TARGET DATE FUND

PHILLIPS, HAGER & NORTH LIFETIME 2020 FUND

December 31, 2025

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 5, 2026.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund 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 Fund 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 Fund. 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 Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/regulatorydocuments or SEDAR+ at www.sedarplus.ca. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to achieve a balance of income and long-term capital growth relative to its target retirement date of 2020 by investing primarily in investment funds that hold equity, fixed income, income trust and money market securities and exchange traded funds ("ETFs"), or by investing directly in such securities.

The Fund invests primarily in underlying funds. The Fund seeks to achieve its investment strategies by investing in two broad asset classes: equities and fixed income, either directly or indirectly through underlying funds and Canadian or U.S. ETFs. ETFs purchased by the Fund will initially be limited to those that track the investment performance of broad based real estate investment trust indices but may include other ETFs where permitted by applicable securities laws. At all times, the Fund will use a dynamic asset mix or glide path that adjusts the asset mix of the Fund on a quarterly basis relative to its target date.

Risk

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

Results of Operations

The Fund's net asset value fell to $26 million as of December 31, 2025, from $29 million at the end of 2024. The decrease was due to net outflows, partially offset by investment returns.

Over the past year, the Fund's Series F units gained 6.7%. The broad-based index 1 rose 2.6% and the broad-based index 2 rose 31.7%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The global economy and financial markets largely withstood the impact of new U.S. trade barriers, as the positive impact of government stimulus and artificial intelligence ("AI") on growth underpinned returns for the year as a whole. The announcement of higher tariffs in the first half of 2025 produced a temporary plunge in stocks and corporate bonds on concern that U.S. policy would curtail global growth. However, trade deals proved less punitive than had been feared, many central banks cut interest rates, and more companies began to benefit from the cost savings offered by AI. The global expansion was also bolstered by capital expenditures related to building out the infrastructure required for AI, especially in the U.S. and China.

Canadian bonds rose for a third straight year as central banks extended interest-rate cuts amid a slowdown in domestic economic growth. The Bank of Canada (the "BOC") lowered its benchmark interest rate by 1 percentage point to 2.25% in 2025, aiming to shield the weak economy from the threat of higher U.S. tariffs. The BOC also signalled that it had completed its current round of interest-rate reductions, leaving government spending to support the economic expansion. Investors were increasingly concerned about the outcome of next year's renegotiation of Canada's trade pact with the U.S. and Mexico, fearing that failure to reach a deal could exacerbate current economic strains. The U.S. Federal Reserve (the "Fed") cut its benchmark interest rate by 0.75 percentage point in stages over the second half of 2025, bringing the benchmark rate down to a range of 3.50% to 3.75%. These rate reductions were aimed at stimulating growth and supporting a softening labour market. In December, the Fed announced an end to its bond-selling program to support the U.S. banking system and Treasuries. U.S. bonds outperformed their Canadian counterparts given expectations that the Fed would continue to reduce rates while the BOC stayed on hold. Returns in the fixed-income segment of the portfolio were boosted by the Phillips, Hager & North Short Term Bond & Mortgage Fund and the Phillips, Hager & North Bond Fund.

Following a volatile start to 2025, equity markets ultimately found their footing and rewarded investors with strong returns in most major markets. In the U.S., equities were driven by AI and continued technological advances that led to increased investment in data centres, semiconductors and energy farms. Canadian stocks outperformed most major international indexes, led by gains in shares of precious-metals companies and financial firms. Gold producers as a group more than doubled, with bullion surging to records exceeding US$4,300 during the period, due to geopolitical crises, concern about the independence of the Fed and U.S.-dollar weakness. Many European markets also hit record highs as the rise in the euro and significantly enhanced defence spending enabled regional stocks to outperform in Canadian- and U.S.-dollar terms. Emerging-market stocks recorded significant gains in 2025, beating developed markets for the first time in five years as the U.S. dollar weakened and Chinese equities rebounded from poor relative performance since the pandemic. Returns were bolstered by the Phillips, Hager & North Conservative Equity Income Fund and the RBC QUBE Low Volatility Global Equity Fund.

Recent Developments

Economic growth should accelerate moderately in the year ahead, in the view of the portfolio manager, and may pleasantly surprise relative to consensus expectations. Tariff headwinds should fade, and important tailwinds are set to blow. Inflation may not fall by quite as much as consensus expectations for 2026 but should slowly ease after peaking in the spring.

An environment of moderate economic growth should allow inflation to subside sufficiently for continued interest-rate cuts by the Fed and foster strong corporate profit growth. Stocks are expected to continue outperforming bonds, but the portfolio manager recognizes that the potential for outsized gains has diminished following this year's strong performance that pushed some valuations to extreme levels. Against this backdrop, sovereign bonds should deliver cash-like returns and offer ballast against equity-market volatility should the economy disappoint.

Effective January 1, 2026, Brenda Eaton was appointed as Chair of the Independent Review Committee (the "IRC") following the retirement of Suromitra Sanatani, who has served as a dedicated member of the IRC since 2017. Effective January 1, 2026, Geoffrey D. Creighton was appointed as a new member of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

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

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are principal distributors of, or may distribute certain series of units of, the Fund. Dealers may receive an ongoing commission based on the total value of their clients' investment in certain series of units of the Fund.

Registrars

RBC GAM, RBC Investor Services Trust ("RBC IS") or Royal Bank (or a combination thereof) are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Trustee and Custodian

RBC IS is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Other Related-Party Transactions

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

Related-Party Trading Activities

(a) trades in securities of Royal Bank;

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

(c) purchases of equity, debt securities or mortgages from or sales of equity, debt securities or mortgages to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

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

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

Change in Net Assets Per Unit ($)

		Increase (Decrease) from Operations[1]					Annual Distributions[2]					
For the Year/ Period Ended	Net Assets Beginning 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	Net Assets End of Year/Period
Series D												
Dec. 31, 2025	**11.30**	**0.54**	**(0.10)**	**0.18**	**0.09**	**0.71**	**(0.22)**	**(0.07)**	**–**	**(0.01)**	**(0.30)**	**11.72**
Dec. 31, 2024	10.71	0.47	(0.10)	(0.39)	0.86	0.84	(0.22)	(0.06)	–	(0.01)	(0.29)	11.30
Dec. 31, 2023	10.60	0.59	(0.09)	(0.11)	0.18	0.57	(0.23)	(0.09)	(0.14)	(0.01)	(0.47)	10.71
Dec. 31, 2022	12.51	0.65	(0.10)	0.08	(1.96)	(1.33)	(0.35)	(0.10)	(0.25)	(0.01)	(0.71)	10.60
Dec. 31, 2021	12.17	0.40	(0.11)	0.43	0.06	0.78	(0.22)	(0.08)	(0.19)	(0.01)	(0.50)	12.51
Series F												
Dec. 31, 2025	**9.68**	**0.54**	**(0.06)**	**0.18**	**(0.02)**	**0.64**	**(0.21)**	**(0.07)**	**–**	**(0.01)**	**(0.29)**	**10.04**
Dec. 31, 2024	9.17	0.47	(0.06)	(0.39)	0.74	0.76	(0.20)	(0.06)	–	(0.01)	(0.27)	9.68
Dec. 31, 2023	9.08	0.50	(0.05)	(0.10)	0.10	0.45	(0.21)	(0.08)	(0.12)	(0.01)	(0.42)	9.17
Dec. 31, 2022	10.71	0.57	(0.06)	0.07	(0.99)	(0.41)	(0.32)	(0.09)	(0.22)	(0.01)	(0.64)	9.08
Dec. 31, 2021	10.40	0.35	(0.06)	0.37	0.10	0.76	(0.20)	(0.06)	(0.17)	(0.01)	(0.44)	10.71
Series O												
Dec. 31, 2025	**11.16**	**0.54**	**(0.01)**	**0.18**	**0.09**	**0.80**	**(0.29)**	**(0.10)**	**–**	**(0.02)**	**(0.41)**	**11.57**
Dec. 31, 2024	10.58	0.47	(0.01)	(0.39)	0.90	0.97	(0.29)	(0.08)	–	(0.01)	(0.38)	11.16
Dec. 31, 2023	10.47	0.58	(0.01)	(0.11)	0.22	0.68	(0.29)	(0.11)	(0.14)	(0.01)	(0.55)	10.58
Dec. 31, 2022	12.37	0.65	(0.01)	0.08	(1.85)	(1.13)	(0.42)	(0.12)	(0.25)	(0.02)	(0.81)	10.47
Dec. 31, 2021	12.03	0.40	(0.01)	0.43	0.12	0.94	(0.29)	(0.11)	(0.19)	(0.01)	(0.60)	12.37

[1] 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.

[2] Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit ($)	Net Asset Value ($000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%)[1]	MER Before Absorption (%)[1]	Portfolio Turnover Rate (%)[2]	Trading Expense Ratio (%)[3]
Series D							
Dec. 31, 2025	**11.72**	**7,780**	**664**	**0.91**	**0.91**	**10.53**	**0.02**
Dec. 31, 2024	11.30	7,987	707	0.91	0.91	96.23	0.01
Dec. 31, 2023	10.71	9,572	894	0.90	0.90	15.57	0.03
Dec. 31, 2022	10.60	9,781	923	0.91	0.91	9.75	0.01
Dec. 31, 2021	12.51	14,385	1,150	0.91	0.91	11.72	0.01
Series F							
Dec. 31, 2025	**10.04**	**386**	**38**	**0.63**	**0.63**	**10.53**	**0.02**
Dec. 31, 2024	9.68	523	54	0.62	0.62	96.23	0.01
Dec. 31, 2023	9.17	744	81	0.62	0.62	15.57	0.03
Dec. 31, 2022	9.08	988	109	0.66	0.66	9.75	0.01
Dec. 31, 2021	10.71	1	–	0.66	0.66	11.72	0.01
Series O							
Dec. 31, 2025	**11.57**	**17,646**	**1,525**	**0.09**	**0.09**	**10.53**	**0.02**
Dec. 31, 2024	11.16	20,213	1,811	0.09	0.09	96.23	0.01
Dec. 31, 2023	10.58	19,463	1,840	0.08	0.08	15.57	0.03
Dec. 31, 2022	10.47	17,695	1,690	0.08	0.08	9.75	0.01
Dec. 31, 2021	12.37	20,846	1,685	0.08	0.08	11.72	0.01

[1] The management expense ratio ("MER") is based on the direct expenses charged to the Fund and the Fund's proportionate share of the expenses of underlying funds, if any, 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.

[2] The Fund'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 Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund 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 Fund. The portfolio turnover rate is not applicable to money market funds.

[3] The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and the Fund's proportionate share of such costs of underlying funds 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.

Management Fees and Administration Fees

Management fees and administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The management fee, breakdown of services received in consideration of the management fee, as a percentage of the management fee, and the administration fee for each series are as follows:

	Management Fees	Breakdown of Services		Administration Fees
		Distribution	Other*	
Series D	0.75%	33%	67%	0.05%
Series F	0.50%	–	100%	0.05%
Series O	n/a	n/a	n/a	0.05%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

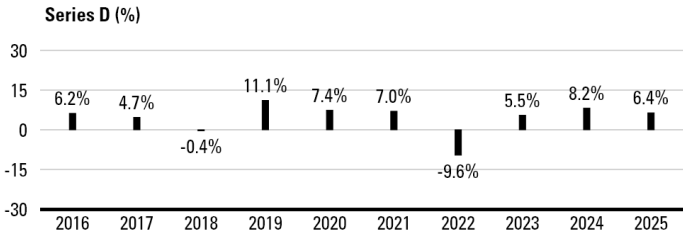
* Includes all costs related to management, investment advisory services, general administration and profit.

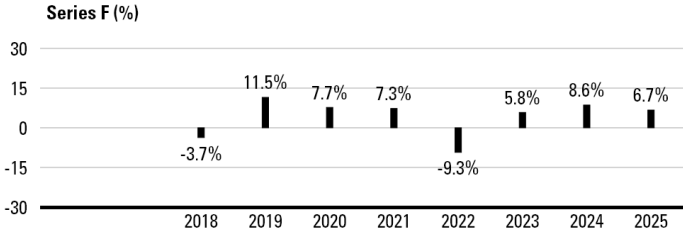
PAST PERFORMANCE

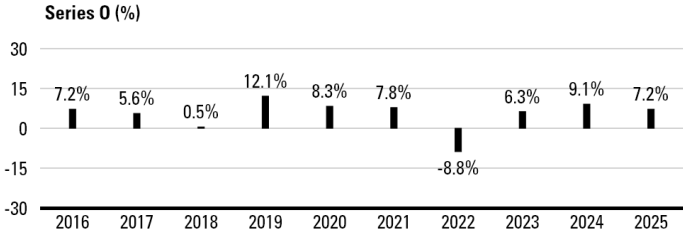
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund 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 Fund's performance for each of the years shown, and illustrates how the Fund'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 for each series of the Fund and for each of the periods indicated ended on December 31, 2025, compared with the following benchmarks:

Broad-based index 1 – FTSE Canada Universe Bond Index
Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series D	6.4	6.7	3.3	4.5	–
Broad-based index 1	2.6	4.5	-0.4	1.9	–
Broad-based index 2	31.7	21.4	16.1	12.7	–
Series F	6.7	7.0	3.6	–	4.5
Broad-based index 1	2.6	4.5	-0.4	–	1.9
Broad-based index 2	31.7	21.4	16.1	–	12.8
Series O	7.2	7.6	4.1	5.4	–
Broad-based index 1	2.6	4.5	-0.4	1.9	–
Broad-based index 2	31.7	21.4	16.1	12.7	–

The returns of each series may vary because of differences in management fees and expenses. Benchmark and/or broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to benchmark and/or broad-based indexes.

Series F units have been available for sale to unitholders since August 20, 2018.

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

INDEX DESCRIPTIONS

FTSE 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.

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, 2025

Investment Mix

	% of Net Asset Value
Fixed Income Funds	62.2
Global Equity Funds	14.9
Canadian Equity Funds	9.9
United States Equity Funds	8.1
Alternative Investment Funds	2.1
International Equity Funds	2.1
Cash/Other	0.7

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Short Term Bond & Mortgage Fund - Series O	26.2
Phillips, Hager & North Bond Fund - Series O	18.4
RBC QUBE Low Volatility Global Equity Fund - Series O	10.3
Phillips, Hager & North Conservative Equity Income Fund - Series O	7.3
RBC Bond Fund - Series O	6.8
Phillips, Hager & North U.S. Equity Fund - Series O	5.2
RBC QUBE Global Equity Fund - Series O	4.7
RBC High Yield Bond Fund - Series O	3.9
Phillips, Hager & North High Yield Bond Fund - Series O	3.9
Vanguard Real Estate ETF	2.9
Phillips, Hager & North Canadian Equity Underlying Fund - Series O	2.6
RBC Canadian Core Real Estate Fund - Series N	2.1
RBC International Equity Fund - Series O	2.1
BlueBay Global Investment Grade Corporate Bond Fund (Canada) - Series O	2.0
RBC Canadian Money Market Fund - Series O	1.0
Cash & Cash Equivalents	0.6
Total	100.0

* The Fund holds fewer than 25 holdings.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at www.rbcgam.com/regulatorydocuments.

The Simplified Prospectus and other information about the underlying funds are available on the investment fund's designated website and on SEDAR+ at www.sedarplus.ca.