



CANADIAN EQUITY ETF

RBC CANADIAN PREFERRED SHARE 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 primarily Canadian preferred share securities that will provide regular income and that have the potential for long-term capital growth.

The ETF invests primarily in an actively managed portfolio of rate reset preferred shares issued by Canadian companies, selected on the basis of fundamental analysis, credit research and interest rate sensitivity analysis. The ETF may also hold preferred shares issued by Canadian companies that are not rate reset preferred shares, fixed-income securities issued by Canadian governments or companies, dividend-paying common stock from Canadian issuers or preferred shares from U.S. issuers, as well as other Canadian listed exchange-traded funds. Some of the Canadian listed preferred shares in which the ETF invests may be denominated in U.S. dollars. The portfolio manager considers environmental, social and governance (ESG) factors where material to the investment decision. The ETF may also hold money market instruments and cash.

The ETF may use derivative instruments for hedging purposes, for example, to hedge its U.S. dollar exposure back to the Canadian dollar.

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 \$670 million as of September 30, 2020, from \$683 million on December 31, 2019. The decrease was due to investment losses. The NAV figures reflect a change in the ETF's financial year.

Over the past financial year, the ETF's units lost 2.9%, which underperformed the 2.7% decline 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.

The Canadian preferred-share market pulled back in the first nine months of 2020, underperforming Canadian bonds.

Preferred shares carry risk, so demand fell in the first quarter as concerns arose about the global recession caused by the pandemic, compounded in Canada by falling oil prices. Furthermore, the

dividend yield on rate-reset preferred shares adjusts every five years based on the direction of Government of Canada bond yields, and so the collapse made it less likely that dividends would adjust upward. However, the market rallied significantly after reaching all-time lows in March, on easing credit concerns and optimism around lack of supply.

The yield on the 5-year federal bond declined between January and March. The Bank of Canada slashed its policy rate by 1.50% to a record low of 0.25% and introduced its first-ever quantitative-easing program. It was in this environment that prices of preferred shares fell, as the premium yield required by investors to hold them climbed, and dividends continued to trend lower.

Interest rates on government bonds remained depressed through the second and third quarters of 2020, while yields on non-government bonds recovered strongly given a decline in COVID-19 cases in Canada and the measured pace of business re-openings. The preferred-share market rallied in the third quarter after Canadian banks introduced a new type of financing that allows them to rely less on preferred shares. The securities, known as Limited Recourse Capital Notes ("LRCN"), led to speculation that the supply of preferred shares would decline.

The ETF's relative returns were negatively affected by a lack of exposure to preferred shares that offer a floor on dividend rates, and therefore fell less in the first quarter. However, the ETF was overweight banks at the time of the LRCN announcement, which contributed to performance.

Recent Developments

Short-term volatility is likely to remain, in the view of the portfolio manager, as investors continue to grapple with COVID-19 developments and its impact on the economy. Even before the crisis, longer-term factors were depressing yields, so while they may increase modestly as economies recover, any rise is likely to be limited over the medium term. Preferred shares could receive a boost if a sustained economic recovery leads to higher interest rates.

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 its 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.

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 \$35,000 (2019 – \$62,000) or 21% (2019 – 13%) 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	20.06	0.82	(0.08)	(1.07)	0.01	(0.32)	—	(0.80)	—	—	(0.80)	18.60
Dec. 31, 2019	20.97	1.09	(0.12)	(1.73)	0.80	0.04	—	(1.01)	—	—	(1.01)	20.06
Dec. 31, 2018	24.27	1.12	(0.14)	(0.21)	(3.43)	(2.66)	—	(0.86)	—	(0.09)	(0.95)	20.97
Dec. 31, 2017	21.79	1.11	(0.15)	0.20	1.69	2.85	—	(0.75)	(0.16)	(0.05)	(0.96)	24.27
Dec. 31, 2016 ⁴	20.00 [†]	0.45	(0.06)	0.08	2.85	3.32	—	(0.12)	(0.06)	(0.07)	(0.25)	21.79

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.

⁴ From September 14, 2016.

[†] Initial offering net asset value per unit.

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	670 252	36 040	0.58	0.58	0.04	25.08	18.60	18.55
Dec. 31, 2019	682 650	34 014	0.58	0.58	0.07	38.76	20.06	20.04
Dec. 31, 2018	846 236	40 351	0.59	0.59	0.01	15.80	20.97	21.03
Dec. 31, 2017	702 506	28 944	0.59	0.59	0.04	19.39	24.27	24.32
Dec. 31, 2016 ⁵	147 358	6 764	0.62	0.62	0.09	23.38	21.79	21.80

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.

⁵ From September 14, 2016.

Management Fees

RBC GAM is the manager, trustee and portfolio manager of the ETF.

The management fee of the ETF is calculated at the annual percentage, before GST/HST, of the daily net asset value of the ETF.

Management Fees

RBC Canadian Preferred Share ETF	0.53%
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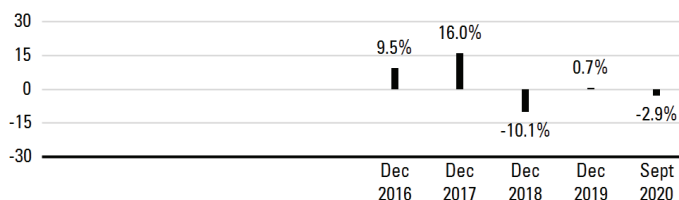
September 30, 2020

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:

Solactive Laddered Canadian Preferred Share Index

	Past 9 Months	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	-2.9	1.3	-3.3	—	—	2.8
Benchmark	-2.7	1.5	-2.2	—	—	3.7

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 September 20, 2016.

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

Solactive Laddered Canadian Preferred Share Index This index is a measure of the performance of Canadian preferred shares that will generally have adjustable dividend rates. Constituents must meet minimum standards for market capitalization, quality and liquidity.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at September 30, 2020

Investment Mix

	% of Net Asset Value
Canadian Equities	
Financials	59.3
Energy	21.8
Utilities	14.0
Real Estate	2.3
Communication Services	1.7
Other Net Assets	0.9

Top 25 Holdings

	% of Net Asset Value
TC Energy Corp., Preferred Series 15, 4.900%	2.0
Royal Bank of Canada, Preferred Series BD, 3.600%	1.8
Toronto-Dominion Bank, Preferred Series 14, 4.850%	1.8
Canadian Imperial Bank of Commerce, Preferred Series 45, 4.400%	1.5
Royal Bank of Canada, Preferred Series BM, 5.500%	1.5
Royal Bank of Canada, Preferred Series BK, 5.500%	1.4
Enbridge Inc., Preferred Series 17, 5.150%	1.4
Enbridge Inc., Preferred Series 19, 4.900%	1.3
Bank of Montreal, Preferred Series 38, 4.850%	1.2
Toronto-Dominion Bank, Preferred Series 12, 5.500%	1.2
Toronto-Dominion Bank, Preferred Series 5, 3.750%	1.2
Bank of Montreal, Preferred Series 40, 4.500%	1.1
Bank of Montreal, Preferred Series 44, 4.850%	1.1
Canadian Imperial Bank of Commerce, Preferred Series 47, 4.500%	1.0
Manulife Financial Corporation, Preferred Series 23, 4.850%	1.0
Bank of Nova Scotia, Preferred Series 38, 4.850%	1.0
Bank of Nova Scotia, Preferred Series 36, 5.500%	1.0
Pembina Pipeline Corp., Preferred Series 21, 4.900%	1.0
Enbridge Inc., Preferred Series 11, 4.400%	0.9
TC Energy Corp., Preferred Series 13, 5.500%	0.9
Royal Bank of Canada, Preferred Series BF, 3.600%	0.9
National Bank of Canada, Preferred Series 38, 4.450%	0.9
Canadian Utilities Ltd., Preferred Series FF, 4.500%	0.9
Canadian Imperial Bank of Commerce, Preferred Series 43, 3.600%	0.9
Emera Inc., Preferred Series H, 4.900%	0.9
Top 25 Holdings	29.8

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.