



FIXED-INCOME FUND

BLUEBAY EUROPEAN HIGH YIELD BOND FUND (CANADA)

December 31, 2018

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 11, 2019.

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 1-800-463-FUND (3863), 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/reports or SEDAR at www.sedar.com. 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.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide total returns comprised of interest income and modest capital appreciation by investing primarily in high-yield debt securities issued by entities domiciled in or carrying out the majority of their business activities in Europe.

To achieve the Fund's objectives, the sub-advisor conducts detailed company credit and industry analysis to identify investment opportunities offering higher probabilities of superior rates of return while minimizing the prospect of default.

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 rose to \$578 million as of December 31, 2018, from \$569 million at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units lost 1.3%, which outperformed the 1.5% decline in the benchmark. 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.

European high-yield bonds recorded modest losses in 2018 as rising U.S. interest rates and political stress in Europe offset the positive impact of strong corporate earnings. Toward the end of 2018, a clear loss of momentum in economic growth led to a doubling in the extra yield required to own European high-yield bonds relative to benchmarks.

The Fund's relative performance benefited from security selection. The sub-advisor avoided companies involved in credit restructurings, as well as the worst-performing companies in the benchmark. Exposure to Telecom Italia had a positive impact on relative performance. From a sector perspective, underweight allocations to auto-related companies and other businesses sensitive to the pace of economic expansion aided relative returns as growth began to waver late in the year.

Relative returns were also hampered by exposure to the banking industry, which was one of the Fund's favoured areas of investment in early 2018. Italy's banking industry was hard-hit by concern that

the Italian government would increase government spending to levels inconsistent with the country's already high debt levels. As a result, holdings in the Italian bank Monte De Paschi held back the Fund's performance.

Exposure to European high-yield bank loans helped shelter the portfolio from market stress, as this area of Europe's credit market significantly outperformed the high-yield bond market. Regionally, U.K. bonds in 2018 offered good returns, as they benefited from yields that more than compensated for the risks represented by the U.K.'s plan to leave the European Union.

Portfolio turnover is normally high for the Fund, as the sub-advisor attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

The sub-advisor believes that high-yield bonds continue to offer attractive returns after the sell-off that occurred in the latter stages of 2018. The likelihood of a recessionary environment in 2019 is low, in the view of the sub-advisor, given that earnings are still rising. In the high-yield market, leverage levels continue to decline and credit quality remains healthy. However, the recent investor pessimism clearly cannot be ignored, and the sub-advisor realizes that issues such as slowing Chinese economic growth, trade conflicts and European politics could destabilize financial markets.

Effective January 1, 2018, management fees were reduced as follows: from 1.65% to 1.50% for Series A and Advisor Series units; from 1.05% to 0.90% for Series D units; and from 0.90% to 0.75% for Series F units.

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 Fund. RBC GAM is responsible for the Fund's day-to-day operations, holds title to the Fund's property on behalf of its unitholders, 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, as trustee, earns a fee, which is paid by the manager from the fixed administration fee paid by 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.

Sub-Advisor

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

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.

Custodian

RBC IS is the custodian and holds the assets of the Fund. RBC IS earns a fee as the 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 and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

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

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

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				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		
Series A												
Dec. 31, 2018	10.39	0.47	(0.18)	0.41	(0.88)	(0.18)	(0.29)	–	(0.39)	–	(0.68)	9.58
Dec. 31, 2017	10.01	0.49	(0.20)	(0.01)	0.20	0.48	(0.30)	–	–	–	(0.30)	10.39
Dec. 31, 2016 ³	10.00 [†]	12.10	(0.05)	16.80	(28.69)	0.16	(0.03)	–	(0.12)	–	(0.15)	10.01
Advisor Series												
Dec. 31, 2018	10.40	0.48	(0.18)	0.42	(0.71)	0.01	(0.29)	–	(0.39)	–	(0.68)	9.59
Dec. 31, 2017	10.01	0.49	(0.20)	(0.01)	(0.02)	0.26	(0.30)	–	–	–	(0.30)	10.40
Dec. 31, 2016 ³	10.00 [†]	12.10	(0.05)	16.80	(28.69)	0.16	(0.03)	–	(0.12)	–	(0.15)	10.01
Series D												
Dec. 31, 2018	10.38	0.47	(0.12)	0.42	(0.87)	(0.10)	(0.35)	–	(0.39)	–	(0.74)	9.57
Dec. 31, 2017	10.00	0.49	(0.13)	(0.01)	0.18	0.53	(0.38)	–	–	–	(0.38)	10.38
Dec. 31, 2016 ³	10.00 [†]	12.10	(0.03)	16.80	(28.69)	0.18	(0.05)	–	(0.13)	–	(0.18)	10.00
Series F												
Dec. 31, 2018	10.43	0.48	(0.10)	0.42	(0.82)	(0.02)	(0.37)	–	(0.39)	–	(0.76)	9.61
Dec. 31, 2017	10.01	0.49	(0.12)	(0.01)	0.29	0.65	(0.38)	–	–	–	(0.38)	10.43
Dec. 31, 2016 ³	10.00 [†]	12.10	(0.03)	16.80	(28.68)	0.19	(0.05)	–	(0.13)	–	(0.18)	10.01
Series O												
Dec. 31, 2018	10.37	0.47	(0.02)	0.42	(0.84)	0.03	(0.45)	–	(0.39)	–	(0.84)	9.56
Dec. 31, 2017	9.99	0.50	(0.02)	(0.01)	0.38	0.85	(0.48)	–	–	–	(0.48)	10.37
Dec. 31, 2016 ³	10.00 [†]	0.10	–	0.14	–	0.24	(0.09)	–	(0.12)	–	(0.21)	9.99

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.

³ From June 27, 2016.

[†] Initial offering net asset value per unit.

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 A							
Dec. 31, 2018	9.58	218	23	1.74	1.74	99.29	–
Dec. 31, 2017	10.39	94	9	1.89	1.89	100.97	–
Dec. 31, 2016 ⁴	10.01	1	–	2.03	2.03	12.58	–
Advisor Series							
Dec. 31, 2018	9.59	1	–	1.74	1.74	99.29	–
Dec. 31, 2017	10.40	55	5	1.89	1.89	100.97	–
Dec. 31, 2016 ⁴	10.01	1	–	2.03	2.03	12.58	–
Series D							
Dec. 31, 2018	9.57	129	14	1.17	1.17	99.29	–
Dec. 31, 2017	10.38	80	8	1.27	1.27	100.97	–
Dec. 31, 2016 ⁴	10.00	1	–	1.36	1.36	12.58	–



FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data (cont.)

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 F							
Dec. 31, 2018	9.61	60	6	0.95	0.95	99.29	—
Dec. 31, 2017	10.43	53	5	1.10	1.10	100.97	—
Dec. 31, 2016 ⁴	10.01	1	—	1.19	1.19	12.58	—
Series O							
Dec. 31, 2018	9.56	577 271	60 399	0.17	0.17	99.29	—
Dec. 31, 2017	10.37	568 900	54 869	0.17	0.17	100.97	—
Dec. 31, 2016 ⁴	9.99	460 672	46 091	0.16	0.16	12.58	—

¹ 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.

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 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.

⁴ From June 27, 2016.

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.50%	50%	50%
Advisor Series	1.50%	50%	50%
Series D	0.90%	17%	83%
Series F	0.75%	—	100%

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, trustee, 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.





PAST PERFORMANCE (cont.)



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, 2018, compared with the following benchmark:

ICE BofAML European Currency High Yield Constrained Index (hedged to CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	-1.3	—	—	—	3.2
Benchmark	-1.5	—	—	—	3.9
Advisor Series	-1.3	—	—	—	3.2
Benchmark	-1.5	—	—	—	3.9
Series D	-0.7	—	—	—	3.8
Benchmark	-1.5	—	—	—	3.9
Series F	-0.5	—	—	—	4.2
Benchmark	-1.5	—	—	—	3.9
Series O	0.3	—	—	—	4.9
Benchmark	-1.5	—	—	—	3.9

The returns of each series may vary because of differences in management fees and expenses. 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.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since October 3, 2016.

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

INDEX DESCRIPTION

ICE BofAML European Currency High Yield Constrained Index (hedged to CAD)* This index is a broad measure of non-investment-grade debt denominated in euros and British pounds. The index is hedged to Canadian dollars.

* ICE BofAML benchmarks were known as the Bank of America Merrill Lynch benchmarks before a name change.



SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

Investment Mix

	% of Net Asset Value
United Kingdom	19.9
United States	10.0
France	9.5
Luxembourg	9.3
Italy	8.2
Germany	7.0
Netherlands	6.8
Spain	6.3
Ireland	2.6
Other Countries	14.0
Cash/Other	6.4

Top 25 Holdings

	% of Net Asset Value
Cash & Cash Equivalents	5.3
iShares iBoxx \$ High Yield Corporate Bond Fund	3.1
Teva Pharmaceutical Finance Netherlands II BV EUR 0.375% Jul 25 2020	2.7
Unitymedia GmbH EUR 3.750% Jan 15 2027	2.4
Virgin Media Receivables Financing Notes I DAC GBP 5.500% Sep 15 2024	2.0
Heathrow Finance Plc. GBP 4.750% Mar 1 2024	1.8
Federal-Mogul LLC EUR 5.000% Jul 15 2024	1.6
Wind Tre S.p.A. EUR 3.125% Jan 20 2025	1.5
Amigo Luxembourg S.A. GBP 7.625% Jan 15 2024	1.5
Rossini Sarl EUR 6.750% Oct 30 2025	1.4
Mulhacen Pte Ltd. EUR 6.500% Aug 1 2023	1.3
AMC Entertainment Holdings Inc. GBP 6.375% Nov 15 2024	1.3
Newco SAB Bidco SASU EUR 3.000% Mar 21 2024	1.3
Voyage Care Bondco Plc. GBP 5.875% May 1 2023	1.3
Eagle Intermediate Global Holding BV EUR 5.375% May 1 2023	1.2
Hercule Debtco Sarl EUR 6.750% Jun 30 2024	1.1
Telefonica Europe BV EUR 3.875% Perpetual	1.1
Equinix Inc. EUR 2.875% Mar 15 2024	1.1
UGI International LLC EUR 3.250% Nov 1 2025	1.1
Credit Agricole S.A. USD 8.375% Nov 24 2048	1.1
LHMC Finco Sarl EUR 6.250% Dec 20 2023	1.1
InterXion Holding N.V. EUR 4.750% Jun 15 2025	1.1
James Hardie International Finance DAC EUR 3.625% Oct 1 2026	1.0
SPIE S.A. EUR 3.125% Mar 22 2024	1.0
International Game Technology Plc. EUR 3.500% Jul 15 2024	1.0
Top 25 Holdings	40.4

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/funds.