



FIXED-INCOME ETF

RBC 1-5 YEAR LADDERED CORPORATE BOND ETF

September 30, 2020

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 December 10, 2020.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the ETF, its future performance, strategies or prospects, and possible future ETF 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 ETF 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 ETF. 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 ETF. You can get a copy of the financial statements at your request, and at no cost, by calling 1-855-RBC-ETFS (722-3837), 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/en/ca or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The ETF seeks to provide unitholders with exposure to the performance of a diversified portfolio of Canadian corporate bonds, divided (“laddered”) into five groupings with staggered maturities from one to five years, which will provide regular income while preserving capital.

The ETF will achieve exposure to Canadian corporate bonds primarily by investing in an equal-weighted portfolio of five RBC Target Maturity Corporate Bond ETFs with remaining terms to maturity of one to five years. At the end of each year, the nearest term RBC Target Maturity Corporate Bond ETF will be sold and proceeds invested into a longer-dated RBC Target Maturity Corporate Bond ETF to maintain the one- to five-year ladder. The portfolio holdings will be rebalanced initially on a semi-annual basis. The frequency of the rebalancing may change without notice.

Risk

There were no significant changes to the ETF that materially affected the ETF’s overall level of risk during the reporting period. The risks of investing in the ETF and the suitability of the ETF for investors remain as discussed in the Prospectus.

Results of Operations

The ETF’s net asset value fell to \$134 million as of September 30, 2020, from \$155 million on December 31, 2019. The decrease was due to net redemptions, partially offset by investment returns. The NAV figures reflect a change in the ETF’s financial year.

Over the past financial year, the ETF’s units gained 5.2%, which outperformed the 5.1% rise in the benchmark. The ETF’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 the ETF.

Canadian bonds recorded significant gains, with yields falling to record-low levels in 2020, as the COVID-19 pandemic prompted major central banks and politicians to unleash unprecedented fiscal and monetary stimulus. The Bank of Canada (the “BOC”) cut its benchmark interest rate by 1.5 percentage points to 0.25% in a bid to stabilize the financial system and shield the economy from the economic downturn. By the end of the period, Canadian yields had pushed back up but remained near the lows.

Corporate, government and provincial bonds with maturities of five years or fewer all posted gains during the period. Corporate bonds had the highest returns, followed by provincial bonds and then federal fixed income. Long-maturity bonds outperformed shorter-maturity ones. Corporate-bond returns peaked in late January due to retirement account-related inflows and bottomed in late March as

investors sold corporate bonds and other “risk” assets in response to rising cases of COVID-19. Sectors hurt by the pandemic included Energy and Real Estate, while bonds in the Industrials sector and the telecommunications industry fared better.

Recent Developments

The portfolio manager expects all major central banks to keep benchmark interest rates unchanged for at least the next 12 months unless the economic recovery proceeds at a much faster pace than the portfolio manager expects. As the pandemic subsides, it would be reasonable to expect yields to rise from current levels, in the view of the portfolio manager.

Valuations of non-government bonds are more attractive than at the end of 2019, and there is room for the gap between yields on government bonds and non-government bonds to narrow in what would be an optimistic sign for the economic outlook. A reduced supply of new bonds and investors’ search for higher yields will also support the corporate-bond market, in the view of the portfolio manager. The BOC has said it would consider pushing interest rates below zero if the economic backdrop worsens significantly.

The financial year-end of the ETFs managed by RBC GAM (the “RBC ETFs”) has been changed from December 31 to September 30. As a result, the 2020 financial year for the RBC ETFs is for the period from January 1, 2020 to September 30, 2020. The change in financial year does not change the RBC ETFs’ tax year-end, which remains December 15 or December 31, as applicable.

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 ETF. RBC GAM is responsible for the ETF’s day-to-day operations, holds title to the ETF’s property on behalf of its unitholders, and provides investment advice and portfolio management services to the ETF. RBC GAM is paid a management fee by the ETF as compensation for these services. The management fee is calculated and accrued on a daily basis and is based on a percentage of the net asset value of the ETF.

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



September 30, 2020

Custodian and Valuation Agent

RBC Investor Services Trust ("RBC IS") is the custodian and valuation agent and holds the assets of the ETF and provides administrative services to the ETF. RBC IS earns a variable fee based on the value of assets under custody and a fixed fee for other valuation and administrative services.

Designated Broker

RBC GAM has entered into an agreement with RBC Dominion Securities Inc., an affiliate of RBC GAM, to act as designated broker and/or authorized dealer for the distribution of units of the ETF, on terms and conditions that are comparable to arm's length agreements in the ETF industry. The material terms and conditions of the agreement have been disclosed in the ETF's Prospectus.

Securities Lending Agent

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

Brokers and Dealers

The ETF has established standard brokerage and dealing agreements at market rates with related parties. For the periods ended September 30, 2020 and December 31, 2019, the related-party commissions were \$0 (2019 – \$1,000) or 0% (2019 – 6%) of the total transaction costs paid for this ETF.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the ETF 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 debt securities from or sales of debt securities to a related-party dealer, where it acted as principal.

The applicable standing instructions require that Related-Party Trading Activities 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 ETF, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the ETF.



September 30, 2020

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the past five financial years or for the periods since inception. This information is derived from the ETF'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 | | |
| Sept. 30, 2020³ | 19.06 | 0.39 | – | 0.04 | 0.53 | 0.96 | (0.38) | – | – | – | (0.38) | 19.66 |
| Dec. 31, 2019 | 18.78 | 0.55 | – | (0.12) | 0.42 | 0.85 | (0.53) | – | – | – | (0.53) | 19.06 |
| Dec. 31, 2018 | 19.07 | 0.49 | – | (0.44) | 0.19 | 0.24 | (0.50) | – | – | (0.05) | (0.55) | 18.78 |
| Dec. 31, 2017 | 19.51 | 0.58 | – | (0.18) | (0.30) | 0.10 | (0.56) | – | – | (0.02) | (0.58) | 19.07 |
| Dec. 31, 2016 | 19.73 | 0.65 | – | (0.14) | (0.11) | 0.40 | (0.63) | – | – | (0.01) | (0.64) | 19.51 |

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 either paid in cash, reinvested in additional units of the ETF, or both.

³ The financial year-end of the ETF was changed from December 31 to September 30 in 2020 and therefore the information disclosed is for the nine-month period ended September 30, 2020.

Ratios and Supplemental Data

| As at | Net Asset Value (\$000s) | Number of Units Outstanding (000s) | Management Expense Ratio (%) ¹ | MER Before Absorption (%) ¹ | Trading Expense Ratio (%) ² | Portfolio Turnover Rate (%) ³ | Net Asset Value Per Unit (\$) | Closing Market Price (\$) |
|-----------------------------------|-----------------------------|---------------------------------------|--|---|---|---|----------------------------------|------------------------------|
| Sept. 30, 2020⁴ | 133 680 | 6 800 | 0.28 | 0.28 | – | 3.67 | 19.66 | 19.67 |
| Dec. 31, 2019 | 155 348 | 8 150 | 0.28 | 0.28 | 0.01 | 25.93 | 19.06 | 19.11 |
| Dec. 31, 2018 | 189 629 | 10 100 | 0.28 | 0.28 | 0.01 | 28.59 | 18.78 | 18.70 |
| Dec. 31, 2017 | 255 527 | 13 400 | 0.28 | 0.28 | 0.01 | 31.39 | 19.07 | 19.02 |
| Dec. 31, 2016 | 190 238 | 9 750 | 0.28 | 0.28 | 0.02 | 25.30 | 19.51 | 19.55 |

¹ The management expense ratio ("MER") is based on the direct expenses charged to the ETF and the ETF'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 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.

³ The ETF'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 ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF 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 ETF.

⁴ The financial year-end of the ETF was changed from December 31 to September 30 in 2020 and therefore the information disclosed is for the nine-month period ended September 30, 2020.

Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF. A management fee is not charged directly to the ETF as this ETF invests in the units of other RBC ETFs. It pays management fees indirectly because the ETFs in which it invests pay management fees. The management fee will not exceed 0.25%, before GST/HST, of the daily net asset value of the ETF.

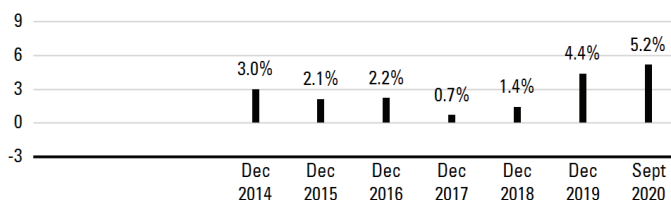


PAST PERFORMANCE

The performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF 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 ETF 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 ETF's performance for each of the years shown, and illustrates how the ETF'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 of the ETF for each of the periods indicated ended on September 30, 2020, compared with the following benchmark:

FTSE Canada Short Term Corporate Bond Index

| | Past 9 Months | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|------------------|--------------|-----------------|-----------------|------------------|--------------------|
| ETF | 5.2 | 5.5 | 3.7 | 2.8 | — | 2.8 |
| Benchmark | 5.1 | 5.7 | 4.0 | 3.1 | — | 3.1 |

The 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.

The ETF's units have been available for sale to unitholders since January 15, 2014.

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

For the 12-month periods ended December 31 and the nine-month period ended September 30, 2020.

INDEX DESCRIPTIONS

FTSE Canada Short Term Corporate Bond Index This index measures the performance of investment-grade Canadian corporate bonds with terms to maturity of more than one year and fewer than five years.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at September 30, 2020

Investment Mix

| | % of Net Asset Value |
|------------------------|----------------------|
| Corporate Bonds | |
| Financials | 70.7 |
| Energy | 10.6 |
| Industrials | 5.5 |
| Real Estate | 4.2 |
| Infrastructure | 4.2 |
| Communication Services | 4.2 |
| Other Net Assets | 0.6 |

Top 25 Holdings*

| | % of Net Asset Value |
|--|----------------------|
| RBC Target 2024 Corporate Bond Index ETF | 20.0 |
| RBC Target 2023 Corporate Bond Index ETF | 20.0 |
| RBC Target 2022 Corporate Bond Index ETF | 20.0 |
| RBC Target 2025 Corporate Bond Index ETF | 20.0 |
| RBC Target 2021 Corporate Bond Index ETF | 20.0 |
| Total | 100.0 |

* The ETF holds fewer than 25 holdings.

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

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