



PORTFOLIO SOLUTION

RBC TARGET 2020 EDUCATION FUND

December 31, 2016

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, 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.

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 is an asset allocation fund specifically designed to meet the changing needs of investors who are saving money for the purpose of funding their child's post-secondary education that commences around 2020. The Fund gradually shifts its asset mix from an emphasis on equity funds in its early years, to an emphasis on money market funds as its "target" year of 2020 approaches. The Fund invests its assets primarily in units of other funds managed by RBC GAM or an affiliate.

Over the life of the Fund, its portfolio will shift from a focus on funds with growth potential to a focus on funds that preserve capital.

Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund's goal is to decrease portfolio risk each year to reduce the risk of capital erosion as the target year nears. By 2020, any investments in stock and fixed-income funds will be shifted to money-market funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment 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 \$861 million as of December 31, 2016, from \$785 million at the end of 2015. The increase was due mainly to net inflows.

Over the past year, the Fund's Series A units gained 2.3%. The fixed-income benchmark rose 1.7% and the equity benchmark rose 21.1%. 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.

Investors witnessed an abundance of political and macroeconomic headlines in 2016. Early in the year, the European Central Bank announced a series of measures aimed at bolstering economic growth, followed by the decision in June by U.K. voters to leave the EU ("Brexit") and, in November, Donald Trump's election as U.S. president. In December, the U.S. Federal Reserve raised

short-term rates for the first time in 12 months and hinted that more hikes were coming. Growth in the Canadian economy remained soft for much of 2016, weighed down by weak oil prices at the beginning of the year and the consequent drop in exports.

Global sovereign bonds ended 2016 with gains, as a rally fuelled by central-bank purchases and economic concerns present for much of the year was offset by big price drops after the U.S. presidential election in November. Government-bond yields, which move in the opposite direction as prices, touched their lows during the summer following Brexit but rose steadily after mid-year. Yields then surged after Trump's surprise win led to speculation that increased fiscal spending and other measures would lead to faster economic growth and inflation. Canadian federal-government bonds underperformed U.S. Treasury securities, due in part to expectations that higher oil prices might lead to faster domestic inflation. Among fixed-income investments in the portfolio, the RBC Bond Fund, the RBC Global Bond Fund and the RBC Canadian Short-Term Income Fund had a positive impact on performance.

Global stocks rose in 2016, with Canada's market being one of the strongest after oil prices rebounded beginning in the first quarter. U.S. markets also gained while European equities generally fell, adjusted for the Canadian dollar. Stocks declined immediately after Brexit, but quickly recovered to end the year above pre-Brexit levels. The Canadian dollar rose modestly against the U.S. dollar amid higher oil prices. The portfolio's returns were boosted by the RBC Canadian Equity Fund, the RBC Canadian Dividend Fund and the RBC QUBE Low Volatility Canadian Equity Fund. The RBC European Equity Fund had a negative impact on performance.

Recent Developments

Continuing the trend from the last quarter of 2016, economic data has improved, market sentiment has firmed and prices of risk assets have been marching higher. While valuation risk has moderated as a result of the rapid rise in yields, the intermediate-to-long-term outlook for fixed income remains unimpressive, in the view of the portfolio manager. The possibility that a Trump administration could lead to a significant increase in earnings, and therefore equity prices, shouldn't be ignored.

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 Kloefer were appointed as members of the IRC.



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

Effective January 1, 2018, the specified percentage will decline to 1.00% for Series A units and to 0.80% for Series D 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.

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. and RBC Dominion Securities Inc. 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 and Series D units.

Custodian

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

Registrars

Royal Bank and RBC IS are the registrars of the Fund and keep records of who owns the units of the 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 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, 2016 | 12.09 | 0.33 | (0.20) | 0.19 | (0.04) | 0.28 | (0.08) | (0.05) | (0.18) | — | (0.31) | 12.06 |
| Dec. 31, 2015 | 12.17 | 0.37 | (0.20) | 0.27 | (0.12) | 0.32 | (0.10) | (0.07) | (0.25) | — | (0.42) | 12.09 |
| Dec. 31, 2014 | 11.90 | 0.45 | (0.22) | 0.48 | 0.18 | 0.89 | (0.05) | (0.16) | (0.41) | — | (0.62) | 12.17 |
| Dec. 31, 2013 | 11.49 | 0.37 | (0.22) | 0.37 | 0.38 | 0.90 | (0.06) | (0.09) | (0.33) | — | (0.48) | 11.90 |
| Dec. 31, 2012 | 11.02 | 0.35 | (0.21) | 0.05 | 0.46 | 0.65 | (0.01) | (0.13) | (0.05) | — | (0.19) | 11.49 |
| Series D | | | | | | | | | | | | |
| Dec. 31, 2016 | 12.10 | 0.33 | (0.11) | 0.19 | (0.06) | 0.35 | (0.14) | (0.08) | (0.18) | — | (0.40) | 12.07 |
| Dec. 31, 2015 | 12.18 | 0.37 | (0.11) | 0.27 | (0.12) | 0.41 | (0.15) | (0.11) | (0.25) | — | (0.51) | 12.10 |
| Dec. 31, 2014 | 11.87 | 0.45 | (0.13) | 0.47 | 0.18 | 0.97 | (0.06) | (0.21) | (0.41) | — | (0.68) | 12.18 |
| Dec. 31, 2013 | 11.37 | 0.36 | (0.12) | 0.36 | 0.37 | 0.97 | (0.06) | (0.10) | (0.33) | — | (0.49) | 11.87 |
| Dec. 31, 2012 | 10.84 | 0.34 | (0.12) | 0.05 | 0.44 | 0.71 | (0.01) | (0.13) | (0.05) | — | (0.19) | 11.37 |
| Series F | | | | | | | | | | | | |
| Dec. 31, 2016³ | 10.00[†] | 0.13 | (0.04) | 0.08 | (0.28) | (0.11) | (0.13) | (0.07) | (0.15) | — | (0.35) | 9.69 |

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 July 4, 2016.

[†] Initial offering net asset value per unit.



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 A | | | | | | | |
| Dec. 31, 2016 | 12.06 | 854 453 | 70 847 | 1.62 | 1.62 | 8.44 | 0.02 |
| Dec. 31, 2015 | 12.09 | 782 032 | 64 676 | 1.62 | 1.62 | 12.64 | 0.03 |
| Dec. 31, 2014 | 12.17 | 678 561 | 55 760 | 1.83 | 1.83 | 9.67 | 0.04 |
| Dec. 31, 2013 | 11.90 | 554 660 | 46 598 | 1.84 | 1.84 | 33.41 | 0.07 |
| Dec. 31, 2012 | 11.49 | 444 453 | 38 695 | 1.84 | 1.84 | 9.21 | 0.12 |
| Series D | | | | | | | |
| Dec. 31, 2016 | 12.07 | 4 369 | 362 | 0.94 | 0.94 | 8.44 | 0.02 |
| Dec. 31, 2015 | 12.10 | 3 126 | 258 | 0.94 | 0.94 | 12.64 | 0.03 |
| Dec. 31, 2014 | 12.18 | 2 251 | 185 | 1.06 | 1.06 | 9.67 | 0.04 |
| Dec. 31, 2013 | 11.87 | 1 207 | 102 | 1.06 | 1.06 | 33.41 | 0.07 |
| Dec. 31, 2012 | 11.37 | 438 | 38 | 1.08 | 1.08 | 9.21 | 0.12 |
| Series F | | | | | | | |
| Dec. 31, 2016⁴ | 9.69 | 1 982 | 205 | 0.86 | 0.86 | 8.44 | 0.02 |

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 July 4, 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 management fee payable in respect of each of Series A and Series D units of the Fund is a variable fee and is determined on a basis such that all fees and expenses that comprise the management expense ratio ("MER"), other than the additional cost of the GST/HST, will be equal to a specified percentage of the average net asset value of each of these series of the Fund ("Specified Percentage"). The Specified Percentage includes the management fee, administration fee, taxes (other than the additional cost of the GST/HST), other fund costs and any fees and expenses of the underlying funds. The Specified Percentage for Series A units is 1.55% and Series D units is 0.90%.

The management fee payable to RBC GAM in respect of Series F units of the Fund is a fixed fee and the MER of Series F units comprises the management fee, administration fee, taxes, other fund costs and any fees and expenses of the underlying funds.

The breakdown of the services received in consideration of the management fee component of the MER for each series, as a percentage of the management fees, is as follows:

| | Management Fees* | Breakdown of Services | |
|----------|------------------|-----------------------|--------------------|
| | | Distribution | Other [†] |
| Series A | 1.40% | 53% | 47% |
| Series D | 0.78% | 28% | 72% |
| Series F | 0.70% | — | 100% |

* Management fees for Series A and Series D units represent the actual average management fee rate for the period ended December 31, 2016.

[†] Includes all costs related to management, trustee, investment advisory services, general administration and profit.

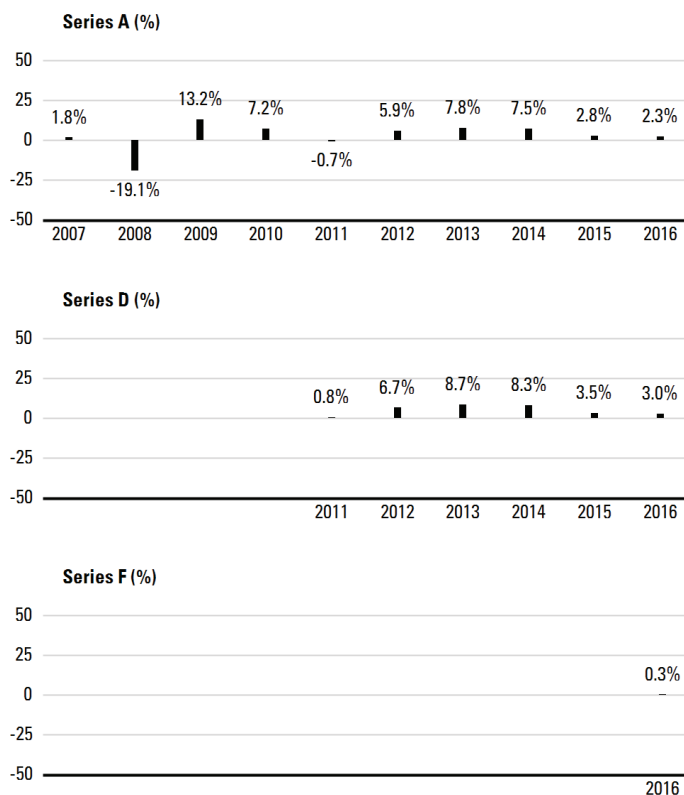


PAST PERFORMANCE

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 benchmarks:

Benchmark 1 – FTSE TMX Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

| | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-------------|-----------|--------------|--------------|---------------|-----------------|
| Series A | 2.3 | 4.2 | 5.2 | 2.5 | – |
| Benchmark 1 | 1.7 | 4.6 | 3.2 | 4.8 | – |
| Benchmark 2 | 21.1 | 7.1 | 8.2 | 4.7 | – |
| Series D | 3.0 | 4.9 | 6.0 | – | 6.0 |
| Benchmark 1 | 1.7 | 4.6 | 3.2 | – | 3.5 |
| Benchmark 2 | 21.1 | 7.1 | 8.2 | – | 7.7 |
| Series F | – | – | – | – | 0.3 |
| Benchmark 1 | – | – | – | – | -7.3 |
| Benchmark 2 | – | – | – | – | 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 indexes.

Series F units have been available for sale to unitholders since July 4, 2016, and Series D units since November 1, 2011.

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

INDEX DESCRIPTIONS

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.

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 |
|----------------------------|----------------------|
| Income Funds | 79.1 |
| United States Equity Funds | 7.6 |
| Canadian Equity Funds | 7.5 |
| International Equity Funds | 5.4 |
| Cash/Other | 0.4 |

Top 25 Holdings*

| | % of Net Asset Value |
|--|----------------------|
| RBC Bond Fund | 34.7 |
| RBC Canadian Short-Term Income Fund | 29.7 |
| RBC Global Bond Fund | 9.8 |
| Phillips, Hager & North Total Return Bond Fund | 4.9 |
| RBC Canadian Equity Fund | 3.7 |
| RBC European Equity Fund | 2.8 |
| RBC Canadian Dividend Fund | 2.0 |
| RBC O'Shaughnessy U.S. Value Fund | 1.9 |
| RBC QUBE Low Volatility Canadian Equity Fund | 1.8 |
| RBC Private U.S. Large-Cap Core Equity Pool | 1.6 |
| RBC U.S. Equity Fund | 1.6 |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 1.4 |
| RBC Emerging Markets Equity Fund | 1.1 |
| RBC U.S. Mid-Cap Equity Fund | 1.0 |
| RBC Asia Pacific ex-Japan Equity Fund | 0.9 |
| RBC Japanese Equity Fund | 0.6 |
| Cash & Cash Equivalents | 0.5 |
| 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/funds.

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at www.sedar.com.