550</b>	<b>0.43</b>	<b>0.43</b>	<b>0.02</b>	<b>28.27</b>	<b>26.29</b>	<b>26.39</b>
Dec. 31, 2016	105 429	4 550	0.43	0.43	0.03	36.83	23.17	23.24
Dec. 31, 2015	52 405	2 600	0.43	0.43	0.06	38.13	20.16	20.28
Dec. 31, 2014 <sup>4</sup>	10 735	500	0.44	0.44	–	5.69	21.47	21.73

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From October 22, 2014.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

#### S&P Composite 1500 Total Return Index (hedged to CAD)

The broad-based index is the S&P 500 Total Return Index (hedged to CAD).

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	16.0	9.5	—	—	10.5
Benchmark	21.2	10.9	—	—	11.3
Broad-based index	21.2	11.0	—	—	12.7

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since October 22, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P Composite 1500 Total Return Index (hedged to CAD)** This index combines the S&P 500, the S&P 400 and the S&P 600 to cover approximately 90% of the U.S. stock-market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market. The index is hedged to Canadian dollars.

**S&P 500 Total Return Index (hedged to CAD)** This index is a capitalization-weighted index measuring the performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market and is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
United States Equities	
Information Technology	14.5
Financials	13.4
Industrials	12.0
Consumer Staples	11.7
Health Care	11.4
Consumer Discretionary	9.0
Energy	8.4
Utilities	6.2
Real Estate	5.9
Telecommunication Services	3.7
Materials	3.5
Other Net Assets	0.3

### Top 25 Holdings\*

	% of Net Asset Value
Verizon Communications Inc.	2.8
Microsoft Corp.	2.7
Cisco Systems Inc.	1.9
Exxon Mobil Corp.	1.7
International Business Machines	1.6
Texas Instruments Inc.	1.5
Johnson & Johnson	1.5
PepsiCo Inc.	1.5
Philip Morris International Inc.	1.4
Wal-Mart Stores, Inc.	1.4
The Coca-Cola Co.	1.4
Altria Group Inc.	1.4
McDonald's Corp.	1.3
Pfizer Inc.	1.2
Automatic Data Processing Inc.	1.2
Schlumberger Ltd.	1.1
Starbucks Corp.	1.1
AbbVie Inc.	1.1
Merck & Co. Inc.	1.1
Colgate-Palmolive Company	1.1
ConocoPhillips	1.0
Walgreens Boots Alliance Inc.	1.0
Amgen Inc.	1.0
TE Connectivity Ltd.	1.0
Medtronic Plc.	1.0
<b>Top 25 Holdings</b>	<b>35.0</b>

\* The ETF invests substantially all of its assets directly in the RBC Quant U.S. Dividend Leaders ETF. The above are the Top 25 holdings of the RBC Quant U.S. Dividend Leaders ETF.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



U.S. EQUITY ETF

## RBC QUANT U.S. EQUITY LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure to the performance of a diversified portfolio of high-quality U.S. equity securities that have the potential for long-term capital growth.

Portfolio securities for the ETF will be selected using a rules-based, multi-factor investment approach designed to select companies with a high quality of earnings while filtering out slow-growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$34 million as of December 31, 2017, from \$26 million at the end of 2016. The increase was due to a combination of net inflows and investment returns.

Over the past year, the ETF's units gained 12.5%, which underperformed the 14.1% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to General Electric, Alphabet and PayPal had the most positive impact on returns, while Microsoft, Berkshire Hathaway B Shares and Home Depot were negative for performance. The ETF had the highest relative exposure to Verizon Communications, Alphabet and Comcast, and the smallest relative exposure to Berkshire Hathaway B Shares, Microsoft and General Electric.

At the sector level, the ETF had the highest relative weightings in Consumer Discretionary, Utilities and Consumer Staples, and the lowest relative exposure to Telecommunication Services, Energy and Real Estate.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>23.63</b>	<b>0.42</b>	<b>(0.11)</b>	<b>1.59</b>	<b>0.92</b>	<b>2.82</b>	–	<b>(0.33)</b>	<b>(0.82)</b>	–	<b>(1.15)</b>	<b>26.21</b>
Dec. 31, 2016	22.13	0.42	(0.10)	1.13	1.13	2.58	–	(0.27)	(0.48)	–	(0.75)	23.63
Dec. 31, 2015 <sup>3</sup>	20.00 <sup>†</sup>	0.35	(0.12)	0.23	2.17	2.63	–	(0.17)	(0.11)	(0.09)	(0.37)	22.13

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From May 5, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>34 074</b>	<b>1 300</b>	<b>0.43</b>	<b>0.43</b>	<b>0.02</b>	<b>109.54</b>	<b>26.21</b>	<b>26.32</b>
Dec. 31, 2016	25 988	1 100	0.44	0.44	0.03	116.39	23.63	23.67
Dec. 31, 2015 <sup>4</sup>	13 281	600	0.44	0.44	0.01	93.28	22.13	22.40

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From May 5, 2015.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Quant U.S. Equity Leaders ETF	0.39%



### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

#### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



#### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### S&P 500 Total Return Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	12.5	—	—	—	12.4
Benchmark	14.1	—	—	—	13.9

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since May 12, 2015.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTION

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

### SUMMARY OF INVESTMENT PORTFOLIO

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

#### Investment Mix

	% of Net Asset Value
United States Equities	
Information Technology	25.8
Financials	14.6
Health Care	14.0
Consumer Discretionary	12.5
Industrials	10.5
Consumer Staples	7.9
Energy	6.3
Materials	2.8
Utilities	2.8
Real Estate	2.7
Other Net Assets	0.1

#### Top 25 Holdings

	% of Net Asset Value
Apple Inc.	4.2
Microsoft Corp.	2.6
Alphabet Inc., Class C	2.5
Facebook Inc., Class A	2.0
JPMorgan Chase & Co.	1.8
Comcast Corp., Class A	1.7
Johnson & Johnson	1.6
Wells Fargo & Company	1.5
Exxon Mobil Corp.	1.5
Visa Inc., Class A	1.5
The Walt Disney Company	1.5
Chevron Corp.	1.3
Citigroup Inc.	1.3
Pfizer Inc.	1.2
The Procter & Gamble Co.	1.2
Intel Corp.	1.1
Merck & Co. Inc.	1.0
PepsiCo Inc.	1.0
The Coca-Cola Co.	1.0
Accenture Plc., Class A	1.0
Charter Communications Inc.	1.0
Amgen Inc.	0.9
PayPal Holdings Inc.	0.9
Wal-Mart Stores, Inc.	0.9
Bristol-Myers Squibb Co.	0.8
<b>Top 25 Holdings</b>	<b>37.0</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



U.S. EQUITY ETF

## RBC QUANT U.S. EQUITY LEADERS (CAD HEDGED) ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, to the performance of a diversified portfolio of high-quality U.S. equity securities that have the potential for long-term capital growth, while seeking to minimize the exposure to currency fluctuations between the U.S. and Canadian dollars.

The ETF intends to invest substantially all of its assets in units of the RBC Quant U.S. Equity Leaders ETF (the “underlying RBC ETF”) but may also invest directly in a portfolio of U.S. equity securities. Portfolio securities for the underlying RBC ETF (and for the ETF, to the extent it invests directly in equity securities) will be selected using a rules-based, multi-factor investment approach designed to select companies with a high quality of earnings while filtering out slow-growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

The ETF uses derivatives to hedge against fluctuations in the U.S. dollar to minimize exposure to changes of the U.S. dollar relative to the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF’s net asset value rose to \$15 million as of December 31, 2017, from \$9 million at the end of 2016. The increase was due to a combination of net inflows and investment returns.

Over the past year, the ETF’s units gained 19.6%, which underperformed the 21.2% rise in the benchmark. The ETF’s return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF’s relative exposure to General Electric, Alphabet and PayPal had the most positive impact on returns, while Microsoft, Berkshire Hathaway B Shares and Home Depot were negative for performance. The ETF had the highest relative exposure to Verizon Communications, Alphabet and Comcast, and the smallest relative exposure to Berkshire Hathaway B Shares, Microsoft and General Electric.

At the sector level, the ETF had the highest relative weightings in Consumer Discretionary, Utilities and Consumer Staples, and the lowest relative exposure to Telecommunication Services, Energy and Real Estate.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”) and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

#### *Brokers and Dealers*

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2016 – \$1,000) or 100% (2016 – 3%) of the total transaction costs paid for this ETF.



***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>					Net Assets End of Year/Period
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
<b>Dec. 31, 2017</b>	<b>20.85</b>	<b>0.32</b>	–	<b>2.34</b>	<b>1.37</b>	<b>4.03</b>	–	<b>(0.28)</b>	<b>(1.25)</b>	–	<b>(1.53)</b>	<b>24.57</b>
Dec. 31, 2016	19.07	0.27	–	1.06	1.05	2.38	–	(0.25)	(0.07)	–	(0.32)	20.85
Dec. 31, 2015 <sup>3</sup>	20.00 <sup>†</sup>	0.44	–	(1.68)	0.68	(0.56)	(0.01)	(0.15)	–	(0.19)	(0.35)	19.07

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From May 5, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>14 744</b>	<b>600</b>	<b>0.43</b>	<b>0.43</b>	<b>0.02</b>	<b>66.08</b>	<b>24.57</b>	<b>24.67</b>
Dec. 31, 2016	9 384	450	0.44	0.44	0.03	65.22	20.85	21.12
Dec. 31, 2015 <sup>4</sup>	3 814	200	0.44	0.44	0.02	136.86	19.07	19.39

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From May 5, 2015.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### S&P 500 Total Return Index (hedged to CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	19.6	—	—	—	9.9
Benchmark	21.2	—	—	—	12.4

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since May 12, 2015.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P 500 Total Return Index (hedged to CAD)** This index is a capitalization-weighted index measuring the performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market and is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
United States Equities	
Information Technology	25.8
Financials	14.6
Health Care	14.0
Consumer Discretionary	12.5
Industrials	10.5
Consumer Staples	7.9
Energy	6.3
Materials	2.8
Utilities	2.8
Real Estate	2.7
Other Net Assets	0.1

### Top 25 Holdings\*

	% of Net Asset Value
Apple Inc.	4.2
Microsoft Corp.	2.6
Alphabet Inc., Class C	2.5
Facebook Inc., Class A	2.0
JPMorgan Chase & Co.	1.8
Comcast Corp., Class A	1.7
Johnson & Johnson	1.6
Wells Fargo & Company	1.5
Exxon Mobil Corp.	1.5
Visa Inc., Class A	1.5
The Walt Disney Company	1.5
Chevron Corp.	1.3
Citigroup Inc.	1.3
Pfizer Inc.	1.2
The Procter & Gamble Co.	1.2
Intel Corp.	1.1
Merck & Co. Inc.	1.0
PepsiCo Inc.	1.0
The Coca-Cola Co.	1.0
Accenture Plc., Class A	1.0
Charter Communications Inc.	1.0
Amgen Inc.	0.9
PayPal Holdings Inc.	0.9
Wal-Mart Stores, Inc.	0.9
Bristol-Myers Squibb Co.	0.8
<b>Top 25 Holdings</b>	<b>37.0</b>

\* The ETF invests substantially all of its assets directly in the RBC Quant U.S. Equity Leaders ETF. The above are the Top 25 holdings of the RBC Quant U.S. Equity Leaders ETF.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



U.S. EQUITY ETF

## RBC U.S. EQUITY INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETF (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad U.S. equity index. Currently, the ETF seeks to track the FTSE USA Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the FTSE USA Index in substantially the same proportion as they are reflected in the index or securities intended to replicate the performance of the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$377 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.11</b>	<b>(0.01)</b>	<b>0.09</b>	<b>1.38</b>	<b>1.57</b>	<b>–</b>	<b>(0.06)</b>	<b>(0.02)</b>	<b>–</b>	<b>(0.08)</b>	<b>22.02</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>376 617</b>	<b>17 100</b>	<b>0.10</b>	<b>0.10</b>	<b>–</b>	<b>20.28</b>	<b>22.02</b>	<b>22.15</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC U.S. Equity Index ETF	0.09%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
United States Equities	
Information Technology	24.3
Financials	15.0
Health Care	13.4
Consumer Discretionary	12.8
Industrials	9.5
Consumer Staples	8.0
Energy	6.0
Materials	3.0
Real Estate	2.9
Utilities	2.9
Telecommunication Services	2.1
Other Net Assets	0.1

### Top 25 Holdings

	% of Net Asset Value
Apple Inc.	3.7
Microsoft Corp.	2.7
Amazon.com Inc.	2.0
Facebook Inc.	1.7
Johnson & Johnson	1.6
JPMorgan Chase & Co.	1.6
Berkshire Hathaway Inc., Class B	1.5
Exxon Mobil Corp.	1.5
Alphabet Inc., Class C	1.3
Alphabet Inc., Class A	1.3
Bank of America Corp.	1.2
Wells Fargo & Co	1.1
AT&T Inc.	1.0
Chevron Corp.	1.0
Procter & Gamble Co.	1.0
Home Depot Inc.	0.9
Intel Corp.	0.9
Verizon Communications Inc.	0.9
Pfizer Inc.	0.9
UnitedHealth Group Inc.	0.9
Visa Inc.	0.9
Citigroup Inc.	0.8
Cisco Systems Inc.	0.8
Comcast Corp.	0.8
Coca-Cola Co.	0.7
Top 25 Holdings	32.7

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

## RBC QUANT EUROPEAN DIVIDEND LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of high-quality European dividend-paying equity securities that will provide regular income and that have the potential for long-term capital growth.

Portfolio securities for the ETF will be selected using a rules-based, multi-factor investment approach that considers a company's balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$204 million as of December 31, 2017, from \$105 million at the end of 2016. The increase was due to net inflows.

Over the past year, the ETF's units gained 11.8%, which underperformed the 17.3% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Unilever, Novo Nordisk and Royal Dutch Shell had the most positive impact on returns, while GlaxoSmithKline, Provident Financial and Nestlé were negative for performance. The ETF had the highest relative exposure to Novo Nordisk, Royal Dutch Shell and GlaxoSmithKline, and the smallest relative exposure to Nestlé, British American Tobacco and Novartis.

At the sector level, the ETF had the highest relative weightings in Telecommunication Services, Energy and Financials, and the lowest relative exposure to Consumer Staples, Industrials and Information Technology.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>21.68</b>	<b>0.82</b>	<b>(0.21)</b>	<b>0.30</b>	<b>1.14</b>	<b>2.05</b>	–	<b>(0.64)</b>	–	<b>(0.07)</b>	<b>(0.71)</b>	<b>23.50</b>
Dec. 31, 2016	22.33	0.93	(0.21)	(0.81)	0.44	0.35	–	(0.79)	–	(0.01)	(0.80)	21.68
Dec. 31, 2015	20.49	0.97	(0.39)	(0.15)	0.20	0.63	–	(0.63)	–	(0.06)	(0.69)	22.33
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.08	(0.13)	(0.10)	0.53	0.38	–	(0.01)	–	(0.07)	(0.08)	20.49

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From October 22, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>204 481</b>	<b>8 700</b>	<b>0.54</b>	<b>0.54</b>	<b>0.37</b>	<b>130.97</b>	<b>23.50</b>	<b>23.44</b>
Dec. 31, 2016	105 161	4 850	0.55	0.55	0.44	194.47	21.68	21.77
Dec. 31, 2015	94 892	4 250	0.56	0.56	0.58	234.29	22.33	22.28
Dec. 31, 2014 <sup>4</sup>	7 170	350	0.57	0.57	0.39	608.53	20.49	20.61

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From October 22, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Quant European Dividend Leaders ETF	0.49%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI Europe Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	11.8	8.2	—	—	8.2
Benchmark	17.3	9.5	—	—	10.2

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since October 22, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Europe Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of major stock markets in Europe. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
European Equities	
Financials	32.4
Energy	15.0
Health Care	14.2
Telecommunication Services	7.3
Consumer Staples	7.1
Consumer Discretionary	6.4
Utilities	6.2
Materials	5.7
Industrials	3.7
Real Estate	1.8
Other Net Assets	0.2

### Top 25 Holdings

	% of Net Asset Value
Royal Dutch Shell Plc., A Shares	6.9
Total S.A.	5.2
Roche Holdings AG Genussscheine	4.4
Unilever N.V.	4.4
Novo Nordisk A/S	3.6
GlaxoSmithKline Plc.	3.4
Rio Tinto Plc.	3.3
CRH Plc.	2.4
OMV AG	2.2
BCO Santander Central Hispano S.A.	1.9
Allianz SE	1.9
BNP Paribas S.A.	1.7
UBS Group AG	1.7
ING Groep N.V.	1.7
Coloplast A/S	1.5
AXA S.A.	1.5
Marine Harvest	1.4
Intesa Sanpaolo S.p.A.	1.4
Société Générale	1.4
Nordbanken Holding AB	1.3
SSE Plc.	1.3
Distribuidora Internacional de Alimentacion S.A.	1.3
Telefonica S.A.	1.2
BT Group Plc.	1.2
Sampo OYJ	1.2
Top 25 Holdings	59.4

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

## RBC QUANT EUROPEAN DIVIDEND LEADERS (CAD HEDGED) ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, to the performance of a diversified portfolio of high-quality European dividend-paying equity securities that will provide regular income and that have the potential for long-term capital growth, while seeking to minimize the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The ETF intends to invest substantially all of its assets in units of the RBC Quant European Dividend Leaders ETF (the “underlying fund”) but may also invest directly in a portfolio of European dividend-paying equity securities. Portfolio securities for the underlying fund (and for the ETF, to the extent it invests directly in equity securities) will be selected using a rules-based, multi-factor investment approach that considers a company’s balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

The ETF uses derivatives to hedge against fluctuations in foreign currencies to minimize exposure to changes of the foreign currencies held by the ETF relative to the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF’s net asset value rose to \$95 million as of December 31, 2017, from \$57 million at the end of 2016. The increase was due to net inflows.

Over the past year, the ETF’s units gained 8.4%, which underperformed the 14.7% rise in the benchmark. The ETF’s return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF’s relative exposure to Unilever, Novo Nordisk and Royal Dutch Shell had the most positive impact on returns, while GlaxoSmithKline, Provident Financial and Nestlé were negative for performance. The ETF had the highest relative exposure to Novo Nordisk, Royal Dutch Shell and GlaxoSmithKline, and the smallest relative exposure to Nestlé, British American Tobacco and Novartis.

At the sector level, the ETF had the highest relative weightings in Telecommunication Services, Energy and Financials, and the lowest relative exposure to Consumer Staples, Industrials and Information Technology.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”) and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.



***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$5,000 (2016 – \$7,000) or 100% (2016 – 18%) of the total transaction costs paid for this ETF.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>22.09</b>	<b>0.73</b>	–	<b>(0.77)</b>	<b>1.63</b>	<b>1.59</b>	–	<b>(0.58)</b>	–	<b>(0.10)</b>	<b>(0.68)</b>	<b>23.26</b>
Dec. 31, 2016	20.61	0.77	–	1.43	(0.15)	2.05	–	(0.84)	–	–	(0.84)	22.09
Dec. 31, 2015	20.96	0.67	–	(2.40)	(0.34)	(2.07)	–	(0.63)	–	(0.01)	(0.64)	20.61
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.11	–	0.07	0.58	0.76	–	(0.01)	(0.04)	(0.07)	(0.12)	20.96

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From October 22, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>95 362</b>	<b>4 100</b>	<b>0.54</b>	<b>0.54</b>	<b>0.37</b>	<b>29.75</b>	<b>23.26</b>	<b>23.21</b>
Dec. 31, 2016	57 447	2 600	0.55	0.55	0.44	39.74	22.09	22.04
Dec. 31, 2015	69 027	3 350	0.56	0.56	0.59	35.27	20.61	20.63
Dec. 31, 2014 <sup>4</sup>	5 239	250	0.57	0.57	–	3.50	20.96	21.11

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From October 22, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI Europe Total Return Net Index (hedged to CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	8.4	7.0	—	—	7.4
Benchmark	14.7	9.2	—	—	9.3

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since October 22, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Europe Total Return Net Index (hedged to CAD)** This index is a broad measure of the Canadian dollar performance of major stock markets in Europe. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
European Equities	
Financials	32.4
Energy	15.0
Health Care	14.2
Telecommunication Services	7.3
Consumer Staples	7.1
Consumer Discretionary	6.4
Utilities	6.2
Materials	5.7
Industrials	3.7
Real Estate	1.8
Other Net Assets	0.2

### Top 25 Holdings\*

	% of Net Asset Value
Royal Dutch Shell Plc., A Shares	6.9
Total S.A.	5.2
Roche Holdings AG Genussscheine	4.4
Unilever N.V.	4.4
Novo Nordisk A/S	3.6
GlaxoSmithKline Plc.	3.4
Rio Tinto Plc.	3.3
CRH Plc.	2.4
OMV AG	2.2
BCO Santander Central Hispano S.A.	1.9
Allianz SE	1.9
BNP Paribas S.A.	1.7
UBS Group AG	1.7
ING Groep N.V.	1.7
Coloplast A/S	1.5
AXA S.A.	1.5
Marine Harvest	1.4
Intesa Sanpaolo S.p.A.	1.4
Société Générale	1.4
Nordbanken Holding AB	1.3
SSE Plc.	1.3
Distribuidora Internacional de Alimentacion S.A.	1.3
Telefonica S.A.	1.2
BT Group Plc.	1.2
Sampo OYJ	1.2
<b>Top 25 Holdings</b>	<b>59.4</b>

\* The ETF invests substantially all of its assets directly in the RBC Quant European Dividend Leaders ETF. The above are the Top 25 holdings of the RBC Quant European Dividend Leaders ETF.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



INTERNATIONAL EQUITY ETF

## RBC QUANT EAFE DIVIDEND LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks 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.

Portfolio securities for the RBC Quant EAFE Dividend Leaders ETF will be selected using a rules-based, multifactor investment approach that considers a company's balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced initially on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$523 million as of December 31, 2017, from \$313 million at the end of 2016. The increase was due mainly to net inflows.

Over the past year, the ETF's units gained 10.5%, which underperformed the 16.8% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Novo Nordisk, Royal Dutch Shell and Unilever had the most positive impact on returns, while GlaxoSmithKline, Provident Financial and Fletcher Building were negative for performance. The ETF had the highest relative exposure to Novo Nordisk, Royal Dutch Shell and Unilever, and the smallest relative exposure to Nestlé, HSBC Holdings and Novartis.

At the sector level, the ETF had the highest relative weightings in Financials, Energy and Real Estate, and the lowest relative exposure to Consumer Discretionary, Information Technology and Industrials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>22.66</b>	<b>0.98</b>	<b>(0.27)</b>	<b>0.92</b>	<b>0.64</b>	<b>2.27</b>	–	<b>(0.70)</b>	<b>(0.62)</b>	–	<b>(1.32)</b>	<b>24.29</b>
Dec. 31, 2016	23.13	0.98	(0.27)	(0.15)	(0.15)	0.41	–	(0.76)	–	–	(0.76)	22.66
Dec. 31, 2015	20.33	1.03	(0.33)	0.66	1.48	2.84	–	(0.71)	(0.52)	(0.03)	(1.26)	23.13
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.85	(0.35)	0.25	(0.86)	(0.11)	–	(0.43)	(0.20)	–	(0.63)	20.33

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 15, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>523 365</b>	<b>21 550</b>	<b>0.54</b>	<b>0.54</b>	<b>0.26</b>	<b>106.56</b>	<b>24.29</b>	<b>24.37</b>
Dec. 31, 2016	312 661	13 800	0.54	0.54	0.25	141.18	22.66	22.55
Dec. 31, 2015	301 818	13 050	0.53	0.53	0.27	124.49	23.13	22.94
Dec. 31, 2014 <sup>4</sup>	132 174	6 500	0.55	0.55	0.32	251.89	20.33	20.35

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 15, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Quant EAFE Dividend Leaders ETF	0.49%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	10.5	9.6	—	—	8.3
Benchmark	16.8	10.7	—	—	8.2

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since January 15, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	33.0
Energy	11.3
Health Care	9.6
Industrials	8.4
Consumer Staples	6.8
Telecommunication Services	6.2
Materials	5.9
Consumer Discretionary	5.3
Utilities	4.9
Real Estate	4.4
Information Technology	1.1
Index Funds	2.5
Other Net Assets	0.6

### Top 25 Holdings

	% of Net Asset Value
Royal Dutch Shell Plc., A Shares	5.1
Total S.A.	3.8
Unilever N.V.	2.6
iShares MSCI EAFE Fund	2.5
Rio Tinto Limited	2.5
Roche Holdings AG Genussscheine	2.4
Novo Nordisk A/S	2.0
GlaxoSmithKline Plc.	1.8
OMV AG	1.6
Japan Tobacco Inc.	1.5
Commonwealth Bank of Australia	1.3
Allianz SE	1.3
BNP Paribas S.A.	1.2
Westpac Banking Corporation	1.2
Astellas Pharma Inc.	1.2
ING Groep N.V.	1.2
National Australia Bank Ltd.	1.1
AXA S.A.	1.1
ABB Ltd.	1.1
WH Group Ltd.	1.1
Relx N.V.	1.0
Mizuho Financial Group Inc.	1.0
Tosoh Corp.	1.0
Fortescue Metals Group Ltd.	1.0
Nordbanken Holding AB	0.9
<b>Top 25 Holdings</b>	<b>42.5</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

## RBC QUANT EAFE DIVIDEND LEADERS (CAD HEDGED) ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, 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, while seeking to minimize the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The ETF intends to invest substantially all of its assets in units of the RBC Quant EAFE Dividend Leaders ETF (the “underlying fund”) but may also invest directly in a portfolio of dividend-paying equity securities in markets in Europe, Australasia and the Far East. Portfolio securities for the underlying fund (and for the ETF, to the extent it invests directly in equity securities) will be selected using a rules-based, multi-factor investment approach that considers a company’s balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

The ETF uses derivatives to hedge against fluctuations in foreign currencies to minimize exposure to changes of the foreign currencies held by the ETF relative to the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF’s net asset value rose to \$124 million as of December 31, 2017, from \$71 million at the end of 2016. The increase was due mainly to net inflows.

Over the past year, the ETF’s units gained 10.1%, which underperformed the 16.5% rise in the benchmark. The ETF’s return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF’s relative exposure to Novo Nordisk, Royal Dutch Shell and Unilever had the most positive impact on returns, while GlaxoSmithKline, Provident Financial and Fletcher Building were negative for performance. The ETF had the highest relative exposure to Novo Nordisk, Royal Dutch Shell and Unilever, and the smallest relative exposure to Nestlé, HSBC Holdings and Novartis.

At the sector level, the ETF had the highest relative weightings in Financials, Energy and Real Estate, and the lowest relative exposure to Consumer Discretionary, Information Technology and Industrials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”) and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.



### ***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$7,000 (2016 – \$7,000) or 100% (2016 – 18%) of the total transaction costs paid for this ETF.

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

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

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

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>22.47</b>	<b>0.74</b>	–	<b>0.47</b>	<b>0.98</b>	<b>2.19</b>	–	<b>(0.66)</b>	<b>(0.67)</b>	–	<b>(1.33)</b>	<b>24.01</b>
Dec. 31, 2016	21.44	0.72	–	1.30	(0.25)	1.77	–	(0.75)	(0.43)	–	(1.18)	22.47
Dec. 31, 2015	21.26	0.75	–	(2.08)	0.51	(0.82)	–	(0.70)	–	–	(0.70)	21.44
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.19	–	0.52	1.00	1.71	–	(0.11)	(0.43)	(0.01)	(0.55)	21.26

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From October 22, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>123 633</b>	<b>5 150</b>	<b>0.54</b>	<b>0.54</b>	<b>0.26</b>	<b>18.21</b>	<b>24.01</b>	<b>23.91</b>
Dec. 31, 2016	70 774	3 150	0.54	0.54	0.25	56.15	22.47	22.45
Dec. 31, 2015	67 551	3 150	0.54	0.54	0.29	18.17	21.44	21.47
Dec. 31, 2014 <sup>4</sup>	3 189	150	0.55	0.55	–	–	21.26	21.29

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From October 22, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (hedged to CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	10.1	7.6	—	—	8.4
Benchmark	16.5	9.0	—	—	10.6

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since October 22, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (hedged to CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	33.0
Energy	11.3
Health Care	9.6
Industrials	8.4
Consumer Staples	6.8
Telecommunication Services	6.2
Materials	5.9
Consumer Discretionary	5.3
Utilities	4.9
Real Estate	4.4
Information Technology	1.1
Index Funds	2.5
Other Net Assets	0.6

### Top 25 Holdings\*

	% of Net Asset Value
Royal Dutch Shell Plc., A Shares	5.1
Total S.A.	3.8
Unilever N.V.	2.6
iShares MSCI EAFE Fund	2.5
Rio Tinto Limited	2.5
Roche Holdings AG Genussscheine	2.4
Novo Nordisk A/S	2.0
GlaxoSmithKline Plc.	1.8
OMV AG	1.6
Japan Tobacco Inc.	1.5
Commonwealth Bank of Australia	1.3
Allianz SE	1.3
BNP Paribas S.A.	1.2
Westpac Banking Corporation	1.2
Astellas Pharma Inc.	1.2
ING Groep N.V.	1.2
National Australia Bank Ltd.	1.1
AXA S.A.	1.1
ABB Ltd.	1.1
WH Group Ltd.	1.1
Relx N.V.	1.0
Mizuho Financial Group Inc.	1.0
Tosoh Corp.	1.0
Fortescue Metals Group Ltd.	1.0
Nordbanken Holding AB	0.9
<b>Top 25 Holdings</b>	<b>42.5</b>

\* The ETF invests substantially all of its assets directly in the RBC Quant EAFE Dividend Leaders ETF. The above are the Top 25 holdings of the RBC Quant EAFE Dividend Leaders ETF.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



INTERNATIONAL EQUITY ETF

## RBC QUANT EAFE EQUITY LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure to the performance of a diversified portfolio of high-quality equity securities in markets in Europe, Australasia and the Far East (EAFE) that have the potential for long-term capital growth.

Portfolio securities for the ETF will be selected using a rules-based, multi-factor investment approach designed to select companies with a high quality of earnings while filtering out slow-growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$31 million as of December 31, 2017, from \$15 million at the end of 2016. The increase was due mainly to net inflows.

Over the past year, the ETF's units gained 17.1%, which outperformed the 16.8% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Kering, STMicroelectronics and Teva Pharmaceuticals had the most positive impact on returns, while AIA Group, Unilever and Novartis were negative for performance. The ETF had the highest relative exposure to Rio Tinto, Compass and Atlas Copco, and the smallest relative exposure to British American Tobacco, Royal Dutch Shell and Commonwealth Bank Australia.

At the sector level, the ETF had the highest relative weightings in Industrials, Utilities and Real Estate, and the lowest relative exposure to Health Care, Consumer Staples and Financials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>19.72</b>	<b>0.57</b>	<b>(0.18)</b>	<b>1.06</b>	<b>1.56</b>	<b>3.01</b>	–	<b>(0.42)</b>	<b>(0.43)</b>	–	<b>(0.85)</b>	<b>22.64</b>
Dec. 31, 2016	20.71	0.60	(0.17)	(0.49)	0.40	0.34	–	(0.48)	–	–	(0.48)	19.72
Dec. 31, 2015 <sup>3</sup>	20.00 <sup>†</sup>	0.34	(0.20)	0.12	0.97	1.23	–	(0.18)	(0.11)	(0.13)	(0.42)	20.71

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From May 5, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>30 570</b>	<b>1 350</b>	<b>0.54</b>	<b>0.54</b>	<b>0.30</b>	<b>132.64</b>	<b>22.64</b>	<b>22.68</b>
Dec. 31, 2016	14 788	750	0.56	0.56	0.36	226.33	19.72	19.59
Dec. 31, 2015 <sup>4</sup>	9 318	450	0.56	0.56	0.24	271.60	20.71	20.56

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From May 5, 2015.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Quant EAFE Equity Leaders ETF	0.49%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	17.1	—	—	—	7.0
Benchmark	16.8	—	—	—	7.0

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since May 12, 2015.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

#### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	19.6
Industrials	15.3
Consumer Discretionary	12.9
Materials	10.0
Consumer Staples	9.1
Health Care	8.2
Information Technology	6.5
Real Estate	5.0
Energy	5.0
Telecommunication Services	4.5
Utilities	3.8
Other Net Assets	0.1

### Top 25 Holdings

	% of Net Asset Value
Royal Dutch Shell Plc., A Shares	1.7
Nestlé S.A.	1.2
Novartis AG	1.0
Diageo Plc.	1.0
Roche Holdings AG Genussscheine	1.0
GlaxoSmithKline Plc.	1.0
Vodafone Group Plc.	1.0
Unilever N.V.	0.9
Glencore Plc.	0.9
Prudential Corporation Plc.	0.8
Total S.A.	0.8
BHP Billiton Ltd.	0.8
Siemens AG	0.8
Novo Nordisk A/S	0.8
SAP SE	0.8
Allianz SE	0.7
BASF AG	0.7
Sanofi	0.7
Rio Tinto Limited	0.7
BNP Paribas S.A.	0.7
ING Groep N.V.	0.6
Mitsubishi UFJ Financial Group Inc.	0.6
Compass Group Plc.	0.6
AXA S.A.	0.6
Deutsche Telekom AG	0.6
Top 25 Holdings	21.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

**RBC QUANT EAFE EQUITY LEADERS  
(CAD HEDGED) ETF**

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

**A Note on Forward-looking Statements**

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, to the performance of a diversified portfolio of high-quality equity securities in markets in Europe, Australasia and the Far East (EAFE) that have the potential for long-term capital growth, while seeking to minimize the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The ETF intends to invest substantially all of its assets in units of the RBC Quant EAFE Equity Leaders ETF (the "underlying RBC ETF") but may also invest directly in a portfolio of equity securities in markets in Europe, Australasia and the Far East. Portfolio securities for the underlying RBC ETF (and for the ETF, to the extent it invests directly in equity securities) will be selected using a rules-based, multi-factor investment approach designed to select companies with a high quality of earnings while filtering out slow-growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

The ETF uses derivatives to hedge against fluctuations in foreign currencies to minimize exposure to changes of the foreign currencies held by the ETF relative to the Canadian dollar.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$19 million as of December 31, 2017, from \$10 million at the end of 2016. The increase was mainly due to a combination of net inflows and investment returns.

Over the past year, the ETF's units gained 16.1%, which underperformed the 16.5% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Kering, STMicroelectronics and Teva Pharmaceuticals had the most positive impact on returns, while AIA Group, Unilever and Novartis were negative for performance. The ETF had the highest relative exposure to Rio Tinto, Compass and Atlas Copco, and the smallest relative exposure to British American Tobacco, Royal Dutch Shell and Commonwealth Bank Australia.

At the sector level, the ETF had the highest relative weightings in Industrials, Utilities and Real Estate, and the lowest relative exposure to Health Care, Consumer Staples and Financials.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.



***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2016 – \$1,000) or 100% (2016 – 3%) of the total transaction costs paid for this ETF.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>18.76</b>	<b>0.41</b>	–	<b>0.19</b>	<b>2.33</b>	<b>2.93</b>	–	<b>(0.37)</b>	<b>(0.56)</b>	–	<b>(0.93)</b>	<b>21.24</b>
Dec. 31, 2016	18.38	0.49	–	1.43	0.34	2.26	–	(0.44)	(0.83)	–	(1.27)	18.76
Dec. 31, 2015 <sup>3</sup>	20.00 <sup>†</sup>	0.39	–	(1.96)	0.34	(1.23)	–	(0.16)	–	(0.24)	(0.40)	18.38

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From May 5, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>19 112</b>	<b>900</b>	<b>0.54</b>	<b>0.54</b>	<b>0.30</b>	<b>10.26</b>	<b>21.24</b>	<b>21.30</b>
Dec. 31, 2016	10 316	550	0.55	0.55	0.36	5.58	18.76	19.01
Dec. 31, 2015 <sup>4</sup>	1 838	100	0.57	0.57	0.25	21.17	18.38	18.36

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From May 5, 2015.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (hedged to CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	16.1	—	—	—	5.1
Benchmark	16.5	—	—	—	5.7

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since May 12, 2015.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (hedged to CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	19.6
Industrials	15.3
Consumer Discretionary	12.9
Materials	10.0
Consumer Staples	9.1
Health Care	8.2
Information Technology	6.5
Real Estate	5.0
Energy	5.0
Telecommunication Services	4.5
Utilities	3.8
Other Net Assets	0.1

### Top 25 Holdings\*

	% of Net Asset Value
Royal Dutch Shell Plc., A Shares	1.7
Nestlé S.A.	1.2
Novartis AG	1.0
Diageo Plc.	1.0
Roche Holdings AG Genussscheine	1.0
GlaxoSmithKline Plc.	1.0
Vodafone Group Plc.	1.0
Unilever N.V.	0.9
Glencore Plc.	0.9
Prudential Corporation Plc.	0.8
Total S.A.	0.8
BHP Billiton Ltd.	0.8
Siemens AG	0.8
Novo Nordisk A/S	0.8
SAP SE	0.8
Allianz SE	0.7
BASF AG	0.7
Sanofi	0.7
Rio Tinto Limited	0.7
BNP Paribas S.A.	0.7
ING Groep N.V.	0.6
Mitsubishi UFJ Financial Group Inc.	0.6
Compass Group Plc.	0.6
AXA S.A.	0.6
Deutsche Telekom AG	0.6
<b>Top 25 Holdings</b>	<b>21.0</b>

\* The ETF invests substantially all of its assets directly in the RBC Quant EAFE Equity Leaders ETF. The above are the Top 25 holdings of the RBC Quant EAFE Equity Leaders ETF.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



INTERNATIONAL EQUITY ETF

## RBC INTERNATIONAL EQUITY INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFs (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad international index. Currently, the ETF seeks to track the FTSE Developed ex North America Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the FTSE Developed ex North America Index in substantially the same proportion as they are reflected in the index or securities intended to replicate the performance of the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$421 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.15</b>	<b>(0.05)</b>	<b>0.04</b>	<b>0.94</b>	<b>1.08</b>	<b>–</b>	<b>(0.06)</b>	<b>–</b>	<b>(0.01)</b>	<b>(0.07)</b>	<b>21.61</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>421 354</b>	<b>19 500</b>	<b>0.25</b>	<b>0.25</b>	<b>0.64</b>	<b>9.22</b>	<b>21.61</b>	<b>21.67</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC International Equity Index ETF	0.20%

## PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
International Equities	
Financials	20.2
Industrials	14.2
Consumer Discretionary	12.2
Consumer Staples	10.7
Health Care	9.6
Materials	8.1
Information Technology	6.9
Energy	5.0
Telecommunication Services	3.6
Real Estate	3.3
Utilities	3.0
Index Funds	3.2

**Top 25 Holdings**

	% of Net Asset Value
iShares MSCI South Korea Fund	3.2
Nestlé S.A.	1.6
HSBC Holdings Plc. (U.K. Reg.)	1.3
Novartis AG	1.1
Roche Holding AG	1.1
Toyota Motor Corp.	1.0
British American Tobacco Plc.	0.9
Royal Dutch Shell Plc., A Shares	0.9
BP Plc.	0.8
Royal Dutch Shell Plc., B Shares	0.8
Total S.A.	0.7
Commonwealth Bank of Australia	0.7
Siemens AG	0.6
Allianz SE	0.6
BCO Santander Central Hispano S.A.	0.6
Bayer AG	0.6
AIA Group Ltd.	0.6
SAP SE	0.6
BASF AG	0.6
Samsung Electronics Co. Ltd.	0.6
Diageo Plc.	0.6
Novo Nordisk A/S	0.6
Sanofi	0.6
Mitsubishi UFJ Financial Group Inc.	0.6
AstraZeneca Plc.	0.5
<b>Top 25 Holdings</b>	<b>21.8</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

## RBC QUANT EMERGING MARKETS DIVIDEND LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of high-quality emerging market dividend-paying equity securities that will provide regular income and that have the potential for long-term capital growth.

Portfolio securities for the ETF will be selected using a rules-based, multi-factor investment approach that considers a company's balance sheet strength, the stability and sustainability of its dividend payout and its ability to grow dividends in the future. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$47 million as of December 31, 2017, from \$26 million at the end of 2016. The increase was mainly due to a combination of net inflows and investment returns.

Over the past year, the ETF's units gained 18.3%, which underperformed the 28.3% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Catcher Technology, Indiabulls Housing Finance and Sanlam had the most positive impact on the ETF's returns, while Samsung Electronics, Alibaba and Tencent were negative for performance. The ETF had the highest relative exposure to Infosys, Tata Consultancy and HCL Technologies, and the smallest relative exposure to Samsung Electronics, Taiwan Semiconductor and Tencent.

At the sector level, the ETF had the highest relative weightings in Financials, Energy and Telecommunication Services, and the lowest relative exposure to Information Technology, Consumer Discretionary and Consumer Staples.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>18.41</b>	<b>0.74</b>	<b>(0.21)</b>	<b>0.85</b>	<b>1.75</b>	<b>3.13</b>	–	<b>(0.55)</b>	–	<b>(0.02)</b>	<b>(0.57)</b>	<b>21.17</b>
Dec. 31, 2016	18.32	0.82	(0.20)	(1.28)	1.76	1.10	–	(0.67)	–	–	(0.67)	18.41
Dec. 31, 2015	20.36	0.93	(0.37)	(0.90)	(2.61)	(2.95)	–	(0.60)	–	–	(0.60)	18.32
Dec. 31, 2014 <sup>3</sup>	20.00 <sup>†</sup>	0.09	(0.11)	(0.28)	0.78	0.48	–	(0.03)	–	(0.07)	(0.10)	20.36

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From October 22, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>46 569</b>	<b>2 200</b>	<b>0.74</b>	<b>0.74</b>	<b>0.31</b>	<b>151.96</b>	<b>21.17</b>	<b>21.23</b>
Dec. 31, 2016	25 769	1 400	0.76	0.76	0.41	200.79	18.41	18.33
Dec. 31, 2015	20 149	1 100	0.76	0.76	0.60	225.06	18.32	18.17
Dec. 31, 2014 <sup>4</sup>	6 108	300	0.79	0.79	0.22	632.85	20.36	20.61

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From October 22, 2014.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Quant Emerging Markets Dividend Leaders ETF	0.64%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI Emerging Markets Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	18.3	4.6	—	—	5.4
Benchmark	28.3	12.0	—	—	11.4

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since October 22, 2014.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	35.5
Information Technology	14.4
Energy	10.0
Telecommunication Services	8.6
Materials	7.0
Consumer Discretionary	6.0
Industrials	5.0
Consumer Staples	4.8
Real Estate	3.3
Utilities	2.9
Health Care	0.2
Index Funds	2.0
Other Net Assets	0.3

### Top 25 Holdings

	% of Net Asset Value
Infosys Ltd.	3.2
Tata Consultancy Services Ltd.	2.6
iShares MSCI Emerging Markets Index Fund	2.0
HCL Technologies Ltd.	2.0
FirstRand Ltd.	1.4
Itau Unibanco Holding S.A. Preference	1.4
Bank of China Ltd.	1.3
Vanguard International Semiconductor Corp.	1.3
Standard Bank Group Ltd.	1.3
PT Telekomunikasi Indonesia Persero Tbk	1.3
China Petroleum & Chemical Corp.	1.3
Novatek Microelectronics Corp.	1.3
KB Financial Group Inc.	1.3
PTT PCL	1.2
Micro-Star International Co. Ltd.	1.2
Chunghwa Telecom Co. Ltd.	1.2
Shinhan Financial Group Co. Ltd.	1.1
Barclays Africa Group Ltd.	1.1
Sanlam Ltd.	1.1
PT Bank Rakyat Indonesia Tbk	1.0
Phison Electronics Corp.	1.0
Vodacom Group (Pty) Ltd.	1.0
China Merchants Bank Co. Ltd.	1.0
Credicorp Ltd.	1.0
Delta Electronics Thailand PCL NVDR	1.0
<b>Top 25 Holdings</b>	<b>34.6</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

## RBC QUANT EMERGING MARKETS EQUITY LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure to the performance of a diversified portfolio of high-quality emerging market equity securities that have the potential for long-term capital growth.

Portfolio securities for the ETF will be selected using a rules-based, multi-factor investment approach designed to select companies with a high quality of earnings while filtering out slow growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies. The portfolio holdings will be reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$12 million as of December 31, 2017, from \$4 million at the end of 2016. The increase was due to net inflows.

Over the past year, the ETF's units gained 24.0%, which underperformed the 28.3% rise in the benchmark. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Alibaba, NetEase and Sina had the most positive impact on returns, while Naspers, Hon Hai Precision and Tencent were negative for performance. The ETF had the highest relative exposure to Alibaba, NetEase and Baidu, and the smallest relative exposure to Naspers, Housing Development Finance and Sberbank of Russia.

At the sector level, the ETF had the highest relative weightings in Financials, Information Technology and Telecommunication Services, and the lowest relative exposure to Materials, Consumer Discretionary and Utilities.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>21.43</b>	<b>0.58</b>	<b>(0.29)</b>	<b>1.58</b>	<b>2.98</b>	<b>4.85</b>	–	<b>(0.31)</b>	<b>(0.77)</b>	–	<b>(1.08)</b>	<b>26.09</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.65	(0.24)	(0.16)	1.67	1.92	–	(0.44)	–	(0.02)	(0.46)	21.43

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 19, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>11 739</b>	<b>450</b>	<b>0.77</b>	<b>0.77</b>	<b>0.42</b>	<b>362.83</b>	<b>26.09</b>	<b>26.14</b>
Dec. 31, 2016 <sup>4</sup>	4 285	200	0.75	0.75	0.45	190.14	21.43	21.80

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 19, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Quant Emerging Markets Equity Leaders ETF	0.64%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmark:

#### MSCI Emerging Markets Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	24.0	—	—	—	18.6
Benchmark	28.3	—	—	—	22.9

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

The ETF's units have been available for sale to unitholders since January 19, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Information Technology	28.5
Financials	23.6
Energy	7.3
Telecommunication Services	7.2
Consumer Discretionary	7.0
Consumer Staples	6.9
Materials	6.6
Industrials	5.2
Real Estate	2.9
Health Care	2.5
Utilities	2.4
Other Net Assets	(0.1)

### Top 25 Holdings

	% of Net Asset Value
Tencent Holdings Ltd.	6.2
Alibaba Group Holding Ltd. ADR	4.8
Samsung Electronics Co. Ltd.	3.9
Taiwan Semiconductor Manufacturing Co. Ltd.	2.8
Netease.com ADR	2.0
Hon Hai Precision Industry Co. Ltd.	1.6
Hyundai Motor Co.	1.5
Hynix Semiconductor Inc.	1.3
America Movil S.A.B. de C.V.	1.2
China Construction Bank Corp.	1.1
PTT Exploration & Production PCL	1.1
MTN Group Ltd.	1.1
Industrial & Commercial Bank of China	1.0
PT Telekomunikasi Indonesia Persero Tbk	0.9
Petroleo Brasileiro S.A.	0.9
YY Inc. ADR	0.9
Chunghwa Telecom Co. Ltd.	0.8
SINA Corp.	0.8
Banco Bradesco S.A. Preference	0.8
Itau Unibanco Holding S.A. Preference	0.8
Bank of China Ltd.	0.8
Vale S.A.	0.8
Catcher Technology Co. Ltd.	0.7
China Petroleum & Chemical Corp.	0.7
Standard Bank Group Ltd.	0.7
<b>Top 25 Holdings</b>	<b>39.2</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



INTERNATIONAL EQUITY ETF

## RBC EMERGING MARKETS EQUITY INDEX ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: State Street Global Advisors, Ltd.

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible and before fees and expenses, the performance of a broad emerging markets equity index. Currently, the ETF seeks to track the FTSE Emerging Index (or any successor thereto). The investment strategy of the ETF is to invest in and hold the constituent securities of the FTSE Emerging Index in substantially the same proportion as they are reflected in the index or securities intended to replicate the performance of the index.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on September 21, 2017, and its net asset value was \$27 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The sub-advisor has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.15</b>	<b>(0.04)</b>	<b>0.13</b>	<b>1.17</b>	<b>1.41</b>	<b>–</b>	<b>(0.12)</b>	<b>(0.05)</b>	<b>(1.22)</b>	<b>(1.39)</b>	<b>20.00</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From August 9, 2017.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>27 004</b>	<b>1 350</b>	<b>0.56</b>	<b>0.56</b>	<b>0.40</b>	<b>75.19</b>	<b>20.00</b>	<b>20.10</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From August 9, 2017.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Emerging Markets Equity Index ETF	0.25%

### PAST PERFORMANCE

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched September 2017.



## SUMMARY OF INVESTMENT PORTFOLIO

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	18.6
Information Technology	10.1
Consumer Discretionary	7.0
Energy	5.8
Telecommunication Services	4.4
Materials	4.3
Industrials	4.2
Consumer Staples	4.1
Real Estate	3.6
Utilities	2.2
Health Care	1.4
Index Funds	33.9
Other Net Assets	0.4

### Top 25 Holdings

	% of Net Asset Value
iShares MSCI Taiwan Fund	13.0
iShares MSCI India Fund	11.6
iShares MSCI Brazil Fund	8.3
Tencent Holdings Ltd.	6.0
Naspers Ltd.	2.6
Alibaba Group Holding Ltd. ADR	2.0
China Construction Bank Corp.	1.8
Industrial & Commercial Bank of China	1.4
China Mobile (Hong Kong) Ltd.	1.2
Ping An Insurance Group Company of China Ltd.	1.1
Sberbank of Russia	1.0
Bank of China Ltd.	0.8
iShares MSCI Qatar Fund	0.7
Baidu.com Inc. ADR	0.7
Lukoil PJSC	0.6
America Movil S.A.B. de C.V.	0.6
Gazprom PAO	0.5
China Life Insurance Co. Ltd.	0.5
CNOOC Ltd.	0.5
Fomento Economico Mexicano S.A. Series B	0.4
Standard Bank Group Ltd.	0.4
MTN Group Ltd.	0.4
PTT PCL	0.4
Sasol Ltd.	0.4
China Petroleum & Chemical Corp.	0.4
<b>Top 25 Holdings</b>	<b>57.3</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



GLOBAL EQUITY ETF

## RBC STRATEGIC GLOBAL DIVIDEND LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, to the performance of a diversified portfolio of high-quality global dividend-paying equity securities that will provide regular income and that have the potential for long-term capital growth.

The ETF invests substantially all of its assets in RBC Quant Dividend Leaders ETFs (other than RBC Quant U.S. Dividend Leaders (CAD Hedged) ETF, RBC Quant European Dividend Leaders (CAD Hedged) ETF and RBC Quant EAFE Dividend Leaders (CAD Hedged) ETF). The ETF may also invest directly in a portfolio of global dividend-paying equity securities.

The portfolio asset allocation will be reconstituted and rebalanced from time to time, and no less frequently than quarterly. The frequency of the reconstitution and rebalancing may change without notice.

In order to adjust the portfolio's asset mix in a more timely manner, the portfolio manager may use derivatives as a substitute for direct investment in a particular market, on a short-term basis, until the portfolio's assets can be reallocated among the RBC Quant Dividend Leaders ETFs.

Portfolio securities for each of the applicable RBC Quant Dividend Leaders ETFs, and for the ETF, to the extent it invests directly in equity securities, will be selected using a rules-based, multi-factor investment approach designed to select high-quality global dividend-paying equity securities (i.e. companies with strong balance sheets, stable and sustainable dividend payouts and the ability to grow dividends in the future). Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$7 million as of December 31, 2017, from \$3 million at the end of 2016. The increase was due mostly to net inflows.

Over the past year, the ETF's units gained 9.6%, which underperformed the 14.3% rise in the benchmark. The broad-based index rose 14.4%. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

Global economic growth surged to the highest in seven years in 2017 thanks to a confluence of factors. The expansion was highly synchronized, encompassing the bulk of developed and many emerging-market nations. In the U.S., measures of confidence and risk appetite were robust, benefiting from the macroeconomic strength and helping to sustain it. Economic growth in the Eurozone and Japan continued to impress with a persistence that would have been hard to fathom several years ago. Canadian growth was unexpectedly brisk, prompting the Bank of Canada to raise interest rates twice during the year, even as investors worried about Canadians' high household debts and the future of the North American Free Trade Agreement.

Stock markets rose in most of the world during 2017, driven by the tailwinds of rising corporate profits and the continued environment of relatively low global interest rates. Among the strongest-performing indexes were Japan, which benefited from the impact of structural reforms, and emerging markets, bolstered by a handful of technology stocks having large market capitalizations. In the U.S., equities were aided by expectations that the Republican-controlled Congress would work with President Trump to pass corporate and personal-income tax cuts, a hope that came to fruition at year end. European markets in local-currency terms and Canadian indexes had more modest gains because their indexes had minimal exposure to the strong returns delivered by the Information Technology sector.

All four of the ETF's investments had a positive impact on portfolio returns, led by the RBC Quant U.S. Dividend Leaders ETF and the RBC Quant EAFE Dividend Leaders ETF.

### Recent Developments

Earnings have been coming through and analysts are optimistic that the trend can persist. U.S. corporate-tax cuts could provide an additional boost to profits. Against this backdrop, the portfolio manager believes that equities continue to offer modest total-return potential.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>22.78</b>	<b>1.31</b>	<b>(0.03)</b>	<b>0.10</b>	<b>0.92</b>	<b>2.30</b>	—	<b>(0.63)</b>	<b>(0.52)</b>	<b>(0.02)</b>	<b>(1.17)</b>	<b>24.27</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.71	(0.02)	0.48	2.28	3.45	—	(0.64)	(0.51)	—	(1.15)	22.78

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 19, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>7 282</b>	<b>300</b>	<b>0.45</b>	<b>0.45</b>	<b>0.11</b>	<b>6.41</b>	<b>24.27</b>	<b>24.33</b>
Dec. 31, 2016 <sup>4</sup>	3 417	150	0.59	0.59	0.12	21.51	22.78	21.86

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 19, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is charged indirectly and directly to the ETF: indirectly as this ETF invests in the units of other RBC ETFs and the other RBC ETFs pay management fees; and directly for other portfolio manager activities. The total management fee will not exceed 0.55%, before GST/HST, of the daily net asset value of the ETF.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 36% S&P 500 Total Return Index (CAD)
- 33% S&P/TSX Capped Composite Total Return Index
- 22% MSCI EAFE Total Return Net Index (CAD)
- 9% MSCI Emerging Markets Total Return Net Index (CAD)

The broad-based index is the MSCI World Total Return Net Index (CAD).

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	9.6	—	—	—	14.4
Benchmark	14.3	—	—	—	16.3
Broad-based index	14.4	—	—	—	13.0

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based index.

The ETF's units have been available for sale to unitholders since January 19, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	29.2
Energy	13.1
Utilities	8.0
Industrials	7.5
Telecommunication Services	6.9
Information Technology	6.8
Health Care	6.3
Consumer Staples	6.2
Consumer Discretionary	5.1
Real Estate	5.1
Materials	4.3
Index Funds	0.8
Other Net Assets	0.7

### Top 25 Holdings\*

	% of Net Asset Value
RBC Quant U.S. Dividend Leaders ETF	35.6
RBC Quant Canadian Dividend Leaders ETF	32.1
RBC Quant EAFE Dividend Leaders ETF	22.4
RBC Quant Emerging Markets Dividend Leaders ETF	9.6
Total	99.7

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



GLOBAL EQUITY ETF

## RBC STRATEGIC GLOBAL EQUITY LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with broad exposure, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate, to the performance of a diversified portfolio of high-quality global equity securities that have the potential for long-term capital growth.

The ETF invests substantially all of its assets in RBC Quant Equity Leaders ETFs (other than RBC Quant U.S. Equity Leaders (CAD Hedged) ETF and RBC Quant EAFE Equity Leaders (CAD Hedged) ETF). The ETF may also invest directly in a portfolio of global equity securities.

The portfolio asset allocation will be reconstituted and rebalanced from time to time, and no less frequently than quarterly. The frequency of the reconstitution and rebalancing may change without notice.

In order to adjust the portfolio's asset mix in a more timely manner, the portfolio manager may use derivatives as a substitute for direct investment in a particular market, on a short-term basis, until the portfolio's assets can be reallocated among the RBC Quant Equity Leaders ETFs.

Portfolio securities for each of the applicable RBC Quant Equity Leaders ETFs, and for the ETF, to the extent it invests directly in equity securities, will be selected using a rules-based, multi-factor investment approach designed to select high-quality global equity securities (i.e. companies with a high quality of earnings) while filtering out slow growth companies and securities with expensive valuations. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$3 million as of December 31, 2017, from \$2 million at the end of 2016. The increase was due to investment returns.

Over the past year, the ETF's units gained 13.3%, which underperformed the 14.3% rise in the benchmark. The broad-based index rose 14.4%. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

Global economic growth surged to the highest in seven years in 2017 thanks to a confluence of factors. The expansion was highly synchronized, encompassing the bulk of developed and many emerging-market nations. In the U.S., measures of confidence and risk appetite were robust, benefiting from the macroeconomic strength and helping to sustain it. Economic growth in the Eurozone and Japan continued to impress with a persistence that would have been hard to fathom several years ago. Canadian growth was unexpectedly brisk, prompting the Bank of Canada to raise interest rates twice during the year, even as investors worried about Canadians' high household debts and the future of the North American Free Trade Agreement.

Stock markets rose in most of the world during 2017, driven by the tailwinds of rising corporate profits and the continued environment of relatively low global interest rates. Among the strongest-performing indexes were Japan, which benefited from the impact of structural reforms, and emerging markets, bolstered by a handful of technology stocks having large market capitalizations. In the U.S., equities were aided by expectations that the Republican-controlled Congress would work with President Trump to pass corporate and personal-income tax cuts, a hope that came to fruition at year end. European markets in local-currency terms and Canadian indexes had more modest gains because their indexes had minimal exposure to the strong returns delivered by the Information Technology sector.

All four of the ETF's investments had a positive impact on portfolio returns, led by the RBC Quant U.S. Equity Leaders ETF and the RBC Quant EAFE Equity Leaders ETF.

### Recent Developments

Earnings have been coming through and analysts are optimistic that the trend can persist. U.S. corporate-tax cuts could provide an additional boost to profits. Against this backdrop, the portfolio manager believes that equities continue to offer modest total-return potential.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.



RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

***Custodian and Valuation Agent***

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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***

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

***Brokers and Dealers***

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2016 – \$1,000) or 0% (2016 – 3%) of the total transaction costs paid for this ETF.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>22.75</b>	<b>0.46</b>	<b>(0.03)</b>	<b>1.86</b>	<b>0.72</b>	<b>3.01</b>	–	<b>(0.38)</b>	<b>(1.91)</b>	–	<b>(2.29)</b>	<b>25.24</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.43	(0.03)	0.41	2.39	3.20	–	(0.39)	(0.45)	–	(0.84)	22.75

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From January 19, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>2 524</b>	<b>100</b>	<b>0.61</b>	<b>0.61</b>	<b>0.12</b>	<b>55.24</b>	<b>25.24</b>	<b>25.29</b>
Dec. 31, 2016 <sup>4</sup>	2 275	100	0.60	0.60	0.19	24.27	22.75	21.96

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From January 19, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is charged indirectly and directly to the ETF: indirectly as this ETF invests in the units of other RBC ETFs and the other RBC ETFs pay management fees; and directly for other portfolio manager activities. The total management fee will not exceed 0.55%, before GST/HST, of the daily net asset value of the ETF.



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 36% S&P 500 Total Return Index (CAD)
- 33% S&P/TSX Capped Composite Total Return Index
- 22% MSCI EAFE Total Return Net Index (CAD)
- 9% MSCI Emerging Markets Total Return Net Index (CAD)

The broad-based index is the MSCI World Total Return Net Index (CAD).

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	13.3	—	—	—	15.7
Benchmark	14.3	—	—	—	16.3
Broad-based index	14.4	—	—	—	13.0

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based index.

The ETF's units have been available for sale to unitholders since January 19, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	23.0
Information Technology	14.3
Industrials	10.8
Consumer Discretionary	9.9
Energy	8.9
Materials	7.6
Health Care	7.3
Consumer Staples	6.7
Utilities	4.7
Real Estate	3.4
Telecommunication Services	3.2
Other Net Assets	0.2

### Top 25 Holdings\*

	% of Net Asset Value
RBC Quant U.S. Equity Leaders ETF	35.5
RBC Quant Canadian Equity Leaders ETF	32.3
RBC Quant EAFE Equity Leaders ETF	22.6
RBC Quant Emerging Markets Equity Leaders ETF	9.4
Total	99.8

\* The ETF holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).



GLOBAL EQUITY ETF

## RBC QUANT GLOBAL INFRASTRUCTURE LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified global portfolio of high-quality equity securities of companies that own or operate infrastructure assets that will provide regular income and that have the potential for long-term capital growth.

Portfolio securities for the ETF are selected from the global listed infrastructure universe using a rules-based, multi-factor investment approach that considers a combination of the financial strength, growth and stability factors of the company. The global listed infrastructure universe, as determined by the portfolio management team, is made up of companies that own or operate assets primarily in the transportation (toll roads, airports, railroads and marine ports), energy (storage and transportation, renewable energy and pipelines), utilities (electric utilities, gas utilities and water), and communication (wireless towers) sectors, domiciled around the world. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization securities. The portfolio holdings are reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF's overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF's net asset value rose to \$21 million as of December 31, 2017, from \$9 million at the end of 2016. The increase was due to net inflows, partially offset by net redemptions.

Over the past year, the ETF's units lost 0.1%, which underperformed the 4.0% rise in the benchmark. The broad-based index rose 15.8%. The ETF's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the ETF.

The ETF's relative exposure to Telenor, Tav Havalimanlari and Rogers Communications had the most positive impact on returns, while Naspers, Centrica and SCANA were negative for performance. The ETF had the highest relative exposure to Vectren, Ameren and CenterPoint Energy, and the smallest relative exposure to Comcast, Naspers and Union Pacific.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF's day-to-day operations, holds title to the ETF's property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

#### *Brokers and Dealers*

The ETF has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2016 – \$0) or 1% (2016 – 0%) of the total transaction costs paid for this ETF.

#### *Other Related-Party Transactions*

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



*Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017</b>	<b>20.18</b>	<b>0.86</b>	<b>(0.19)</b>	<b>0.25</b>	<b>(1.64)</b>	<b>(0.72)</b>	–	<b>(0.68)</b>	<b>(0.33)</b>	–	<b>(1.01)</b>	<b>19.48</b>
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.27	(0.10)	(0.09)	1.10	1.18	–	(0.21)	–	–	(0.21)	20.18

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From September 14, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017</b>	<b>21 432</b>	<b>1 100</b>	<b>0.60</b>	<b>0.60</b>	<b>0.34</b>	<b>317.06</b>	<b>19.48</b>	<b>19.55</b>
Dec. 31, 2016 <sup>4</sup>	9 083	450	0.64	0.64	0.76	125.38	20.18	20.30

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From September 14, 2016.

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

	Management Fees
RBC Quant Global Infrastructure Leaders ETF	0.55%



## PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the ETF may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

### Year-by-Year Returns (%)

The bar chart indicates the ETF's performance for each of the years shown, and illustrates how the ETF's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



### Annual Compound Returns (%)

The table shows the annual compound returns of the ETF for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

#### MSCI All Country World Infrastructure Total Return Net Index (CAD)

The broad-based index is the MSCI All Country World Total Return Net Index (CAD).

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	-0.1	—	—	—	0.2
Benchmark	4.0	—	—	—	2.2
Broad-based index	15.8	—	—	—	15.7

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and broad-based indexes.

The ETF's units have been available for sale to unitholders since September 20, 2016.

Inception dates are not provided for Funds that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**MSCI All Country World Infrastructure Total Return Net Index (CAD)** This index measures the performance of infrastructure-related equities in developed and emerging markets.

**MSCI All Country World Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of large and mid-cap stocks across developed and emerging markets. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2017

### Investment Mix

	% of Net Asset Value
Global Equities	
Utilities	52.3
Telecommunication Services	32.4
Energy	5.8
Consumer Discretionary	4.7
Industrials	4.6
Other Net Assets	0.2

### Top 25 Holdings

	% of Net Asset Value
Verizon Communications Inc.	6.1
AT&T Inc.	4.2
TAV Havalimanlari Holding A.S.	4.1
AES Corp.	4.0
Centerpoint Energy Inc.	4.0
Exelon Corp.	3.9
Telenor ASA	3.9
Plains GP Holdings LP	3.9
Telefonica S.A.	3.8
Nippon Telegraph & Telephone Corp.	3.8
TransAlta Renewables Inc.	3.7
PG&E Corporation	3.6
Canadian Utilities Ltd., Class A	3.6
Proximus	3.5
SCANA Corp.	3.5
Bezeq Israeli Telecommunication Corporation Ltd.	3.5
Kansai Electric Power Co. Inc.	3.4
Transmissora Alianca de Energia Eletrica S.A.	3.4
Centrica Plc.	3.4
Just Energy Group Inc.	3.2
Korea Electric Power Corp.	3.1
Telkom SA Ltd.	2.7
Contact Energy Limited	2.6
Northland Power Inc.	2.0
Inter Pipeline Ltd.	1.9
<b>Top 25 Holdings</b>	<b>88.8</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).



GLOBAL EQUITY ETF

## RBC QUANT GLOBAL REAL ESTATE LEADERS ETF

---

December 31, 2017

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2018.

### A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the ETF and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the ETF. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

---

*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/etf/reports](http://www.rbcgam.com/etf/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified global portfolio of high-quality Real Estate Investment Trusts (“REITs”) and equity securities of real estate management and development companies that will provide regular income and that have the potential for long-term capital growth.

Portfolio securities for the ETF are selected from the global real estate universe using a rules-based, multi-factor investment approach that considers a combination of the financial strength, growth and stability factors of the company. The global real estate universe, as determined by the portfolio management team, includes REITs and real estate management and development companies domiciled around the world. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization securities. The portfolio holdings are reconstituted and rebalanced on a quarterly basis. The frequency of the reconstitution and rebalancing may change without notice.

### Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

### Results of Operations

The ETF was launched on May 9, 2017, and its net asset value was \$9 million as of December 31, 2017. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

The portfolio manager has no recent developments to report.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada (“Royal Bank”) and is the manager, trustee and portfolio manager of the ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for its services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the ETF, such as banking, brokerage, securities lending, foreign exchange and

derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders buy and sell ETF units denominated in different currencies. The ETF may 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 ETF in the course of their normal businesses are discussed below.

#### *Custodian and Valuation Agent*

RBC Investor Services Trust (“RBC IS”) is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. 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*

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm’s length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF’s Prospectus.

#### *Other Related-Party Transactions*

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

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five years or for the periods since inception. This information is derived from the ETF's audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

**Change in Net Assets Per Unit (\$)**

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
<b>Dec. 31, 2017<sup>3</sup></b>	<b>20.00<sup>†</sup></b>	<b>0.66</b>	<b>(0.12)</b>	<b>(0.59)</b>	<b>0.50</b>	<b>0.45</b>	<b>–</b>	<b>(0.34)</b>	<b>–</b>	<b>(0.04)</b>	<b>(0.38)</b>	<b>19.34</b>

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are either paid in cash, reinvested in additional units of the ETF, or both.

<sup>3</sup> From April 20, 2017.

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

As at	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
<b>Dec. 31, 2017<sup>4</sup></b>	<b>8 704</b>	<b>450</b>	<b>0.63</b>	<b>0.63</b>	<b>0.36</b>	<b>413.94</b>	<b>19.34</b>	<b>19.45</b>

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>3</sup> The ETF's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

<sup>4</sup> From April 20, 2017.

**Management Fees**

RBC GAM is the manager, trustee and portfolio manager of the ETF. The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees	
RBC Quant Global Real Estate Leaders ETF	0.55%

**PAST PERFORMANCE**

Investment performance in respect of a fund that has been available for less than one year is not provided. The ETF was launched May 2017.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2017*

**Investment Mix**

	% of Net Asset Value
Global Equities	
Real Estate	99.4
Other Net Assets	0.6

**Top 25 Holdings**

	% of Net Asset Value
Sun Hung Kai Properties Ltd.	5.0
Simon Property Group Inc.	5.0
Stockland Real Estate Investment Trust	4.3
Mirvac Group Real Estate Investment Trust	4.3
Nomura Real Estate Holdings Inc.	4.1
Vicinity Centres Real Estate Investment Trust	4.0
Growthpoint Properties Ltd. Real Estate Investment Trust	3.8
Hospitality Properties Trust	3.8
Apple Hospitality Inc. Real Estate Investment Trust	3.8
Hang Lung Properties Ltd.	3.8
Park Hotels & Resorts Inc. Real Estate Investment Trust	3.7
WP Carey Inc. Real Estate Investment Trust	3.7
Lamar Advertising Co., Class A Real Estate Investment Trust	3.7
H&R Real Estate Investment Trust	3.7
Sino-Ocean Group Holding Ltd.	3.7
CoreSite Realty Corp. Real Estate Investment Trust	3.6
Shimao Property Holdings Ltd.	3.6
Piedmont Office Realty Trust Inc., Class A Real Estate Investment Trust	3.5
CoreCivic Inc. Real Estate Investment Trust	3.5
Brixmor Property Group Inc. Real Estate Investment Trust	3.2
Corporate Office Properties Trust	3.1
SmartCentres Real Estate Investment Trust	2.6
Hyprop Investments Ltd. Real Estate Investment Trust	2.2
Host Marriott Corp.	2.2
China Resources Land Ltd.	1.9
<b>Top 25 Holdings</b>	<b>89.8</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF and a quarterly update is available at [www.rbcgam.com/etfs](http://www.rbcgam.com/etfs).

---

If you have questions regarding RBC ETFs, you can contact us using the following options:

**By Phone**

Investors: **1-855-RBC-ETFs (722-3837)**  
Dealers: **1-800-662-0652**

**On the Internet**

Visit our website at: **[www.rbcgam.com/etfs](http://www.rbcgam.com/etfs)**

**By Mail**

Head office:

**RBC Global Asset Management Inc.**  
**155 Wellington Street West**  
**Suite 2200**  
**Toronto, Ontario**  
**M5V 3K7**

For general mutual fund enquiries, write to:

**RBC Global Asset Management Inc.**  
**P.O. Box 7500, Station A**  
**Toronto, Ontario**  
**M5W 1P9**



**Global Asset  
Management**