



CANADIAN EQUITY FUND

## RBC CANADIAN INDEX FUND

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December 31, 2016

**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, 2017.

### 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 tracking the performance of the benchmark S&P/TSX Capped Composite Total Return Index before fees and expenses are deducted.

The Fund makes investment decisions aimed at replicating the composition of the index and adjusts holdings to reflect changes in the underlying index as they occur.

### 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 \$717 million as of December 31, 2016, from \$600 million at the end of 2015. The increase was due to investment returns.

Over the past year, the Fund's Series A units gained 20.1%, which underperformed the 21.1% 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.

The S&P/TSX Composite Index comprises about 95% of the market capitalization of Canadian-based, Toronto Stock Exchange-listed companies. The index contained 250 issues as of December 31, 2016.

The best-performing sectors by contribution to returns were Financials, Materials and Energy. The three sectors that performed worst were Health Care, Information Technology and Consumer Staples.

### Recent Developments

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloepfer were appointed as members of the IRC.

Effective July 1, 2016, Deloitte LLP resigned and PricewaterhouseCoopers LLP was appointed as auditors of the Fund.

### 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' Series A units.

#### *Custodian*

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

#### *Registrars*

Royal Bank, RBC IS and RBC GAM are the registrars of the Fund and keep records of who owns the units of the Fund.

#### *Brokers and Dealers*

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2015 – \$7,000) or 0% (2015 – 19%) 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		
<b>Series A</b>												
<b>Dec. 31, 2016</b>	<b>24.28</b>	<b>0.79</b>	<b>(0.19)</b>	<b>(0.12)</b>	<b>4.39</b>	<b>4.87</b>	–	<b>(0.57)</b>	–	–	<b>(0.57)</b>	<b>28.59</b>
Dec. 31, 2015	27.28	0.81	(0.19)	0.20	(3.22)	(2.40)	–	(0.56)	–	–	(0.56)	24.28
Dec. 31, 2014	25.34	0.78	(0.20)	0.57	1.33	2.48	–	(0.54)	–	–	(0.54)	27.28
Dec. 31, 2013	23.07	0.76	(0.17)	0.37	1.87	2.83	–	(0.58)	–	–	(0.58)	25.33
Dec. 31, 2012	22.10	0.67	(0.16)	0.19	0.72	1.42	–	(0.45)	–	–	(0.45)	23.07
<b>Series F</b>												
<b>Dec. 31, 2016<sup>3</sup></b>	<b>10.00<sup>†</sup></b>	<b>0.15</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>0.80</b>	<b>0.90</b>	–	<b>(0.23)</b>	–	–	<b>(0.23)</b>	<b>10.61</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 reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From July 4, 2016.

<sup>†</sup> 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 (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series A</b>							
<b>Dec. 31, 2016</b>	<b>28.59</b>	<b>712 717</b>	<b>24 931</b>	<b>0.72</b>	<b>0.72</b>	<b>5.58</b>	–
Dec. 31, 2015	24.28	599 779	24 708	0.72	0.72	4.95	0.01
Dec. 31, 2014	27.28	680 908	24 962	0.72	0.72	7.80	–
Dec. 31, 2013	25.34	628 845	24 812	0.72	0.72	7.28	0.01
Dec. 31, 2012	23.11	599 873	25 954	0.72	0.72	6.37	–
<b>Series F</b>							
<b>Dec. 31, 2016<sup>4</sup></b>	<b>10.61</b>	<b>3 875</b>	<b>365</b>	<b>0.56</b>	<b>0.56</b>	<b>5.58</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 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.

<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.

<sup>4</sup> From July 4, 2016.



**FINANCIAL HIGHLIGHTS (cont.)**

**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	0.50%	20%	80%
Series F	0.40%	–	100%

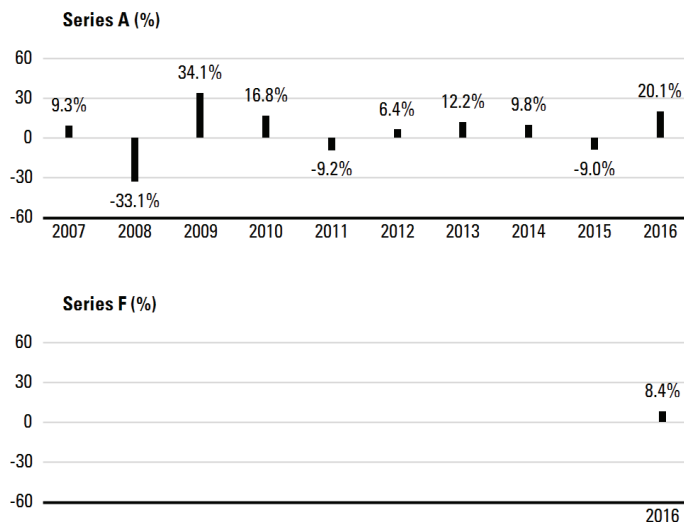
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

**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, 2016, 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
Series A	20.1	6.3	7.5	4.1	–
Benchmark	21.1	7.1	8.2	4.7	–
Series F	–	–	–	–	8.4
Benchmark	–	–	–	–	15.3

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 F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series 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, 2016

### Investment Mix

	% of Net Asset Value
Financials	34.8
Energy	21.3
Materials	11.9
Industrials	8.8
Consumer Discretionary	5.0
Telecommunication Services	4.8
Consumer Staples	3.8
Real Estate	3.0
Utilities	2.8
Information Technology	2.7
Health Care	0.6
Cash/Other	0.5

### Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	6.7
Toronto-Dominion Bank	6.1
Bank of Nova Scotia	4.5
Suncor Energy Inc.	3.6
Canadian National Railway Co.	3.4
Bank of Montreal	3.1
Enbridge Inc.	2.6
TransCanada Corp.	2.6
BCE Inc.	2.5
Canadian Natural Resources Ltd.	2.3
Manulife Financial Corporation	2.3
Canadian Imperial Bank of Commerce	2.2
Brookfield Asset Management Inc., Class A	1.9
Sun Life Financial Inc.	1.6
Canadian Pacific Railway Ltd.	1.4
Alimentation Couche-Tard Inc.	1.3
TELUS Corp.	1.3
Barrick Gold Corp.	1.2
Magna International Inc., Class A	1.1
Potash Corporation of Saskatchewan Inc.	1.0
Agrium Inc.	0.9
Waste Connections Inc.	0.9
Rogers Communications Inc., Class B	0.9
National Bank of Canada	0.9
CGI Group Inc., Class A	0.9
Top 25 Holdings	57.2

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).