



FIXED-INCOME FUND

**BLUEBAY EUROPEAN HIGH YIELD
BOND FUND (CANADA)**

June 30, 2018

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

Sub-Advisor: BlueBay Asset Management LLP, London, England

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2018.

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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or 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 seeks to provide total returns comprised of interest income and modest capital appreciation by investing primarily in high-yield debt securities issued by entities domiciled in or carrying out the majority of their business activities in Europe.

To achieve the Fund's objectives, the sub-advisor conducts detailed company credit and industry analysis to identify investment opportunities offering high probabilities of superior rates of return while minimizing the prospect of default.

Results of Operations

The Fund's net asset value was \$577 million as of June 30, 2018.

Over the past six months, the Fund's Series A units lost 0.4%. The Fund's return is after the deduction of fees and expenses. 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.

Security selection contributed significantly to the Fund's performance in the first half of 2018, led by bonds in the Financials sector and, given a degree of macroeconomic uncertainty, in sectors that are less tied to the pace of economic growth.

The portfolio's holdings of bonds designed to cushion taxpayer losses in a financial crisis (known as CoCos) contributed to returns early in the period, but reversed much – but not all – of those gains as the first half of the year progressed. These securities proved most vulnerable to heightened European political risks, especially in Italy.

Returns were held back by investments in media companies, specifically Altice, the large Netherlands-based telecommunications company burdened by debt. On the positive side, the Fund's lack of relative exposure to the Telecommunication Services sector was good for returns.

All regions posted positive relative performance, with notable outperformance coming from strong security selection in Europe.

Portfolio turnover is normally high for the Fund, as the sub-advisor attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

The variety of factors contributing to risk market performance in May provided a reminder that investors cannot rely solely on the strong operating performance of portfolio companies for returns, and that the impact of the overall high-yield bond market has a large role in determining performance.

The sub-advisor remains comfortable with the macroeconomic backdrop and the benign environment for bond defaults. However, the

impact of policy and politics is becoming an increasingly important consideration when selecting securities for the portfolio.

Effective January 1, 2018, management fees were reduced as follows: from 1.65% to 1.50% for Series A and Advisor Series units; from 1.05% to 0.90% for Series D units; and from 0.90% to 0.75% for Series F 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. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund. RBC GAM, as trustee, earns a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

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

Sub-Advisor

BlueBay Asset Management LLP is the sub-advisor and provides investment advice for the Fund. The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund. The sub-advisor is paid by the manager from the management fee paid by the Fund.

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 may distribute certain series of units of, the Fund. Dealers may receive an ongoing commission based on the total value of their clients' investment in certain series of units of the Fund.



Registrars

RBC GAM, RBC IS or Royal Bank (or a combination thereof) are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Custodian

RBC Investor Services Trust ("RBC IS") is the custodian and holds the assets of the Fund. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Securities Lending Agent

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

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 six months (noted by June 30, 2018), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and 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 | | | | | | | | | | | | |
| June 30, 2018 | 10.39 | 0.23 | (0.09) | 0.13 | (0.36) | (0.09) | (0.14) | – | – | – | (0.14) | 10.21 |
| Dec. 31, 2017 | 10.01 | 0.49 | (0.20) | (0.01) | 0.20 | 0.48 | (0.30) | – | – | – | (0.30) | 10.39 |
| Dec. 31, 2016 ³ | 10.00 [†] | 12.10 | (0.05) | 16.80 | (28.69) | 0.16 | (0.03) | – | (0.12) | – | (0.15) | 10.01 |
| Advisor Series | | | | | | | | | | | | |
| June 30, 2018 | 10.40 | 0.23 | (0.09) | 0.13 | (0.28) | (0.01) | (0.14) | – | – | – | (0.14) | 10.22 |
| Dec. 31, 2017 | 10.01 | 0.49 | (0.20) | (0.01) | (0.02) | 0.26 | (0.30) | – | – | – | (0.30) | 10.40 |
| Dec. 31, 2016 ³ | 10.00 [†] | 12.10 | (0.05) | 16.80 | (28.69) | 0.16 | (0.03) | – | (0.12) | – | (0.15) | 10.01 |
| Series D | | | | | | | | | | | | |
| June 30, 2018 | 10.38 | 0.23 | (0.06) | 0.13 | (0.33) | (0.03) | (0.17) | – | – | – | (0.17) | 10.20 |
| Dec. 31, 2017 | 10.00 | 0.49 | (0.13) | (0.01) | 0.18 | 0.53 | (0.38) | – | – | – | (0.38) | 10.38 |
| Dec. 31, 2016 ³ | 10.00 [†] | 12.10 | (0.03) | 16.80 | (28.69) | 0.18 | (0.05) | – | (0.13) | – | (0.18) | 10.00 |
| Series F | | | | | | | | | | | | |
| June 30, 2018 | 10.43 | 0.23 | (0.05) | 0.13 | (0.32) | (0.01) | (0.18) | – | – | – | (0.18) | 10.25 |
| Dec. 31, 2017 | 10.01 | 0.49 | (0.12) | (0.01) | 0.29 | 0.65 | (0.38) | – | – | – | (0.38) | 10.43 |
| Dec. 31, 2016 ³ | 10.00 [†] | 12.10 | (0.03) | 16.80 | (28.68) | 0.19 | (0.05) | – | (0.13) | – | (0.18) | 10.01 |
| Series O | | | | | | | | | | | | |
| June 30, 2018 | 10.37 | 0.23 | (0.01) | 0.13 | (0.31) | 0.04 | (0.22) | – | – | – | (0.22) | 10.19 |
| Dec. 31, 2017 | 9.99 | 0.50 | (0.02) | (0.01) | 0.38 | 0.85 | (0.48) | – | – | – | (0.48) | 10.37 |
| Dec. 31, 2016 ³ | 10.00 [†] | 0.10 | – | 0.14 | – | 0.24 | (0.09) | – | (0.12) | – | (0.21) | 9.99 |

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 June 27, 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 | | | | | | | |
| June 30, 2018 | 10.21 | 222 | 22 | 1.73 | 1.73 | 108.45 | — |
| Dec. 31, 2017 | 10.39 | 94 | 9 | 1.89 | 1.89 | 100.97 | — |
| Dec. 31, 2016 ⁴ | 10.01 | 1 | — | 2.03 | 2.03 | 12.58 | — |
| Advisor Series | | | | | | | |
| June 30, 2018 | 10.22 | 34 | 3 | 1.73 | 1.73 | 108.45 | — |
| Dec. 31, 2017 | 10.40 | 55 | 5 | 1.89 | 1.89 | 100.97 | — |
| Dec. 31, 2016 ⁴ | 10.01 | 1 | — | 2.03 | 2.03 | 12.58 | — |
| Series D | | | | | | | |
| June 30, 2018 | 10.20 | 150 | 15 | 1.17 | 1.17 | 108.45 | — |
| Dec. 31, 2017 | 10.38 | 80 | 8 | 1.27 | 1.27 | 100.97 | — |
| Dec. 31, 2016 ⁴ | 10.00 | 1 | — | 1.36 | 1.36 | 12.58 | — |
| Series F | | | | | | | |
| June 30, 2018 | 10.25 | 75 | 7 | 0.95 | 0.95 | 108.45 | — |
| Dec. 31, 2017 | 10.43 | 53 | 5 | 1.10 | 1.10 | 100.97 | — |
| Dec. 31, 2016 ⁴ | 10.01 | 1 | — | 1.19 | 1.19 | 12.58 | — |
| Series O | | | | | | | |
| June 30, 2018 | 10.19 | 577 083 | 56 611 | 0.17 | 0.17 | 108.45 | — |
| Dec. 31, 2017 | 10.37 | 568 900 | 54 869 | 0.17 | 0.17 | 100.97 | — |
| Dec. 31, 2016 ⁴ | 9.99 | 460 672 | 46 091 | 0.16 | 0.16 | 12.58 | — |

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 June 27, 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 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 | 1.50% | 45% | 55% |
| Advisor Series | 1.50% | 45% | 55% |
| Series D | 0.90% | 14% | 86% |
| Series F | 0.75% | — | 100% |

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

* 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 or interim period.



Series D (%)



Series F (%)



Series O (%)



Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since October 3, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years. For the 12-month periods ended December 31 and the six-month period ended June 30, 2018.



SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2018

Investment Mix

| | % of Net Asset Value |
|-----------------|----------------------|
| United Kingdom | 21.9 |
| United States | 9.8 |
| Luxembourg | 9.7 |
| Italy | 7.9 |
| Spain | 6.0 |
| France | 5.6 |
| Netherlands | 5.4 |
| Germany | 5.0 |
| Ireland | 1.3 |
| Other Countries | 15.9 |
| Cash/Other | 11.5 |

Top 25 Holdings

| | % of Net Asset Value |
|--|----------------------|
| Cash & Cash Equivalents | 11.3 |
| Nassa Topco AS EUR 2.875% Apr 6 2024 | 2.8 |
| Virgin Media Receivables Financing Notes I DAC GBP 5.500% Sep 15 2024 | 2.4 |
| InterXion Holding N.V. EUR 6.000% Jul 15 2020 | 1.9 |
| Virgin Media Receivables Financing Notes II DAC GBP 5.750% Apr 15 2023 | 1.8 |
| Teva Pharmaceutical Finance V BV CHF 1.500% Oct 25 2018 | 1.7 |
| Vue International Bidco Plc. GBP 7.875% Jul 15 2020 | 1.7 |
| Unitymedia GmbH EUR 3.750% Jan 15 2027 | 1.6 |
| Voyage Care Bondco Plc. GBP 5.875% May 1 2023 | 1.5 |
| AMC Entertainment Holdings Inc. GBP 6.375% Nov 15 2024 | 1.4 |
| Altice Finco S.A. EUR 4.750% Jan 15 2028 | 1.3 |
| International Game Technology Plc. EUR 3.500% Jul 15 2024 | 1.3 |
| Newco SAB Bidco SASU EUR 3.000% Apr 22 2024 | 1.2 |
| Hercule Debtco Sarl EUR 6.750% Jun 30 2024 | 1.2 |
| Fabric BC S.p.A. EUR 3.811% Nov 30 2024 | 1.2 |
| Telefonica Europe BV EUR 3.875% Dec 31 2099 | 1.1 |
| Intesa Sanpaolo S.p.A. EUR 7.750% Dec 29 2049 | 1.0 |
| Promotora de Informaciones S.A. EUR 2.600% Dec 12 2018 | 1.0 |
| Telecom Italia Finance S.A. EUR 7.750% Jan 24 2033 | 1.0 |
| Federal-Mogul LLC EUR 5.000% Jul 15 2024 | 1.0 |
| ZPG Plc. GBP 3.750% Jul 15 2023 | 1.0 |
| Viridian Power & Energy Ltd. EUR 4.000% Sep 15 2025 | 1.0 |
| Synlab Bondco Plc. EUR 3.500% Jul 1 2022 | 1.0 |
| Sigma Bidco BV GBP 0.000% Mar 5 2025 | 1.0 |
| Matterhorn Telecom S.A. EUR 4.000% Nov 15 2027 | 1.0 |
| Top 25 Holdings | 44.4 |

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.