



PORTFOLIO SOLUTION

## RBC TARGET 2025 EDUCATION FUND

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June 30, 2017

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

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 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.

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*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](http://www.rbcgam.com/reports) or SEDAR at [www.sedar.com](http://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 2025. 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 2025 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.

### Results of Operations

The Fund's net asset value was \$1.1 billion as of June 30, 2017.

Over the past six months, the Fund's Series A units gained 3.4%. 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.

The economic uptick that began last year continued in the first half of 2017 amid a synchronized global expansion, with leading indicators pointing to a faster-than-normal clip across much of the world. Optimism about the potential impact of President Trump's pro-growth policies helped to bolster financial markets, at least early in the period. However, expectations for major public policy changes dimmed somewhat as the political landscape proved more difficult to navigate than initially anticipated, leading to more mixed results from stocks later in the period.

Global government bond markets posted modest returns during the first half of 2017, reversing earlier losses, as investors tempered their expectations for higher inflation. Corporate and other non-government bonds outperformed government fixed income, benefiting from modestly faster economic growth and demand for investments that offer adequate income. During the period, the U.S. Federal Reserve (the "Fed") increased its benchmark interest rate twice for a total of half a percentage point. The Fed also laid out a plan to begin reducing its US\$4.5 trillion balance sheet, a further sign that the U.S. central bank is abandoning the extraordinary monetary stimulus that has been in place since the financial crisis. The Fund benefited from exposure to the RBC Bond Fund and the Phillips, Hager & North Total Return Bond Fund.

Most global equity markets showed moderate-to-strong returns during the period, while continuing to demonstrate unusually low volatility. Markets shrugged off numerous geopolitical concerns, terrorist attacks and the failure so far of U.S. politicians to pass pro-growth economic policies. Against a backdrop of modest global growth, stocks were supported by accommodative central-bank policies and rising profits. Canadian stocks, an exception to the positive performance trend, were held back by weaker commodity prices and concern that banks would at some point be hurt by an unsustainable rise in home prices in major Canadian cities. Returns were boosted by investments in the RBC European Equity Fund and the RBC Emerging Markets Equity Fund.

### Recent Developments

The portfolio manager is budgeting for a bit faster global economic growth over the next few years than has been the case in the recent past, and expects bond yields to rise over the long term. However, fading confidence in President Trump's ability to bolster growth and generate faster inflation has recently weighed on yields, reintroducing the fixed-income valuation risk that had been alleviated shortly after the election.

Many global equity markets have reached new highs and valuations may no longer be a driving force for stocks, especially in the U.S. Fortunately, profit growth is recovering from the recent decline and, if earnings continue to rise as analysts expect, the total-return potential for stocks remains quite positive.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

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 Kloepfer were appointed as members of the IRC.

Effective January 1, 2020, the specified percentage will decline to 1.55% for Series A units and 0.90% for Series D units.

Effective January 1, 2023, the specified percentage will decline to 1.00% for Series A units and 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. 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.

### **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. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by 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. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by 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 six months (noted by June 30, 2017), 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 <sup>1</sup>					Annual Distributions <sup>2</sup>				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		
<b>Series A</b>												
<b>June 30, 2017</b>	<b>10.35</b>	<b>0.11</b>	<b>(0.09)</b>	<b>0.10</b>	<b>0.23</b>	<b>0.35</b>	–	–	–	–	–	<b>10.71</b>
Dec. 31, 2016	10.15	0.29	(0.19)	0.15	0.21	0.46	(0.01)	(0.10)	(0.14)	–	(0.25)	10.35
Dec. 31, 2015	10.16	0.32	(0.19)	0.33	(0.09)	0.37	–	(0.13)	(0.30)	–	(0.43)	10.15
Dec. 31, 2014	9.96	0.45	(0.20)	0.60	0.08	0.93	–	(0.23)	(0.52)	–	(0.75)	10.16
Dec. 31, 2013	9.08	0.30	(0.18)	0.34	0.83	1.29	–	(0.12)	(0.28)	–	(0.40)	9.96
Dec. 31, 2012	8.62	0.27	(0.17)	0.04	0.43	0.57	–	(0.09)	(0.03)	–	(0.12)	9.08
<b>Series D</b>												
<b>June 30, 2017</b>	<b>10.33</b>	<b>0.11</b>	<b>(0.05)</b>	<b>0.10</b>	<b>0.22</b>	<b>0.38</b>	–	–	–	–	–	<b>10.72</b>
Dec. 31, 2016	10.13	0.29	(0.11)	0.15	0.24	0.57	(0.01)	(0.18)	(0.15)	–	(0.34)	10.33
Dec. 31, 2015	10.15	0.32	(0.11)	0.33	(0.09)	0.45	(0.01)	(0.20)	(0.30)	–	(0.51)	10.13
Dec. 31, 2014	9.90	0.44	(0.12)	0.60	0.08	1.00	–	(0.25)	(0.52)	–	(0.77)	10.15
Dec. 31, 2013	8.98	0.30	(0.11)	0.33	0.81	1.33	–	(0.15)	(0.28)	–	(0.43)	9.90
Dec. 31, 2012	8.47	0.25	(0.10)	0.04	0.41	0.60	–	(0.10)	(0.03)	–	(0.13)	8.98
<b>Series F</b>												
<b>June 30, 2017</b>	<b>9.98</b>	<b>0.11</b>	<b>(0.05)</b>	<b>0.10</b>	<b>0.16</b>	<b>0.32</b>	–	–	–	–	–	<b>10.37</b>
Dec. 31, 2016 <sup>3</sup>	10.00 <sup>†</sup>	0.13	(0.05)	0.07	(0.02)	0.13	(0.01)	(0.18)	(0.14)	–	(0.33)	9.98

<sup>1</sup> 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.

<sup>2</sup> Distributions are reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From July 4, 2016.

<sup>†</sup> 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 (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series A</b>							
<b>June 30, 2017</b>	<b>10.71</b>	<b>1 094 651</b>	<b>102 255</b>	<b>1.83</b>	<b>1.83</b>	<b>9.56</b>	<b>0.05</b>
Dec. 31, 2016	10.35	992 711	95 923	1.83	1.83	8.99	0.05
Dec. 31, 2015	10.15	822 747	81 096	1.83	1.83	9.39	0.06
Dec. 31, 2014	10.16	669 585	65 917	1.93	1.93	11.95	0.08
Dec. 31, 2013	9.96	504 952	50 673	1.94	1.94	39.20	0.11
Dec. 31, 2012	9.08	346 974	38 198	1.94	1.94	4.40	0.15
<b>Series D</b>							
<b>June 30, 2017</b>	<b>10.72</b>	<b>8 228</b>	<b>767</b>	<b>1.05</b>	<b>1.05</b>	<b>9.56</b>	<b>0.05</b>
Dec. 31, 2016	10.33	7 161	693	1.05	1.05	8.99	0.05
Dec. 31, 2015	10.13	4 796	473	1.06	1.06	9.39	0.06
Dec. 31, 2014	10.15	2 489	245	1.15	1.15	11.95	0.08
Dec. 31, 2013	9.90	979	99	1.18	1.18	39.20	0.11
Dec. 31, 2012	8.98	245	27	1.18	1.18	4.40	0.15
<b>Series F</b>							
<b>June 30, 2017</b>	<b>10.37</b>	<b>6 442</b>	<b>621</b>	<b>0.94</b>	<b>0.94</b>	<b>9.56</b>	<b>0.05</b>
Dec. 31, 2016 <sup>4</sup>	9.98	3 129	313	0.96	0.96	8.99	0.05

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 1.75% and Series D units is 1.00%.

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 <sup>†</sup>
Series A	1.58%	57%	43%
Series D	0.87%	26%	74%
Series F	0.80%	–	100%

\* Management fees for Series A and Series D units represent the actual average management fee rate for the period ended June 30, 2017.

<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

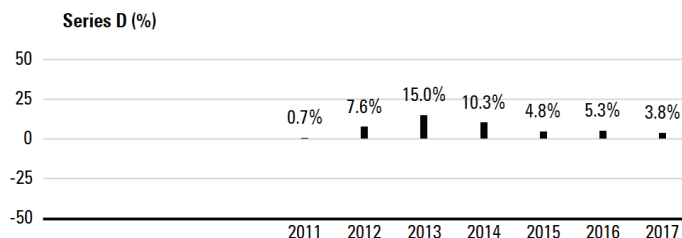
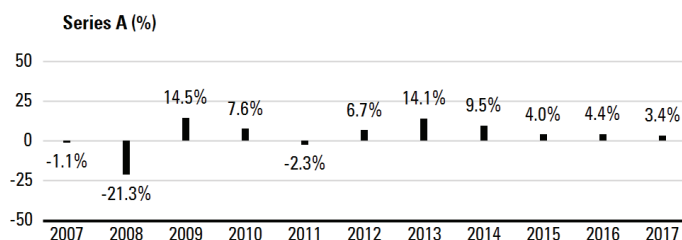


**PAST PERFORMANCE**

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 F units have been available for sale to unitholders since July 4, 2016, Series D units since November 1, 2011, and Series A units since July 3, 2007.

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, 2017.

**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at June 30, 2017*

**Investment Mix**

	% of Net Asset Value
Income Funds	57.7
United States Equity Funds	15.1
Canadian Equity Funds	14.9
International Equity Funds	11.9
Cash/Other	0.4

**Top 25 Holdings\***

	% of Net Asset Value
RBC Bond Fund	33.3
Phillips, Hager & North Total Return Bond Fund	9.9
RBC Canadian Short-Term Income Fund	8.6
RBC Canadian Equity Fund	7.5
RBC European Equity Fund	6.3
RBC QUBE Low Volatility Canadian Equity Fund	3.7
RBC Canadian Dividend Fund	3.7
RBC O'Shaughnessy U.S. Value Fund	3.6
RBC Private U.S. Large-Cap Core Equity Pool	3.1
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	3.1
RBC U.S. Equity Fund	3.0
RBC Global Bond Fund	3.0
RBC High Yield Bond Fund	2.9
RBC Emerging Markets Equity Fund	2.4
RBC U.S. Mid-Cap Growth Equity Fund	2.3
RBC Asia Pacific ex-Japan Equity Fund	2.0
RBC Japanese Equity Fund	1.2
Cash & Cash Equivalents	0.4
<b>Total</b>	<b>100.0</b>

\* 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](http://www.rbcgam.com/funds).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).