



INTERNATIONAL EQUITY FUND

## RBC INTERNATIONAL DIVIDEND GROWTH FUND

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*December 31, 2015*

**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 4, 2016.

### **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.

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*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](http://www.rbcgam.com/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 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 long-term capital growth by investing primarily in equity securities of major companies domiciled in developed countries outside of North America.

The Fund invests in stocks that have undergone a selection process emphasizing companies with a leading market position or lucrative niche, consistent and predictable profit growth and strong management teams.

### **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 \$38 million as of December 31, 2015, from \$18 million at the end of 2014. The increase was due mainly to net inflows.

Over the past year, the Fund's Advisor Series units gained 24.8%, which outperformed the 19.0% rise 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.

Japan and the Eurozone provided the best equity returns among international developed markets in 2015. The U.K. stock market, Europe's largest, ended broadly flat for the year, but sustained weakness in the Canadian dollar provided an additional boost to returns for Canadian investors.

The Fund benefited from an overweight allocation to the Eurozone, and good stock selection in the region. The European Central Bank's introduction in early 2015 of quantitative easing – large bond purchases aimed at holding down longer-term interest rates – led to Eurozone equity-market strength on investor expectations that monetary easing would spur a wave of corporate investment spending.

The performance of industry sectors varied widely in 2015. Consumer-oriented sectors including Health Care and Information Technology produced double-digit returns while energy- and other commodity-related stocks were held back by weaker demand and oversupply. Within the Fund, good contributions from Japanese automaker

Toyota Motor and China-based Shenzhou International, a clothing manufacturer whose customers include Nike and Adidas, helped returns in the Consumer Discretionary sector. The performance of the Fund's Consumer Staples holdings was held back by disappointing returns from Aryzta and Tate & Lyle, the bakery business and food-additives company, respectively. Both stocks were sold during the year.

A strong showing by Telecity, NICE Systems and Altran Technologies helped the Fund to produce returns more than double the Information Technology sector's benchmark. Similarly, in Telecommunication Services where the Fund is overweight, good performance from European telecommunications companies KPN and Deutsche Telekom, as well as Japanese mobile company KDDI, benefited overall returns.

The performance of the Fund's Health Care stocks was below the sector benchmark, as solid performances from Roche, the Swiss-based drug company, and Japanese Kaken Pharmaceutical, were offset by weakness in Sanofi, whose profit estimates were lowered and the CEO replaced. Sanofi was sold from the Fund during the year.

### **Recent Developments**

The pace of global growth has slowed over the past 12 months although the threat of recession, in the developed world at least, seems modest. Inflation remains very low as the recent big commodity-price declines have supplanted a decade of high prices. A little more inflation, which the portfolio manager expects to see in 2016, would be desirable for many developed countries. While the U.S. has come to the end of a long period of monetary easing with the U.S. Federal Reserve's recent interest-rate rise, the first since 2006, monetary-stimulus measures are still in place in the Eurozone and Japan. The portfolio manager expects the significant monetary stimulus still in effect outside the U.S. to lead to faster economic activity.

### **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.



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 distribute certain series of the units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Advisor Series units.

***Custodian***

RBC Investor Services Trust ("RBC IS") is the custodian and holds the assets of the Fund.

***Registrar***

RBC IS is the registrar of the Fund and keeps records of who owns the units of the Fund.

***Brokerage***

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$0 (2014 – \$2,000) or 0% (2014 – 1%) of the total transaction costs paid for this Fund.

***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. 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	
Advisor Series												
Dec. 31, 2015	9.10	0.33	(0.24)	1.33	0.68	2.10	—	(0.14)	—	—	(0.14)	11.21
Dec. 31, 2014	9.40	0.67	(0.21)	3.77	(4.09)	0.14	—	(0.23)	—	—	(0.23)	9.10
Dec. 31, 2013	7.18	0.21	(0.18)	1.35	0.86	2.24	—	(0.07)	—	—	(0.07)	9.40
Dec. 31, 2012	6.31	0.24	(0.15)	0.15	0.75	0.99	—	(0.10)	—	—	(0.10)	7.18
Dec. 31, 2011	7.22	0.28	(0.15)	(0.03)	(0.79)	(0.69)	—	(0.13)	—	—	(0.13)	6.31
Series F												
Dec. 31, 2015	9.19	0.33	(0.11)	1.32	0.67	2.21	—	(0.18)	—	—	(0.18)	11.42
Dec. 31, 2014	9.45	0.70	(0.09)	3.96	(4.29)	0.28	—	(0.31)	—	—	(0.31)	9.19
Dec. 31, 2013	7.22	0.21	(0.08)	1.36	0.86	2.35	—	(0.16)	—	—	(0.16)	9.45
Dec. 31, 2012	6.35	0.25	(0.07)	0.15	0.76	1.09	—	(0.19)	—	—	(0.19)	7.22
Dec. 31, 2011	7.27	0.28	(0.07)	(0.03)	(0.79)	(0.61)	—	(0.22)	—	—	(0.22)	6.35
Series O												
Dec. 31, 2015	9.14	0.34	—	1.37	0.69	2.40	—	(0.21)	—	—	(0.21)	11.44
Dec. 31, 2014	9.43	0.33	—	1.88	(2.04)	0.17	—	(0.41)	—	—	(0.41)	9.14
Dec. 31, 2013	7.19	0.21	—	1.35	0.85	2.41	—	(0.23)	—	—	(0.23)	9.43
Dec. 31, 2012	6.32	0.25	—	0.15	0.76	1.16	—	(0.24)	—	—	(0.24)	7.19
Dec. 31, 2011	7.25	0.28	—	(0.03)	(0.80)	(0.55)	—	(0.29)	—	—	(0.29)	6.32

<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 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 (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Advisor Series</b>							
<b>Dec. 31, 2015</b>	<b>11.21</b>	<b>19 569</b>	<b>1 745</b>	<b>2.21</b>	<b>2.22</b>	<b>91.03</b>	<b>0.51</b>
Dec. 31, 2014	9.10	12 005	1 319	2.20	2.21	121.11	0.59
Dec. 31, 2013	9.40	13 763	1 464	2.22	2.22	110.68	0.49
Dec. 31, 2012	7.18	12 618	1 757	2.19	2.19	113.92	0.50
Dec. 31, 2011	6.31	15 975	2 531	2.18	2.18	130.47	0.63
<b>Series F</b>							
<b>Dec. 31, 2015</b>	<b>11.42</b>	<b>18 264</b>	<b>1 599</b>	<b>1.00</b>	<b>1.02</b>	<b>91.03</b>	<b>0.51</b>
Dec. 31, 2014	9.19	5 897	641	0.99	1.00	121.11	0.59
Dec. 31, 2013	9.45	4 972	526	1.01	1.01	110.68	0.49
Dec. 31, 2012	7.22	4 617	640	0.99	0.99	113.92	0.50
Dec. 31, 2011	6.35	7 500	1 181	0.99	0.99	130.47	0.63
<b>Series O</b>							
<b>Dec. 31, 2015</b>	<b>11.44</b>	<b>1</b>	<b>—</b>	<b>0.02</b>	<b>0.03</b>	<b>91.03</b>	<b>0.51</b>
Dec. 31, 2014	9.14	—	—	0.02	0.03	121.11	0.59
Dec. 31, 2013	9.43	43 095	4 571	0.03	0.03	110.68	0.49
Dec. 31, 2012	7.19	44 591	6 199	0.03	0.03	113.92	0.50
Dec. 31, 2011	6.32	45 352	7 179	0.02	0.02	130.47	0.63

<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 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.

<sup>3</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.

### 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*
Advisor Series	1.85%	62%	38%
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.

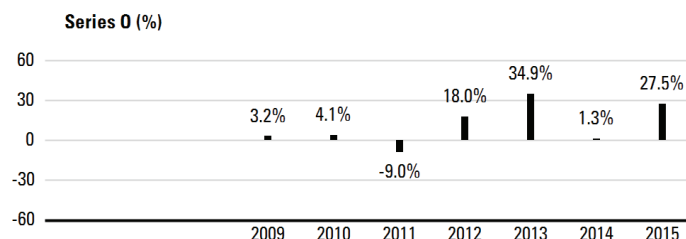
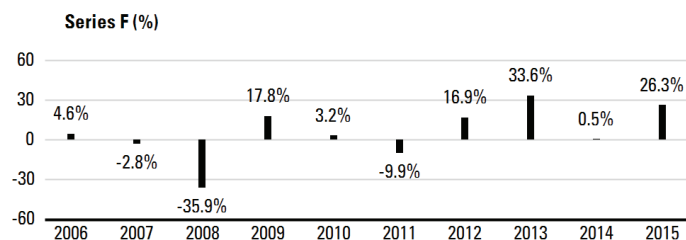
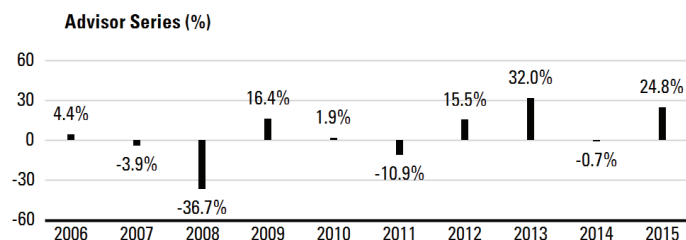


## PAST PERFORMANCE

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.



## 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, 2015, 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
Advisor Series	24.8	17.8	11.0	—	2.6
Benchmark	19.0	17.3	10.8	—	3.3
Series F	26.3	19.2	12.3	—	3.9
Benchmark	19.0	17.3	10.8	—	3.3
Series O	27.5	20.3	13.3	—	12.0
Benchmark	19.0	17.3	10.8	—	9.2

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 O units have been available for sale to unitholders since October 26, 2009, and Advisor Series and Series F units since November 6, 2006.

Inception dates are not provided for series 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, 2015*

### Investment Mix

	% of Net Asset Value
United Kingdom	20.8
Japan	14.5
France	13.3
Germany	8.0
Belgium	7.9
Switzerland	7.1
China	4.6
Israel	4.2
Italy	3.9
Hong Kong	3.8
Netherlands	3.8
Finland	3.3
Singapore	2.0
Australia	1.2
Cash/Other	1.6

### Top 25 Holdings

	% of Net Asset Value
Rio Tinto Plc.	4.3
Legal & General Group Plc.	4.2
Roche Holdings AG Genusscheine	4.1
Total S.A.	4.1
KBC Groep N.V.	4.0
InBev N.V.	3.9
Intesa Sanpaolo S.p.A.	3.9
Sampo OYJ	3.3
Toyota Motor Corp.	3.1
Koninklijke KPN N.V.	3.0
Altran Technologies S.A.	3.0
Novartis AG	3.0
Continental AG	3.0
Prudential Corporation Plc.	2.9
Babcock International Group	2.7
KDDI Corporation	2.6
ProSiebenSat.1 Media SE	2.6
Nippon Telegraph & Telephone Corp.	2.5
Deutsche Telekom AG	2.5
Mitsubishi UFJ Financial Group Inc.	2.5
Sinopharm Group Co.	2.5
easyJet Plc.	2.4
Intertek Group Plc.	2.3
NICE Systems Ltd. ADR	2.3
Safran S.A.	2.2
Top 25 Holdings	76.9

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](http://www.rbcgam.com/funds).