



Global Asset  
Management

## 2020 INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

GLOBAL EQUITY ETF

### RBC STRATEGIC GLOBAL EQUITY LEADERS ETF

June 30, 2020

**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 11, 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 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 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](http://www.rbcgam.com/en/ca) 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 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 broad exposure, either directly or indirectly through investment in other funds managed by RBC GAM or an affiliate of RBC GAM, to the performance of a diversified portfolio of high-quality global equity securities that have the potential for long-term capital growth.

The ETF invests substantially all of its assets in RBC Quant Equity Leaders ETFs (other than RBC Quant U.S. Equity Leaders (CAD Hedged) ETF and RBC Quant EAFE Equity Leaders (CAD Hedged) ETF). The ETF may also invest directly in a portfolio of global equity securities.

The portfolio asset allocation will be reconstituted and rebalanced from time to time, and no less frequently than quarterly. The frequency of the reconstitution and rebalancing may change without notice.

In order to adjust the portfolio's asset mix in a more timely manner, the portfolio manager may use derivatives as a substitute for direct investment in a particular market, on a short-term basis, until the portfolio's assets can be reallocated among the RBC Quant Equity Leaders ETFs.

Portfolio securities for each of the applicable RBC Quant Equity Leaders ETFs, and for the ETF, to the extent it invests directly in equity securities, will be selected using a rules-based, multi-factor investment approach designed to select high-quality global equity securities (i.e. companies with a high quality of earnings) while filtering out slow growth companies and securities with expensive valuations. The portfolio manager considers environmental, social and governance (ESG) factors where material to the investment decision. Securities are weighted in accordance with a modified capitalization weighting methodology designed to reduce the dispersion of weights between larger and smaller capitalization companies.

### Results of Operations

The ETF's net asset value was \$3 million as of June 30, 2020.

Over the past six months, the ETF's units lost 4.3%. The ETF'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 the ETF.

The spread of COVID-19 across the world supplanted previous investor concerns such as U.S.-China tensions and the future of the Europe-U.K. trade relationship as the key concern for the economy and markets. The easily transmitted and potentially deadly virus infected millions of people, prompting government-imposed lockdowns that shuttered businesses, curtailed consumer activity

and plunged the economy into almost instant recession. Government-bond yields fell to record lows and stocks tumbled into bear markets. In response, major central banks and politicians unleashed unprecedented monetary and fiscal stimulus. All told, U.S. stimulus related to the pandemic was approaching US\$6 trillion at the end of the period.

Global stocks generally recorded losses in the first half of 2020. However, losses were limited by the extensive fiscal and monetary efforts, and by the end of the period stocks had recouped most of their declines after a second quarter that was one of the best quarters ever in terms of returns. The technology-laden Nasdaq was among the very few equity markets to record gains, with its double-digit increase due to optimism that the work-from-home trend triggered by the pandemic would be enduring.

The ETF's returns were negatively affected by holdings in the RBC Quant Canadian Equity Leaders ETF, the RBC Quant EAFE Equity Leaders ETF and the RBC Quant Emerging Markets Equity Leaders ETF. The RBC Quant U.S. Equity Leaders ETF had a positive impact on returns.

### Recent Developments

The economic impact of the pandemic has prompted the portfolio manager to slash growth forecasts, and they are now mostly below-consensus. The base case outlook for the U.S. is for a 7.1% decline in 2020 GDP, with the recognition that a variety of scenarios are possible based on the depth and duration of the shutdowns and the speed of the subsequent recovery. Relative growth expectations between global regions vary based on the severity of lockdown measures in place, the sector make-up of their economies and country-specific vulnerabilities.

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 will be for the period from January 1, 2020 to September 30, 2020 as they transition to the new year-end. The change in financial year does not change the RBC ETFs' tax year-end, which remains December 15 or December 31, as applicable.

Effective January 1, 2020, Ms. Ruth Corbin was appointed as a member of the Independent Review Committee.

### Strategic Alliance with BlackRock Canada

RBC GAM and BlackRock Asset Management Canada Limited ("BlackRock Canada") have entered into a strategic alliance with regard to their ETF businesses in Canada whereby the ETF families offered by RBC GAM and BlackRock Canada are brought together under one brand – RBC iShares (the "Strategic Alliance"). The Strategic Alliance is a long-term contractual strategic alliance



without the establishment of a joint venture entity. Under the Strategic Alliance, each of RBC GAM and BlackRock Canada provides the other party with support and certain services in relation to administration, distribution support, marketing and management of the ETFs managed by each of RBC GAM and BlackRock Canada (collectively, the "Strategic Alliance ETFs"). In connection with the provision of these mutual services, each of RBC GAM and BlackRock Canada provides the other with certain limited information, review and consent rights in relation to the Strategic Alliance ETFs. In addition, as consideration for these mutual services provided as part of the Strategic Alliance, RBC GAM and BlackRock Canada agree to share management fee revenue earned from the Strategic Alliance ETFs. Although RBC GAM and BlackRock Canada provide services to each other, the two firms continue to maintain separate fund management and portfolio advisory responsibilities for the Strategic Alliance ETFs for which they serve as investment fund manager or portfolio advisor. The Strategic Alliance Agreement contemplates that RBC GAM and BlackRock Canada will work together on new product development and ongoing review and rationalization of the product lineup.

#### **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 six months (noted by June 30, 2020), and for the past five years or for the periods since inception. This information is derived from the ETF's unaudited interim financial statements and 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 <sup>1</sup>					Annual Distributions <sup>2</sup>					
		Total Revenue	Total Expenses	Realized Gains	Unrealized Gains	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Net Assets Total	End of Year/Period
		27.17	0.28	(0.01)	(0.08)	(1.40)	(1.21)	–	(0.28)	–	(0.28)	25.68
June 30, 2020	27.17	0.28	(0.01)	(0.08)	(1.40)	(1.21)	–	(0.28)	–	–	(0.28)	25.68
Dec. 31, 2019	23.65	0.67	(0.03)	0.74	2.84	4.22	–	(0.59)	(1.27)	–	(1.86)	27.17
Dec. 31, 2018	25.24	2.13	(0.04)	0.25	(3.48)	(1.14)	–	(0.50)	(1.72)	(0.01)	(2.23)	23.65
Dec. 31, 2017	22.75	0.46	(0.03)	1.86	0.72	3.01	–	(0.38)	(1.91)	–	(2.29)	25.24
Dec. 31, 2016 <sup>3</sup>	20.00 <sup>†</sup>	0.43	(0.03)	0.41	2.39	3.20	–	(0.39)	(0.45)	–	(0.84)	22.75

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

<sup>3</sup> From January 19, 2016.

<sup>†</sup> 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 (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Trading Expense Ratio (%) <sup>2</sup>	Portfolio Turnover Rate (%) <sup>3</sup>	Net Asset Value Per Unit (\$)	Closing Market Price (\$)
June 30, 2020	2 568	100	0.61	0.61	0.14	5.99	25.68	25.54
Dec. 31, 2019	2 717	100	0.61	0.61	0.09	46.06	27.17	27.63
Dec. 31, 2018	3 547	150	0.63	0.63	0.18	8.94	23.65	24.32
Dec. 31, 2017	2 524	100	0.61	0.61	0.12	55.24	25.24	25.29
Dec. 31, 2016 <sup>4</sup>	2 275	100	0.60	0.60	0.19	24.27	22.75	21.96

<sup>1</sup> 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.

<sup>2</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>3</sup> 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.

<sup>4</sup> From January 19, 2016.

### Management Fees

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

A management fee is charged indirectly and directly to the ETF:

indirectly as this ETF invests in the units of other RBC ETFs and the other RBC ETFs pay management fees; and directly for other portfolio manager activities. The total management fee will not exceed 0.55%, before GST/HST, of the daily net asset value of the ETF.



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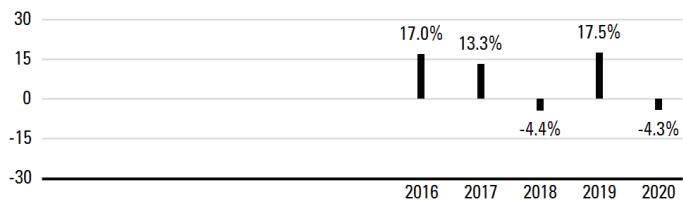
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## PAST PERFORMANCE

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 or interim period.



The ETF's units have been available for sale to unitholders since January 19, 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 six-month period ended June 30, 2020.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2020

### Investment Mix

	% of Net Asset Value
International Equities	
Financials	18.0
Information Technology	16.9
Industrials	9.7
Consumer Discretionary	9.5
Health Care	9.2
Communication Services	8.1
Consumer Staples	7.6
Materials	7.3
Energy	5.6
Utilities	4.0
Real Estate	3.1
Underlying Funds	0.4
Other Net Assets	0.6

### Top 25 Holdings\*

	% of Net Asset Value
RBC Quant U.S. Equity Leaders ETF	38.8
RBC Quant Canadian Equity Leaders ETF	28.2
RBC Quant EAFE Equity Leaders ETF	21.5
RBC Quant Emerging Markets Equity Leaders ETF	11.2
Total	99.7

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

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