



FIXED-INCOME ETF

**RBC TARGET 2023
CORPORATE BOND INDEX ETF**

December 31, 2018

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 11, 2019.

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/etf/reports 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 income for a limited period of time ending on its termination date by replicating, to the extent possible, the investment results that correspond generally to the performance, before fees and expenses, of the FTSE Canada 2023 Maturity Corporate Bond Index*. The FTSE Canada 2023 Maturity Corporate Bond Index is designed to represent the performance of a held-to-maturity portfolio consisting of, primarily, Canadian dollar-denominated investment grade corporate bonds with effective maturities in 2023.

The ETF intends to invest at least 90% of its assets in and hold the securities that comprise the FTSE Canada 2023 Maturity Corporate Bond Index and/or securities that have economic characteristics that are substantially similar to those that comprise the index.

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 \$76 million as of December 31, 2018, from \$93 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the ETF's units gained 1.0%, which underperformed the 1.3% rise in the benchmark. The broad-based index rose 1.4%. 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.

* "FTSE Canada 2023 Maturity Corporate Bond Index" is a trademark of FTSE Debt Capital Markets Inc. ("FTDCM"). "FTSE" is a trademark of the London Stock Exchange Group companies (the "Exchange") and is used by FTDCM under licence. The "FTSE Canada 2023 Maturity Corporate Bond Index" trademark has been licensed for use for certain purposes to RBC GAM. The RBC ETFs are not sponsored, endorsed, sold or promoted by FTDCM, FTSE International Limited or the Exchange (together, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the index and/or the figure at which the said index stands at any particular time on any particular day or otherwise. The index is compiled and calculated by FTDCM and all copyright in the index values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

Returns in corporate bonds with five years left until maturity were minimal in 2018, as the income they generated offset a drop in prices. Corporate-bond yields were up due to the Bank of Canada (the "BOC") raising interest rates, and, in a sign of investor concern, the extra income that corporate bonds offered over government bonds widened.

The overall corporate-bond market peaked early in January, in contrast to equities, which crested quite late in 2018. Over 2018, returns on Canadian corporate bonds were limited by tightening monetary policy and higher interest rates; concerns about Italy's debt load and the U.K.'s plan to leave the European Union; lower oil prices; and the impact of the U.S.-China trade dispute and the renegotiation of the North American Free Trade Agreement on global trade.

Returns on corporate bonds maturing in one to five years were about the same as those on federal and provincial bonds. High-quality asset-backed securities were the best-performing type of corporate bond in 2018.

Recent Developments

Financial markets ended 2018 with significant declines in the fourth quarter, and U.S. stocks posted their biggest December drop in about 90 years. A sell-off of this magnitude is rare given a healthy economic backdrop, and could weigh on corporate bonds in early 2019. Investors are concerned that steps by the U.S. Federal Reserve, the European Central Bank and the BOC during a period of potentially slower global growth could trigger a recession.

The portfolio manager notes, however, that the Canadian economy is operating at capacity, unemployment is relatively low and the resolution of the U.S.-Canada-Mexico trade talks will encourage investments that have been on hold. Corporate balance sheets and earnings remain generally strong, and default rates are low. The portfolio manager expects therefore that the BOC will need to move rates higher through 2019, although weakness in the Energy sector likely means no increases in the first quarter.

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.

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.



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 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		
Dec. 31, 2018	19.26	0.61	(0.05)	(0.29)	(0.11)	0.16	(0.56)	—	—	—	(0.56)	18.88
Dec. 31, 2017	19.56	0.63	(0.06)	(0.05)	(1.63)	(1.11)	(0.30)	—	—	(0.24)	(0.54)	19.26
Dec. 31, 2016 ³	20.00 [†]	0.24	(0.02)	(0.06)	(0.48)	(0.32)	(0.16)	—	—	(0.02)	(0.18)	19.56

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 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 (\$)
Dec. 31, 2018	76 481	4 050	0.29	0.29	—	41.80	18.88	18.83
Dec. 31, 2017	93 419	4 850	0.29	0.29	—	40.66	19.26	19.31
Dec. 31, 2016 ⁴	3 912	200	0.29	0.29	—	11.25	19.56	19.61

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 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 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 Target 2023 Corporate Bond Index ETF	0.25%
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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 December 31, 2018, compared with the following benchmarks:

FTSE Canada 2023 Maturity Corporate Bond Index

The broad-based index is the FTSE Canada Universe Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
ETF	1.0	—	—	—	0.3
Benchmark	1.3	—	—	—	0.6
Broad-based index	1.4	—	—	—	0.6

The Benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark and 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.

INDEX DESCRIPTIONS

FTSE Canada 2023 Maturity Corporate Bond Index* This index is designed to measure the performance of a held-to-maturity portfolio consisting primarily of Canadian-dollar-denominated investment-grade corporate bonds maturing in 2023.

FTSE 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.

* FTSE Canada benchmarks were known as the FTSE TMX Canada benchmarks before a name change.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

Investment Mix

	% of Net Asset Value
Corporate Bonds	
Financials	58.3
Energy	10.8
Industrials	9.7
Communication Services	8.6
Real Estate	7.2
Infrastructure	4.6
Other Net Assets	0.8

Top 25 Holdings*

	% of Net Asset Value
HSBC Bank Canada 2.542% Jan 31, 2023	8.5
Sun Life Financial Inc., FRN 3.050% Sep 19, 2028	7.1
Royal Bank of Canada 2.333% Dec 05, 2023	7.1
Toronto-Dominion Bank 1.909% Jul 18, 2023	7.1
TransCanada PipeLines Ltd. 3.690% Jul 19, 2023	6.8
Manulife Financial Corp., FRN 3.317% May 09, 2028	5.3
Brookfield Asset Management Inc. 4.540% Mar 31, 2023	5.0
Honda Canada Finance Inc. 3.176% Aug 28, 2023	4.9
AltaLink LP 3.668% Nov 06, 2023	4.6
OMERS Realty Corp. 3.358% Jun 05, 2023	4.5
Wells Fargo Canada Corp. 3.460% Jan 24, 2023	4.5
TELUS Corp. 3.350% Mar 15, 2023	4.4
VW Credit Canada Inc. 3.250% Mar 29, 2023	4.4
Enbridge Inc. 3.940% Jun 30, 2023	4.1
Industrial Alliance Insurance & Financial Services Inc., FRN 3.300% Sep 15, 2028	3.5
Laurentian Bank of Canada 3.450% Jun 27, 2023	2.8
Royal Bank of Canada 3.296% Sep 26, 2023	2.8
First Capital Realty Inc. 3.900% Oct 30, 2023	2.7
Bell Canada 3.350% Mar 22, 2023	2.6
Saputo Inc. 2.827% Nov 21, 2023	2.6
Loblaw Companies Ltd. 4.860% Sep 12, 2023	2.2
Bell Canada 4.700% Sep 11, 2023	1.6
HSBC Bank Canada 3.245% Sep 15, 2023	0.3
Total	99.4

* 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/etfs.