



Global Asset  
Management

RBC FUNDS AND RBC PRIVATE POOLS

**2018**  
**Annual Management**  
**Report of Fund**  
**Performance**

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|                                                  |     |
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|                                          |     |
|------------------------------------------|-----|
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**BALANCED**

|                         |     |
|-------------------------|-----|
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|-------------------------|-----|

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|                                                    |     |
|----------------------------------------------------|-----|
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**CONTACT US**

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MONEY MARKET FUND

**RBC CANADIAN T-BILL FUND**

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*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide current income and liquidity consistent with short-term money-market interest rates while preserving the value of the investment.

The Fund is invested primarily in short-term government debt securities with a maximum term of 365 days. Investments include Government of Canada Treasury bills, notes guaranteed by the federal government, provincial Treasury bills, floating-rate notes and short-term bank deposits.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$296 million as of December 31, 2018, from \$325 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

As of December 31, 2018, the current yields were 1.5% for Series A units and 1.5% for Series D units.

Over the past year, the Fund's Series A units returned 1.07%, compared with the 1.38% rise in the FTSE Canada 91-Day T-Bill Index. The Fund'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 any other series, which may vary because of differences in management fees and expenses. In response to an extremely low interest rate environment and to support the yield to unitholders, the management fees of some series of the Fund have been maintained at reduced levels by RBC GAM. The decision to reduce management fees is determined at the discretion of RBC GAM.

Yields on government fixed-income securities of less than one year rose for most of 2018, reflecting interest-rate increases by the Bank of Canada (the "BOC") amid faster global economic growth, recovering domestic business investment and a resilient housing market. Trade worries persisted as discussions with the U.S. to replace the North American Free Trade Agreement moved forward sporadically, but the talks concluded with an accord that many investors believe will allow the Canadian economy to avoid an extended trade conflict with the U.S.

Given the positive backdrop, the BOC raised its short-term benchmark interest rate three times during the year – the final hike coming in October – in the belief that inflation was expected to stir as a result of the strong domestic economy. However, oil prices began to quickly decline soon thereafter, while financial conditions deteriorated globally and trade tensions between the U.S. and China escalated. As a result, short-term yields declined into year-end, principally on the view that the BOC would slow the pace of any further rate increases.

The portfolio manager maintained a defensive stance in the Fund for most of the year, when it was clear that the BOC believed that interest-rate hikes would be appropriate, and then adopted a balanced approach when the BOC signalled a pause in the speed at which it would tighten monetary policy. Specifically, the portfolio manager concentrated more of the Fund's holdings around the BOC's policy announcement dates to capture the impact of rate hikes as they occurred. The portfolio manager relied heavily on provincial securities during 2018, particularly later in the year, as the BOC's pause in tightening caused yields on federal paper to fall more than provincial yields.

### **Recent Developments**

The BOC has said it believes that more rate hikes will be necessary, given Canada's economic performance this year. What has changed is the pace at which the BOC will proceed with this plan. With the global economy expected to slow next year, the urgency to tighten Canadian monetary policy has eased, particularly as inflation pressures have abated. The portfolio manager therefore expects Canadian yields to stay relatively steady through 2019, and would gradually adjust higher only if and when the BOC signals that the economy is strong enough or inflation high enough to warrant additional hikes.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.15                                             | (0.04)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.08                                             | (0.04)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.06                                             | (0.04)            | —                             | —                               | 0.02  | (0.02)                                     | —                 | —                        | —                    | (0.02) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.08                                             | (0.05)            | —                             | —                               | 0.03  | (0.03)                                     | —                 | —                        | —                    | (0.03) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.10                                             | (0.05)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.15                                             | (0.04)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.08                                             | (0.04)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.06                                             | (0.04)            | —                             | —                               | 0.02  | (0.02)                                     | —                 | —                        | —                    | (0.02) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.08                                             | (0.05)            | —                             | —                               | 0.03  | (0.03)                                     | —                 | —                        | —                    | (0.03) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.10                                             | (0.05)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>240 504</b>              | <b>24 050</b>                         | <b>0.44</b>                                  | <b>0.93</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.00                            | 270 209                     | 27 020                                | 0.44                                         | 0.93                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.00                            | 306 017                     | 30 601                                | 0.44                                         | 0.44                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.00                            | 342 970                     | 34 297                                | 0.52                                         | 0.52                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 395 252                     | 39 525                                | 0.55                                         | 0.55                                      | n/a                                         | —                                         |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>55 415</b>               | <b>5 541</b>                          | <b>0.44</b>                                  | <b>0.72</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.00                            | 55 144                      | 5 514                                 | 0.44                                         | 0.72                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.00                            | 55 714                      | 5 571                                 | 0.44                                         | 0.44                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.00                            | 55 230                      | 5 523                                 | 0.52                                         | 0.52                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 58 871                      | 5 887                                 | 0.55                                         | 0.55                                      | n/a                                         | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.75%           | 33%                   | 67%    |
| Series D | 0.60%           | 17%                   | 83%    |

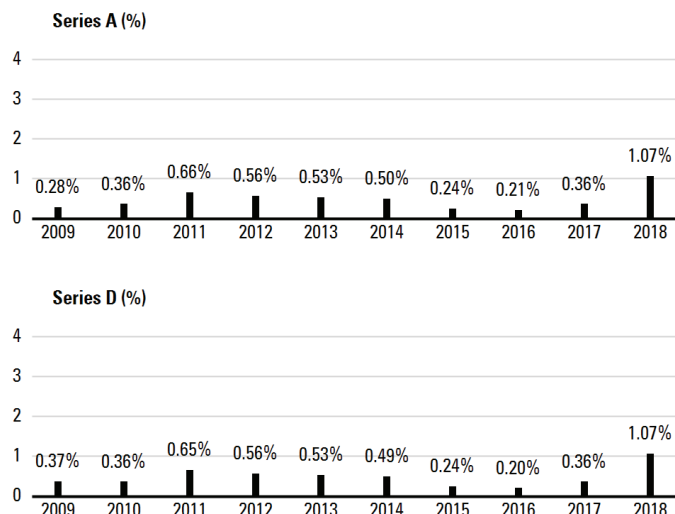
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



Inception dates are not provided for series that have been in existence for more than 10 years.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Provincial Obligations | 97.3                 |
| Federal Obligations    | 1.9                  |
| Cash/Other             | 0.8                  |

### Top 25 Holdings\*

|                                                          | % of Net Asset Value |
|----------------------------------------------------------|----------------------|
| Province of Quebec 1.855% Jan 3 2019                     | 12.0                 |
| Province of Ontario 1.889% Jan 23 2019                   | 11.5                 |
| Province of New Brunswick 1.886% Jan 10 2019             | 11.2                 |
| Province of New Brunswick 1.912% Jan 31 2019             | 8.4                  |
| Province of Alberta 1.899% Jan 30 2019                   | 8.1                  |
| Province of British Columbia 1.801% Jan 24 2019          | 7.5                  |
| Province of British Columbia 1.950% Mar 19 2019          | 7.1                  |
| Province of Alberta 1.899% Jan 22 2019                   | 5.9                  |
| Province of Alberta 1.999% Mar 22 2019                   | 4.4                  |
| Province of Ontario 2.019% Jun 12 2019                   | 3.6                  |
| Province of Alberta 2.019% Jun 17 2019                   | 3.4                  |
| Province of British Columbia 1.736% Mar 1 2019           | 3.4                  |
| Province of Newfoundland and Labrador 1.899% Jan 17 2019 | 3.4                  |
| Province of British Columbia 2.001% Jun 17 2019          | 3.3                  |
| Province of Saskatchewan 2.001% Apr 1 2019               | 2.2                  |
| Province of New Brunswick 1.495% Feb 12 2019             | 2.0                  |
| Canada Housing Trust No. 1 1.245% Mar 15 2019            | 1.9                  |
| Bank of Nova Scotia 1.700% Jan 2 2019                    | 0.6                  |
| Province of New Brunswick 1.848% Jan 8 2019              | 0.1                  |
| Total                                                    | 100.0                |

\* 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).



MONEY MARKET FUND

**RBC CANADIAN MONEY MARKET FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide current income and liquidity consistent with short-term money-market interest rates while preserving the value of the investment.

The Fund is invested primarily in high-quality short-term government- and corporate-debt securities with a maximum term of 365 days. The Fund's corporate-debt holdings are deemed by major debt-rating agencies to be suitable for conservative investors. The Fund also includes short-term debt issued by Canadian chartered banks and promissory notes issued or guaranteed by Canadian governments or their agencies.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$1.9 billion as of December 31, 2018, from \$1.6 billion at the end of 2017. The increase was due to net inflows.

As of December 31, 2018, the current yields were 1.6% for Series A units, 1.5% for Advisor Series units, 1.6% for Series D units, 1.6% for Series F units and 2.1% for Series O units.

Over the past year, the Fund's Series A units returned 1.15%, compared with the 1.38% rise in the FTSE Canada 91-Day T-Bill Index. The Fund'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 any other series, which may vary because of differences in management fees and expenses. In response to an extremely low interest rate environment and to support the yield to unitholders, the management fees of some series of the Fund have been maintained at reduced levels by RBC GAM. The decision to reduce management fees is determined at the discretion of RBC GAM.

Yields on Canadian money-market securities of less than one year rose for most of 2018, reflecting interest-rate increases by the Bank of Canada (the "BOC") amid faster global economic growth, recovering domestic business investment and a resilient housing market. Trade worries persisted as discussions with the U.S. to replace the North American Free Trade Agreement moved forward sporadically, but the talks concluded with an accord that many investors believe will allow the Canadian economy to avoid an extended trade conflict with the U.S.

Given the positive backdrop, the BOC raised its short-term benchmark interest rate three times during the year – the final hike coming in October – in the belief that inflation was expected to stir as a result of the strong domestic economy. However, oil prices began to quickly decline soon thereafter, while financial conditions deteriorated globally and trade tensions between the U.S. and China escalated. As a result, short-term yields declined into year-end, principally on the view that the BOC would slow the pace of any further rate increases.

The portfolio manager maintained a defensive stance in the Fund for most of the year, when it was clear that the BOC believed that interest-rate hikes would be appropriate, and then adopted a balanced approach when the BOC signalled a pause in the speed at which it would tighten monetary policy. Specifically, the portfolio manager concentrated more of the Fund's holdings in longer-dated maturities to lock in higher yields, especially when yields on non-government securities continued to climb for temporary reasons unrelated to the BOC's decision to pause.

The fulfillment of regulatory liquidity was exercised through the active management of maturities, as well as through holdings of government securities.

### **Recent Developments**

The BOC has said it believes that more rate hikes will be necessary, given Canada's economic performance this year. What has changed is the pace at which the BOC will proceed with this plan. With the global economy expected to slow next year, the urgency to tighten Canadian monetary policy has eased, particularly as inflation pressures have abated. The portfolio manager therefore expects Canadian yields to stay relatively steady through 2019, and would gradually adjust higher only if and when the BOC signals that the economy is strong enough or inflation high enough to warrant additional hikes.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.17                                             | (0.06)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | (0.06)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.09                                             | (0.06)            | —                             | —                               | 0.03  | (0.03)                                     | —                 | —                        | —                    | (0.03) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.10                                             | (0.06)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | (0.06)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.00                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.17                                             | (0.06)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | (0.06)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.09                                             | (0.06)            | —                             | —                               | 0.03  | (0.03)                                     | —                 | —                        | —                    | (0.03) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.10                                             | (0.06)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | (0.06)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.00                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.17                                             | (0.06)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | (0.06)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.09                                             | (0.06)            | —                             | —                               | 0.03  | (0.03)                                     | —                 | —                        | —                    | (0.03) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.10                                             | (0.06)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | (0.06)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.00                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.18                                             | (0.06)            | —                             | —                               | 0.12  | (0.12)                                     | —                 | —                        | —                    | (0.12) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | (0.06)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.10                                             | (0.06)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.10                                             | (0.06)            | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | (0.06)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.00                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.17                                             | —                 | —                             | —                               | 0.17  | (0.17)                                     | —                 | —                        | —                    | (0.17) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | —                 | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.09                                             | —                 | —                             | —                               | 0.09  | (0.09)                                     | —                 | —                        | —                    | (0.09) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.10                                             | —                 | —                             | —                               | 0.10  | (0.10)                                     | —                 | —                        | —                    | (0.10) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | —                 | —                             | —                               | 0.12  | (0.12)                                     | —                 | —                        | —                    | (0.12) | 10.00                               |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.00</b>                     | <b>954 397</b>              | <b>95 440</b>                         | <b>0.60</b>                                  | <b>0.94</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017         | 10.00                            | 1 048 238                   | 104 818                               | 0.60                                         | 0.93                                      | n/a                                         | —                                         |
| Dec. 31, 2016         | 10.00                            | 1 224 869                   | 122 485                               | 0.60                                         | 0.60                                      | n/a                                         | —                                         |
| Dec. 31, 2015         | 10.00                            | 1 352 347                   | 135 235                               | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| Dec. 31, 2014         | 10.00                            | 1 236 246                   | 123 625                               | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.00</b>                     | <b>12 153</b>               | <b>1 215</b>                          | <b>0.61</b>                                  | <b>0.89</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017         | 10.00                            | 13 676                      | 1 368                                 | 0.61                                         | 0.89                                      | n/a                                         | —                                         |
| Dec. 31, 2016         | 10.00                            | 14 759                      | 1 476                                 | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| Dec. 31, 2015         | 10.00                            | 13 191                      | 1 319                                 | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| Dec. 31, 2014         | 10.00                            | 13 881                      | 1 388                                 | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.00</b>                     | <b>161 757</b>              | <b>16 176</b>                         | <b>0.61</b>                                  | <b>0.72</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017         | 10.00                            | 161 812                     | 16 180                                | 0.61                                         | 0.72                                      | n/a                                         | —                                         |
| Dec. 31, 2016         | 10.00                            | 164 136                     | 16 413                                | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| Dec. 31, 2015         | 10.00                            | 173 834                     | 17 383                                | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| Dec. 31, 2014         | 10.00                            | 179 277                     | 17 928                                | 0.61                                         | 0.61                                      | n/a                                         | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.00</b>                     | <b>48 830</b>               | <b>4 883</b>                          | <b>0.56</b>                                  | <b>0.61</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017         | 10.00                            | 24 381                      | 2 438                                 | 0.56                                         | 0.61                                      | n/a                                         | —                                         |
| Dec. 31, 2016         | 10.00                            | 12 499                      | 1 250                                 | 0.56                                         | 0.56                                      | n/a                                         | —                                         |
| Dec. 31, 2015         | 10.00                            | 8 769                       | 877                                   | 0.56                                         | 0.56                                      | n/a                                         | —                                         |
| Dec. 31, 2014         | 10.00                            | 12 965                      | 1 297                                 | 0.56                                         | 0.56                                      | n/a                                         | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.00</b>                     | <b>724 857</b>              | <b>72 486</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017         | 10.00                            | 323 862                     | 32 385                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2016         | 10.00                            | 168 559                     | 16 856                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2015         | 10.00                            | 185 330                     | 18 533                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2014         | 10.00                            | 284 482                     | 28 448                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 0.75%           | 33%                   | 67%    |
| Advisor Series | 0.75%           | 33%                   | 67%    |
| Series D       | 0.60%           | 17%                   | 83%    |
| Series F       | 0.50%           | —                     | 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.

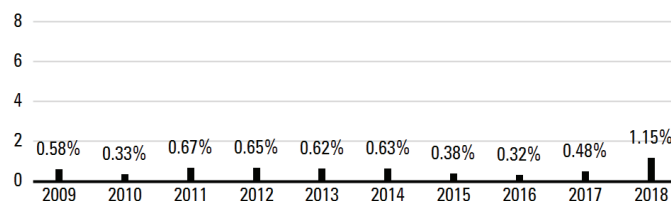
## PAST PERFORMANCE

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.

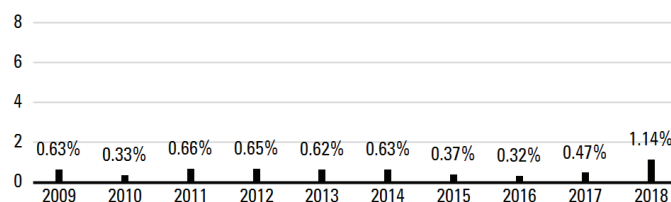
### Year-by-Year Returns (%)

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.

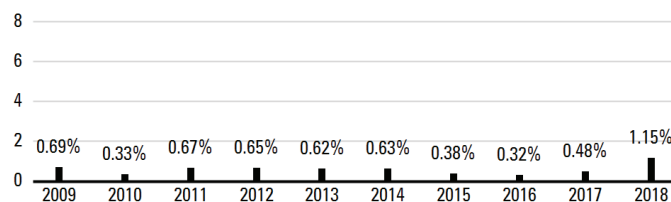
**Series A (%)**



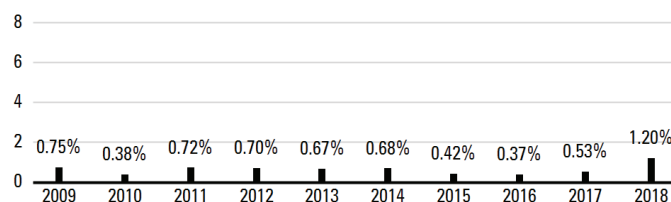
**Advisor Series (%)**



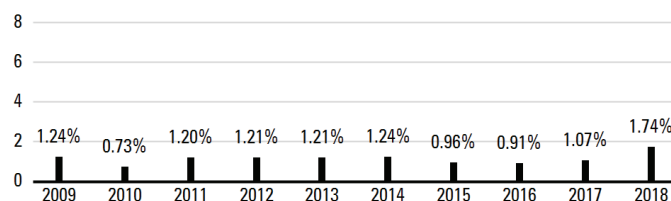
**Series D (%)**



**Series F (%)**



**Series O (%)**



Inception dates are not provided for series that have been in existence for more than 10 years.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                                          | % of Net Asset Value |
|------------------------------------------|----------------------|
| Commercial Paper                         | 63.5                 |
| Bankers Acceptances and Bank Obligations | 31.1                 |
| Provincial Obligations                   | 5.0                  |
| Cash/Other                               | 0.4                  |

### Top 25 Holdings

|                                                         | % of Net Asset Value |
|---------------------------------------------------------|----------------------|
| Bank of Nova Scotia 2.161% Feb 25 2019                  | 3.5                  |
| Clarity Trust 2.309% Jun 10 2019                        | 2.5                  |
| Fusion Trust 2.309% Jun 10 2019                         | 2.4                  |
| Toronto-Dominion Bank 2.001% Feb 11 2019                | 2.1                  |
| Canadian Imperial Bank of Commerce 2.249% Apr 25 2019   | 2.1                  |
| Canadian Imperial Bank of Commerce 2.161% Mar 4 2019    | 1.9                  |
| Banner Trust 2.184% Jan 21 2019                         | 1.9                  |
| Prime Trust - Senior Notes 2.061% Jan 9 2019            | 1.8                  |
| STABLE Trust 2.190% Mar 7 2019                          | 1.8                  |
| National Bank of Canada 1.762% Jan 11 2019              | 1.7                  |
| Canadian Imperial Bank of Commerce 1.760% Jan 8 2019    | 1.7                  |
| Bank of Nova Scotia 1.761% Jan 15 2019                  | 1.7                  |
| HSBC Bank Canada 2.099% Jan 22 2019                     | 1.7                  |
| Bank of Montreal 2.073% Jan 10 2019                     | 1.7                  |
| Zeus Receivables Trust - Senior Notes 2.161% Feb 6 2019 | 1.7                  |
| HSBC Bank Canada 2.194% Jan 17 2019                     | 1.7                  |
| Canadian Imperial Bank of Commerce 2.001% Feb 8 2019    | 1.6                  |
| Bay Street Funding Trust - Class A 2.329% Jun 11 2019   | 1.6                  |
| SURE Trust 2.210% Mar 11 2019                           | 1.6                  |
| Toronto-Dominion Bank 1.727% Jan 31 2019                | 1.6                  |
| Toronto-Dominion Bank 2.082% Jan 21 2019                | 1.5                  |
| SURE Trust 2.129% Jan 23 2019                           | 1.5                  |
| BNP Paribas Capital Trust 2.130% Jan 31 2019            | 1.5                  |
| Enbridge Pipelines Inc. 2.421% Jan 25 2019              | 1.5                  |
| National Bank of Canada 2.060% Mar 7 2019               | 1.3                  |
| Top 25 Holdings                                         | 45.6                 |

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).



MONEY MARKET FUND

**RBC PREMIUM MONEY MARKET FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide current income and liquidity consistent with short-term money market rates for investors who have at least \$100,000 to invest.

To preserve the value of the investment, the Fund is invested primarily in high-quality, short-term (one year or less) debt securities, including Treasury bills, bankers acceptances and commercial paper.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$1.3 billion as of December 31, 2018, from \$1.2 billion at the end of 2017. The increase was due to a combination of net inflows and investment returns.

As of December 31, 2018, the current yields were 1.8% for Series A units and 1.9% for Series F units.

Over the past year, the Fund's Series A units returned 1.41%, compared with the 1.38% rise in the FTSE Canada 91-Day T-Bill Index. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Yields on Canadian money-market securities of less than one year rose for most of 2018, reflecting interest-rate increases by the Bank of Canada (the "BOC") amid faster global economic growth, recovering domestic business investment and a resilient housing market. Trade worries persisted as discussions with the U.S. to replace the North American Free Trade Agreement moved forward sporadically, but the talks concluded with an accord that many investors believe will allow the Canadian economy to avoid an extended trade conflict with the U.S.

Given the positive backdrop, the BOC raised its short-term benchmark interest rate three times during the year – the final hike coming in October – in the belief that inflation was expected to stir as a result of the strong domestic economy. However, oil prices began to quickly decline soon thereafter, while financial conditions deteriorated globally and trade tensions between the U.S. and China escalated. As a result, short-term yields declined into year-end, principally on the view that the BOC would slow the pace of any further rate increases.

The portfolio manager maintained a defensive stance in the Fund for most of the year, when it was clear that the BOC believed that interest-rate hikes would be appropriate, and then adopted a balanced approach when the BOC signalled a pause in the speed at which it would tighten monetary policy. Specifically, the portfolio manager concentrated more of the Fund's holdings in longer-dated maturities to lock in higher yields, especially when yields on non-government securities continued to climb for temporary reasons unrelated to the BOC's decision to pause.

The fulfillment of regulatory liquidity was exercised through the active management of maturities, as well as the holding of government securities.

### **Recent Developments**

The BOC has said it believes that more rate hikes will be necessary, given Canada's economic performance this year. What has changed is the pace at which the bank will proceed with this plan. With the global economy expected to slow next year, the urgency to tighten Canadian monetary policy has eased, particularly as inflation pressures have abated. The portfolio manager therefore expects Canadian yields to stay relatively steady through 2019, and would gradually adjust higher only if and when the BOC signals that the economy is strong enough or inflation high enough to warrant additional hikes.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.18                                             | (0.04)            | —                             | —                               | 0.14  | (0.14)                                     | —                 | —                        | —                    | (0.14) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | (0.04)            | —                             | —                               | 0.07  | (0.07)                                     | —                 | —                        | —                    | (0.07) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.10                                             | (0.04)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.11                                             | (0.04)            | —                             | —                               | 0.07  | (0.07)                                     | —                 | —                        | —                    | (0.07) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | (0.04)            | —                             | —                               | 0.08  | (0.08)                                     | —                 | —                        | —                    | (0.08) | 10.00                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.17                                             | (0.02)            | —                             | —                               | 0.15  | (0.15)                                     | —                 | —                        | —                    | (0.15) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.11                                             | (0.02)            | —                             | —                               | 0.09  | (0.09)                                     | —                 | —                        | —                    | (0.09) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.09                                             | (0.02)            | —                             | —                               | 0.07  | (0.07)                                     | —                 | —                        | —                    | (0.07) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.10                                             | (0.02)            | —                             | —                               | 0.08  | (0.08)                                     | —                 | —                        | —                    | (0.08) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.12                                             | (0.02)            | —                             | —                               | 0.10  | (0.10)                                     | —                 | —                        | —                    | (0.10) | 10.00                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>1 196 494</b>            | <b>119 649</b>                        | <b>0.35</b>                                  | <b>0.35</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.00                            | 1 215 455                   | 121 538                               | 0.35                                         | 0.35                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.00                            | 1 372 269                   | 137 224                               | 0.35                                         | 0.35                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.00                            | 1 497 158                   | 149 716                               | 0.35                                         | 0.35                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 1 717 382                   | 171 738                               | 0.35                                         | 0.35                                      | n/a                                         | —                                         |
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>118 941</b>              | <b>11 894</b>                         | <b>0.25</b>                                  | <b>0.25</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.00                            | 29 617                      | 2 962                                 | 0.24                                         | 0.24                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.00                            | 12 234                      | 1 223                                 | 0.25                                         | 0.25                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.00                            | 9 627                       | 963                                   | 0.25                                         | 0.25                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 10 882                      | 1 088                                 | 0.24                                         | 0.24                                      | n/a                                         | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.30%           | 83%                   | 17%    |
| Series F | 0.20%           | —                     | 100%   |

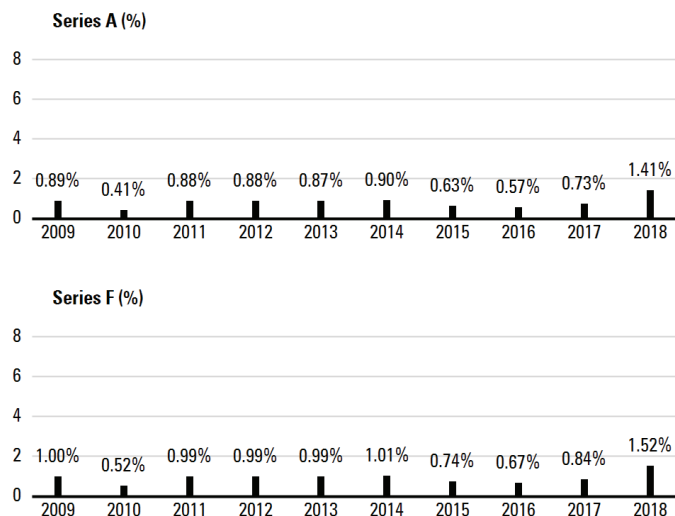
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



Inception dates are not provided for series that have been in existence for more than 10 years.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                                          | % of Net Asset Value |
|------------------------------------------|----------------------|
| Commercial Paper                         | 65.0                 |
| Bankers Acceptances and Bank Obligations | 29.9                 |
| Provincial Obligations                   | 5.0                  |
| Cash/Other                               | 0.1                  |

### Top 25 Holdings

|                                                       | % of Net Asset Value |
|-------------------------------------------------------|----------------------|
| Clarity Trust 2.309% Jun 10 2019                      | 3.6                  |
| SAFE Trust - Series 1996-1 2.329% Jun 11 2019         | 3.2                  |
| BNP Paribas Capital Trust 2.217% Feb 15 2019          | 2.7                  |
| Bank of Montreal 2.082% Jan 28 2019                   | 2.4                  |
| Canadian Imperial Bank of Commerce 2.001% Feb 8 2019  | 2.3                  |
| Toronto-Dominion Bank 2.198% Feb 19 2019              | 2.3                  |
| Bay Street Funding Trust - Class A 2.001% Mar 21 2019 | 2.0                  |
| STABLE Trust 2.190% Mar 7 2019                        | 1.9                  |
| HSBC Bank Canada 2.099% Jan 22 2019                   | 1.9                  |
| Ridge Trust 1.979% Jan 24 2019                        | 1.7                  |
| Canadian Imperial Bank of Commerce 1.760% Jan 8 2019  | 1.7                  |
| Bank of Nova Scotia 1.761% Jan 15 2019                | 1.7                  |
| National Bank of Canada 1.762% Jan 11 2019            | 1.7                  |
| Fusion Trust 2.309% Jun 10 2019                       | 1.6                  |
| Merit Trust - Senior Notes 2.161% Feb 6 2019          | 1.6                  |
| Toronto-Dominion Bank 1.727% Jan 31 2019              | 1.5                  |
| Canadian Master Trust - Series A 2.092% Jan 9 2019    | 1.5                  |
| Province of Ontario 1.911% Feb 6 2019                 | 1.5                  |
| Inter Pipeline Ltd. 2.231% Jan 16 2019                | 1.4                  |
| SURE Trust 2.002% Jan 9 2019                          | 1.4                  |
| Merit Trust - Senior Notes 2.210% Mar 8 2019          | 1.4                  |
| BNP Paribas Capital Trust 2.149% Feb 19 2019          | 1.4                  |
| HSBC Bank Canada 2.098% Jan 28 2019                   | 1.4                  |
| SOUND Trust 2.210% Mar 11 2019                        | 1.4                  |
| Prime Trust - Senior Notes 2.210% Mar 11 2019         | 1.4                  |
| Top 25 Holdings                                       | 46.6                 |

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).





MONEY MARKET FUND

**RBC \$U.S. MONEY MARKET FUND**

*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 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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## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide U.S. dollar current income and liquidity consistent with short-term U.S. money-market rates.

To preserve the value of the investment, the Fund is invested primarily in high-quality short-term (one year or less) debt securities including Treasury bills, bankers acceptances and commercial paper.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$290 million as of December 31, 2018, from \$240 million at the end of 2017. The increase was due to net inflows.

As of December 31, 2018, the current yields were 2.4% for Series A units, 2.4% for Series D units, 2.5% for Series F unit and 2.8% for Series O units.

Over the past year, the Fund's Series A units returned 1.90%, compared with the 1.86% rise in the Citigroup 3-Month T-Bill Index. The Fund'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 any other series, which may vary because of differences in management fees and expenses. In response to an extremely low interest rate environment and to support the yield to unitholders, the management fees of some series of the Fund have been maintained at reduced levels by RBC GAM. The decision to reduce management fees is determined at the discretion of RBC GAM.

Economic growth in the U.S. outpaced that in virtually all other countries in 2018, accelerating on the strength of increased government spending and tax cuts, reduced regulatory burdens and solid employment growth. Consequently, money-market rates climbed steadily throughout the year, as the U.S. Federal Reserve (the "Fed"), under new Chairman Jay Powell, raised the benchmark federal funds rate four times in response to inflation pressures and signalled further tightening ahead. However, the economic outlook soured later in the year as oil prices fell sharply, global financial conditions deteriorated and trade tensions between the U.S. and China intensified. By year-end, doubts about the sustainability of U.S. economic growth had seeped into market sentiment.

The portfolio manager managed the Fund's average term to maturity around the Fed's policy announcement dates in order to capture the impact of higher market yields that followed each rate hike. Once a rate hike took place, the bulk of maturities was centred on the next expected hike date, with occasional longer-term investments when yields were higher than expected. The Fund's holdings were largely in asset-backed commercial paper, as corporate paper issuance was thin. Provincial holdings were also relatively high at year-end, as they offered compelling yields relative to bank paper. Regulatory liquidity was satisfied through the holding of a position in provincial and federal paper.

### **Recent Developments**

As 2019 got underway, the Fed was signalling two more rate hikes for the year and the continued shrinking of its balance sheet, but its commitment appears tempered by signs that the U.S. economy is losing momentum. Assuming inflation pressures remain muted, the Fed could put off monetary tightening, particularly if the global economy continues to slow or if trade tensions with China boil over. In this environment, the portfolio manager expects to increase the Fund's exposure to longer-dated and higher-yielding investments.

### **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., 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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.22                                             | (0.03)            | —                             | —                               | 0.19  | (0.19)                                     | —                 | —                        | —                    | (0.19) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.13                                             | (0.03)            | —                             | —                               | 0.10  | (0.10)                                     | —                 | —                        | —                    | (0.10) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.08                                             | (0.03)            | —                             | —                               | 0.05  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.04                                             | (0.02)            | —                             | —                               | 0.02  | (0.02)                                     | —                 | —                        | —                    | (0.02) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.03                                             | (0.02)            | —                             | —                               | 0.01  | (0.01)                                     | —                 | —                        | —                    | (0.01) | 10.00                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.22                                             | (0.03)            | —                             | —                               | 0.19  | (0.19)                                     | —                 | —                        | —                    | (0.19) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.14                                             | (0.03)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.09                                             | (0.03)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.03                                             | (0.02)            | —                             | —                               | 0.01  | (0.01)                                     | —                 | —                        | —                    | (0.01) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.03                                             | (0.02)            | —                             | —                               | 0.01  | (0.01)                                     | —                 | —                        | —                    | (0.01) | 10.00                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.09                                             | (0.01)            | —                             | —                               | 0.08  | (0.08)                                     | —                 | —                        | —                    | (0.08) | 10.00                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.22                                             | —                 | —                             | —                               | 0.22  | (0.22)                                     | —                 | —                        | —                    | (0.22) | 10.00                               |
| Dec. 31, 2017                 | 10.00                                  | 0.14                                             | —                 | —                             | —                               | 0.14  | (0.14)                                     | —                 | —                        | —                    | (0.14) | 10.00                               |
| Dec. 31, 2016                 | 10.00                                  | 0.08                                             | —                 | —                             | —                               | 0.08  | (0.08)                                     | —                 | —                        | —                    | (0.08) | 10.00                               |
| Dec. 31, 2015                 | 10.00                                  | 0.04                                             | —                 | —                             | —                               | 0.04  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.00                               |
| Dec. 31, 2014                 | 10.00                                  | 0.02                                             | —                 | —                             | —                               | 0.02  | (0.02)                                     | —                 | —                        | —                    | (0.02) | 10.00                               |

<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 August 16, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>92 228</b>               | <b>9 223</b>                          | <b>0.34</b>                                  | <b>1.05</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.00                            | 95 886                      | 9 588                                 | 0.33                                         | 1.05                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.00                            | 93 352                      | 9 335                                 | 0.30                                         | 0.30                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.00                            | 106 553                     | 10 655                                | 0.17                                         | 0.17                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 142 087                     | 14 209                                | 0.17                                         | 0.17                                      | n/a                                         | —                                         |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>67 639</b>               | <b>6 764</b>                          | <b>0.29</b>                                  | <b>0.72</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.00                            | 42 903                      | 4 290                                 | 0.28                                         | 0.72                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.00                            | 25 494                      | 2 549                                 | 0.25                                         | 0.25                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.00                            | 19 855                      | 1 985                                 | 0.17                                         | 0.17                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 23 125                      | 2 312                                 | 0.17                                         | 0.17                                      | n/a                                         | —                                         |



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### Ratios and Supplemental Data (cont.)

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.00</b>                     | <b>3 709</b>                | <b>371</b>                            | <b>0.26</b>                                  | <b>0.62</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>10.00</b>                     | <b>126 316</b>              | <b>12 632</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017                    | 10.00                            | 101 197                     | 10 119                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2016                    | 10.00                            | 18 359                      | 1 836                                 | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2015                    | 10.00                            | 8 092                       | 809                                   | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2014                    | 10.00                            | 1 521                       | 152                                   | 0.02                                         | 0.02                                      | n/a                                         | —                                         |

<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 August 16, 2018.

## 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 | 0.85%           | 29%                   | 71%    |
| Series D | 0.60%           | 17%                   | 83%    |
| Series F | 0.50%           | —                     | 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.

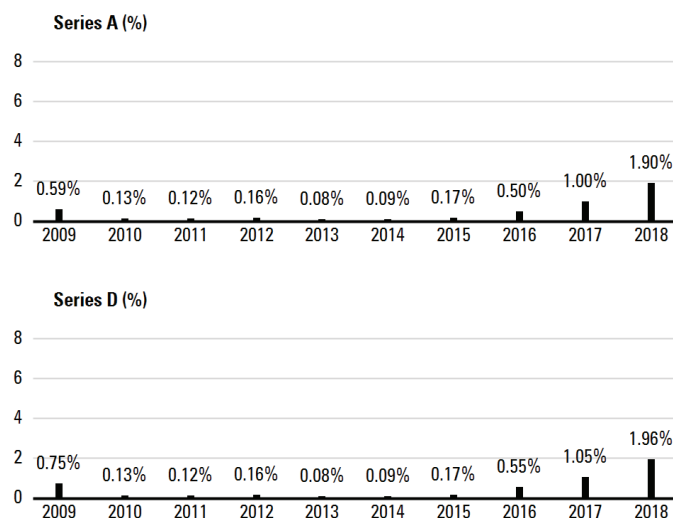
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE (in USD)

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.

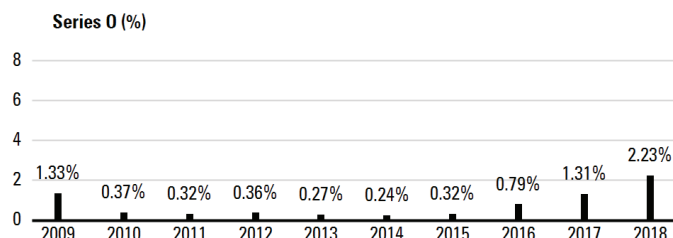
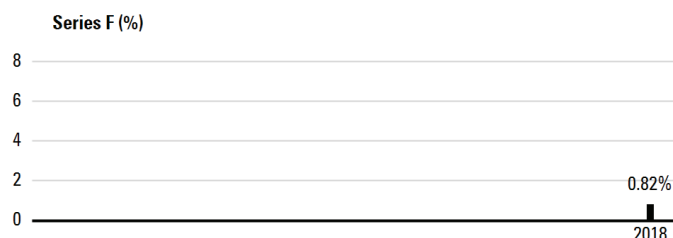
## Year-by-Year Returns (%)

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.





**PAST PERFORMANCE (in USD) (cont.)**



Series F units have been available for sale to unitholders since August 20, 2018.

Inception dates are not provided for series that have been in existence for more than 10 years.

**SUMMARY OF INVESTMENT PORTFOLIO (in USD)**

(after consideration of derivative products, if any)

As at December 31, 2018

**Investment Mix**

|                                          | % of Net Asset Value |
|------------------------------------------|----------------------|
| Commercial Paper                         | 74.1                 |
| Provincial Obligations                   | 15.0                 |
| Bankers Acceptances and Bank Obligations | 10.5                 |
| Cash/Other                               | 0.4                  |

**Top 25 Holdings**

|                                                          | % of Net Asset Value |
|----------------------------------------------------------|----------------------|
| STABLE Trust 2.978% Mar 18 2019                          | 5.6                  |
| SURE Trust 2.729% Mar 18 2019                            | 4.3                  |
| Province of British Columbia 2.444% Jan 17 2019          | 3.8                  |
| SOUND Trust 2.828% Jan 7 2019                            | 3.6                  |
| Province of Alberta 2.469% Jan 30 2019                   | 3.2                  |
| National Bank of Canada 2.400% Jan 3 2019                | 3.0                  |
| Enbridge Pipelines Inc. 2.899% Jan 4 2019                | 2.8                  |
| Zeus Receivables Trust - Senior Notes 2.750% Mar 28 2019 | 2.8                  |
| BNP Paribas Capital Trust 2.849% Jun 18 2019             | 2.5                  |
| PSP Capital Inc. 2.464% Jan 15 2019                      | 2.4                  |
| Province of Alberta 2.451% Jan 2 2019                    | 2.3                  |
| SAFE Trust - Series 1996-1 3.077% Feb 25 2019            | 2.2                  |
| Province of Quebec 2.526% Jan 22 2019                    | 2.2                  |
| Prime Trust - Senior Notes 2.638% Jan 2 2019             | 2.2                  |
| Clarity Trust 2.750% Mar 27 2019                         | 2.2                  |
| OMERS Realty Corp. 2.652% Feb 20 2019                    | 2.1                  |
| Enbridge Pipelines Inc. 2.908% Jan 10 2019               | 2.0                  |
| SURE Trust 3.077% Feb 25 2019                            | 1.9                  |
| Caisse Centrale Desjardins 2.719% Mar 12 2019            | 1.9                  |
| Prime Trust - Senior Notes 2.750% Mar 28 2019            | 1.9                  |
| Prime Trust - Senior Notes 2.830% Jan 22 2019            | 1.8                  |
| Canadian Imperial Bank of Commerce 3.000% Sep 5 2019     | 1.8                  |
| SOUND Trust 3.000% Feb 1 2019                            | 1.8                  |
| Merit Trust - Senior Notes 2.660% Mar 8 2019             | 1.6                  |
| Province of Quebec 2.377% Jan 17 2019                    | 1.5                  |
| <b>Top 25 Holdings</b>                                   | <b>63.4</b>          |

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).



MONEY MARKET FUND

**RBC PREMIUM \$U.S. MONEY  
MARKET FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide current income and liquidity consistent with short-term money market rates for investors who have at least US\$100,000 to invest.

To preserve the value of the investment, the Fund is invested primarily in high-quality, short-term (one year or less) debt securities denominated in U.S. dollars. These include treasury bills issued or guaranteed by Canadian or foreign governments, bankers acceptances and commercial paper issued by Canadian or foreign corporations and agencies such as the World Bank.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$602 million as of December 31, 2018, from \$512 million at the end of 2017. The increase was due to net inflows.

As of December 31, 2018, the current yields were 2.4% for Series A units and 2.5% for Series F units.

Over the past year, the Fund's Series A units returned 2.43%, compared with the 1.86% rise in the Citigroup 3-Month T-Bill Index. The Fund'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 any other series, which may vary because of differences in management fees and expenses. In response to an extremely low interest rate environment and to support the yield to unitholders, the management fees of some series of the Fund have been maintained at reduced levels by RBC GAM. The decision to reduce management fees is determined at the discretion of RBC GAM.

Economic growth in the U.S. outpaced that in virtually all other countries in 2018, accelerating on the strength of increased government spending and tax cuts, reduced regulatory burdens and solid employment growth. Consequently, money-market rates climbed steadily throughout the year, as the U.S. Federal Reserve (the "Fed"), under new Chairman Jay Powell, raised the benchmark federal funds rate four times in response to inflation pressures and signalled further tightening ahead. However, the economic outlook soured later in the year as oil prices fell sharply, global financial conditions deteriorated and trade tensions between the U.S. and China intensified. By year-end, doubts about the sustainability of U.S. economic growth had seeped into market sentiment.

The portfolio manager managed the Fund's average term to maturity around the Fed's policy announcement dates in order to capture the impact of higher market yields that followed each rate hike. Once a rate hike took place, the bulk of maturities was centred on the next expected hike date, with occasional longer-term investments when yields were higher than expected. The Fund's holdings were largely in asset-backed commercial paper, as corporate paper issuance was thin. Provincial holdings were also relatively high at year-end, as they offered compelling yields relative to bank paper. Regulatory liquidity was satisfied through the holding of a position in provincial and federal paper.

### **Recent Developments**

As 2019 got underway, the Fed was signalling two more rate hikes for the year and the continued shrinking of its balance sheet, but its commitment appears tempered by signs that the U.S. economy is losing momentum. Assuming inflation pressures remain muted, the Fed could put off monetary tightening, particularly if the global economy continues to slow or if trade tensions with China boil over. In this environment, the portfolio manager expects to increase the Fund's exposure to longer-dated and higher-yielding investments.

### **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.





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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.

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RBC GAM, RBC Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.02                                  | 0.25                                             | (0.03)            | —                             | —                               | 0.22  | (0.20)                                     | —                 | (0.24)                   | —                    | (0.44) | 10.00                               |
| Dec. 31, 2017                 | 10.02                                  | 0.13                                             | (0.02)            | —                             | —                               | 0.11  | (0.11)                                     | —                 | —                        | —                    | (0.11) | 10.02                               |
| Dec. 31, 2016                 | 10.02                                  | 0.08                                             | (0.02)            | —                             | —                               | 0.06  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.02                               |
| Dec. 31, 2015                 | 10.02                                  | 0.03                                             | (0.01)            | —                             | —                               | 0.02  | (0.02)                                     | —                 | —                        | —                    | (0.02) | 10.02                               |
| Dec. 31, 2014                 | 10.02                                  | 0.02                                             | (0.01)            | —                             | —                               | 0.01  | (0.01)                                     | —                 | —                        | —                    | (0.01) | 10.02                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.02                                  | 0.24                                             | (0.02)            | —                             | —                               | 0.22  | (0.20)                                     | —                 | (0.24)                   | —                    | (0.44) | 10.00                               |
| Dec. 31, 2017                 | 10.02                                  | 0.13                                             | (0.01)            | —                             | —                               | 0.12  | (0.12)                                     | —                 | —                        | —                    | (0.12) | 10.02                               |
| Dec. 31, 2016                 | 10.02                                  | 0.10                                             | (0.01)            | —                             | —                               | 0.09  | (0.06)                                     | —                 | —                        | —                    | (0.06) | 10.02                               |
| Dec. 31, 2015                 | 10.02                                  | 0.03                                             | (0.01)            | —                             | —                               | 0.02  | (0.02)                                     | —                 | —                        | —                    | (0.02) | 10.02                               |
| Dec. 31, 2014                 | 10.02                                  | 0.02                                             | (0.01)            | —                             | —                               | 0.01  | (0.01)                                     | —                 | —                        | —                    | (0.01) | 10.02                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>505 816</b>              | <b>50 582</b>                         | <b>0.26</b>                                  | <b>0.41</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.02                            | 446 226                     | 44 384                                | 0.24                                         | 0.41                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.02                            | 324 021                     | 32 166                                | 0.22                                         | 0.22                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.02                            | 276 402                     | 27 403                                | 0.13                                         | 0.13                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 345 022                     | 34 266                                | 0.13                                         | 0.13                                      | n/a                                         | —                                         |
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.00</b>                     | <b>96 560</b>               | <b>9 656</b>                          | <b>0.24</b>                                  | <b>0.30</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017        | 10.02                            | 66 076                      | 6 596                                 | 0.24                                         | 0.29                                      | n/a                                         | —                                         |
| Dec. 31, 2016        | 10.02                            | 15 199                      | 1 509                                 | 0.22                                         | 0.22                                      | n/a                                         | —                                         |
| Dec. 31, 2015        | 10.02                            | 9 661                       | 958                                   | 0.13                                         | 0.13                                      | n/a                                         | —                                         |
| Dec. 31, 2014        | 10.00                            | 14 234                      | 1 414                                 | 0.13                                         | 0.13                                      | n/a                                         | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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 | 0.35%           | 71%                   | 29%    |
| Series F | 0.25%           | —                     | 100%   |

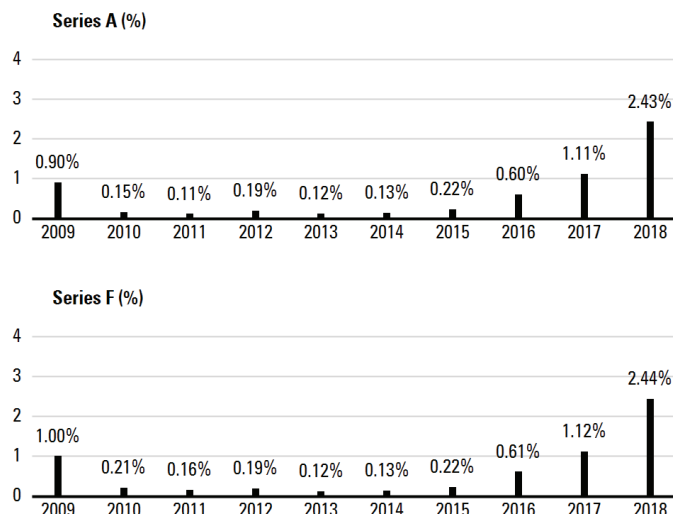
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE (in USD)

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.



Inception dates are not provided for series that have been in existence for more than 10 years.

## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                                          | % of Net Asset Value |
|------------------------------------------|----------------------|
| Commercial Paper                         | 74.5                 |
| Provincial Obligations                   | 14.9                 |
| Bankers Acceptances and Bank Obligations | 10.1                 |
| Cash/Other                               | 0.5                  |

### Top 25 Holdings

|                                                          | % of Net Asset Value |
|----------------------------------------------------------|----------------------|
| SAFE Trust - Series 1996-1 2.652% Jan 3 2019             | 4.9                  |
| SURE Trust 3.077% Feb 25 2019                            | 4.7                  |
| Province of British Columbia 2.698% Mar 21 2019          | 3.8                  |
| Caisse Centrale Desjardins 2.581% Feb 15 2019            | 3.4                  |
| Prime Trust - Senior Notes 2.830% Jan 22 2019            | 3.2                  |
| Province of Quebec 2.377% Jan 17 2019                    | 3.1                  |
| Ridge Trust 2.729% Mar 18 2019                           | 2.9                  |
| Merit Trust - Senior Notes 2.889% Mar 28 2019            | 2.9                  |
| National Bank of Canada 2.749% Mar 14 2019               | 2.8                  |
| Ridge Trust 3.035% Jan 9 2019                            | 2.7                  |
| Zeus Receivables Trust - Senior Notes 2.750% Mar 28 2019 | 2.4                  |
| PSP Capital Inc. 2.464% Jan 15 2019                      | 2.2                  |
| Enbridge Pipelines Inc. 2.894% Jan 3 2019                | 2.1                  |
| Clarity Trust 2.750% Mar 27 2019                         | 2.1                  |
| STABLE Trust 3.077% Feb 25 2019                          | 2.0                  |
| Canadian Imperial Bank of Commerce 3.000% Sep 5 2019     | 2.0                  |
| Province of Quebec 2.550% Feb 13 2019                    | 1.9                  |
| OMERS Realty Corp. 2.652% Feb 20 2019                    | 1.8                  |
| Enbridge Pipelines Inc. 2.898% Jan 11 2019               | 1.7                  |
| Clarity Trust 2.777% Jan 9 2019                          | 1.7                  |
| SOUND Trust 2.652% Jan 3 2019                            | 1.7                  |
| National Bank of Canada 2.500% Mar 11 2019               | 1.7                  |
| Province of Alberta 2.711% Mar 19 2019                   | 1.7                  |
| Banner Trust 2.750% Mar 28 2019                          | 1.6                  |
| Zeus Receivables Trust - Senior Notes 3.000% Jun 19 2019 | 1.6                  |
| Top 25 Holdings                                          | 62.6                 |

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).



FIXED-INCOME FUND

**RBC CANADIAN SHORT-TERM  
INCOME FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a competitive level of monthly income by investing primarily in short-term, high-quality fixed-income securities issued or guaranteed by Canadian federal, provincial or municipal governments or corporations. The Fund may also invest in high-quality first mortgages on Canadian residential property.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$5.6 billion as of December 31, 2018, from \$5.5 billion at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 0.8%, which underperformed the 1.9% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Canadian bond prices fell in 2018, pushing up yields, as the Canadian economy gained momentum after a slow start and the U.S. Federal Reserve tightened monetary policy amid a strengthening global economy. It was evident by mid-year that monetary policy was too loose given the pace of the domestic economic expansion. The Bank of Canada (the "BOC") raised its short-term benchmark interest rate three times during the year in the belief that a quickening economy would stoke inflation, and short-term bond yields spiked higher in reaction. Later in the year, however, the outlook soured as Canadian oil prices collapsed, financial conditions deteriorated globally, and trade tensions between the U.S. and China intensified. The BOC appeared to step back from its optimistic outlook, particularly as inflation pressures abated, and markets were weighed down by fears of a global economic slowdown heading into 2019. This resulted in a retreat by short-term bond yields to levels where they began the year.

The portfolio manager traded government bonds during the period, aiding returns when the BOC was signalling higher interest rates. Exposure to non-government bonds remained stable for most of the year, as these types of securities did not offer enough extra yield to make them attractive relative to government bonds. A weaker economic outlook later in 2018 boosted the extra yield available on non-government yields somewhat, prompting the portfolio manager to slightly increase the portfolio's allocation to these types of bonds. Overall, however, the portfolio manager took fewer risks in search of higher yields because of the uncertainty facing the Canadian economy.

### **Recent Developments**

The BOC has said it believes that more rate hikes will be necessary, given Canada's economic performance this year. What has changed is the pace at which the BOC will proceed with this plan. With the global economy expected to slow next year, the urgency to tighten Canadian monetary policy has eased, particularly as inflation pressures have abated. The portfolio manager therefore expects Canadian yields to stay relatively steady through 2019, and would gradually adjust higher only if and when the BOC signals that the economy is strong enough or inflation high enough to warrant additional hikes.

### **Related-Party Transactions**

#### ***Manager, Trustee and Portfolio Manager***

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- (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

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### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.48                                  | 0.25                                             | (0.11)            | (0.03)                        | (0.04)                          | 0.07   | (0.14)                                     | —                 | —                        | —                    | (0.14) | 10.42                               |
| Dec. 31, 2017                 | 10.68                                  | 0.25                                             | (0.11)            | (0.03)                        | (0.17)                          | (0.06) | (0.14)                                     | —                 | —                        | —                    | (0.14) | 10.48                               |
| Dec. 31, 2016                 | 10.81                                  | 0.28                                             | (0.12)            | (0.04)                        | (0.08)                          | 0.04   | (0.16)                                     | —                 | —                        | —                    | (0.16) | 10.68                               |
| Dec. 31, 2015                 | 10.84                                  | 0.30                                             | (0.13)            | (0.02)                        | —                               | 0.15   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 10.81                               |
| Dec. 31, 2014                 | 10.80                                  | 0.32                                             | (0.13)            | (0.02)                        | 0.06                            | 0.23   | (0.19)                                     | —                 | —                        | —                    | (0.19) | 10.84                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.53                                  | 0.25                                             | (0.11)            | (0.03)                        | (0.04)                          | 0.07   | (0.14)                                     | —                 | —                        | —                    | (0.14) | 10.47                               |
| Dec. 31, 2017                 | 10.73                                  | 0.25                                             | (0.11)            | (0.03)                        | (0.17)                          | (0.06) | (0.14)                                     | —                 | —                        | —                    | (0.14) | 10.53                               |
| Dec. 31, 2016                 | 10.86                                  | 0.28                                             | (0.12)            | (0.04)                        | (0.08)                          | 0.04   | (0.16)                                     | —                 | —                        | —                    | (0.16) | 10.73                               |
| Dec. 31, 2015                 | 10.90                                  | 0.30                                             | (0.13)            | (0.02)                        | —                               | 0.15   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 10.86                               |
| Dec. 31, 2014                 | 10.86                                  | 0.32                                             | (0.13)            | (0.02)                        | 0.06                            | 0.23   | (0.19)                                     | —                 | —                        | —                    | (0.19) | 10.90                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.51                                  | 0.25                                             | (0.07)            | (0.03)                        | (0.04)                          | 0.11   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 10.45                               |
| Dec. 31, 2017                 | 10.71                                  | 0.25                                             | (0.07)            | (0.03)                        | (0.18)                          | (0.03) | (0.18)                                     | —                 | —                        | —                    | (0.18) | 10.51                               |
| Dec. 31, 2016                 | 10.84                                  | 0.28                                             | (0.08)            | (0.04)                        | (0.10)                          | 0.06   | (0.20)                                     | —                 | —                        | —                    | (0.20) | 10.71                               |
| Dec. 31, 2015                 | 10.87                                  | 0.30                                             | (0.08)            | (0.02)                        | —                               | 0.20   | (0.22)                                     | —                 | —                        | —                    | (0.22) | 10.84                               |
| Dec. 31, 2014                 | 10.83                                  | 0.32                                             | (0.08)            | (0.02)                        | 0.06                            | 0.28   | (0.24)                                     | —                 | —                        | —                    | (0.24) | 10.87                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.56                                  | 0.25                                             | (0.05)            | (0.03)                        | (0.05)                          | 0.12   | (0.20)                                     | —                 | —                        | —                    | (0.20) | 10.51                               |
| Dec. 31, 2017                 | 10.77                                  | 0.25                                             | (0.05)            | (0.03)                        | (0.20)                          | (0.03) | (0.21)                                     | —                 | —                        | —                    | (0.21) | 10.56                               |
| Dec. 31, 2016                 | 10.90                                  | 0.28                                             | (0.06)            | (0.04)                        | (0.14)                          | 0.04   | (0.22)                                     | —                 | —                        | —                    | (0.22) | 10.77                               |
| Dec. 31, 2015                 | 10.93                                  | 0.30                                             | (0.07)            | (0.02)                        | —                               | 0.21   | (0.24)                                     | —                 | —                        | —                    | (0.24) | 10.90                               |
| Dec. 31, 2014                 | 10.89                                  | 0.32                                             | (0.07)            | (0.02)                        | 0.06                            | 0.29   | (0.25)                                     | —                 | —                        | —                    | (0.25) | 10.93                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.54                                  | 0.25                                             | —                 | (0.03)                        | (0.03)                          | 0.19   | (0.25)                                     | —                 | —                        | —                    | (0.25) | 10.49                               |
| Dec. 31, 2017                 | 10.75                                  | 0.25                                             | —                 | (0.03)                        | (0.18)                          | 0.04   | (0.25)                                     | —                 | —                        | —                    | (0.25) | 10.54                               |
| Dec. 31, 2016                 | 10.88                                  | 0.28                                             | —                 | (0.04)                        | (0.10)                          | 0.14   | (0.28)                                     | —                 | —                        | —                    | (0.28) | 10.75                               |
| Dec. 31, 2015                 | 10.91                                  | 0.30                                             | —                 | (0.02)                        | —                               | 0.28   | (0.30)                                     | —                 | —                        | —                    | (0.30) | 10.88                               |
| Dec. 31, 2014                 | 10.87                                  | 0.32                                             | —                 | (0.02)                        | 0.06                            | 0.36   | (0.31)                                     | —                 | —                        | —                    | (0.31) | 10.91                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.42</b>                     | <b>479 394</b>              | <b>46 005</b>                         | <b>1.04</b>                                  | <b>1.04</b>                               | <b>27.63</b>                                | —                                         |
| Dec. 31, 2017         | 10.48                            | 637 705                     | 60 869                                | 1.04                                         | 1.04                                      | 28.17                                       | —                                         |
| Dec. 31, 2016         | 10.68                            | 838 389                     | 78 497                                | 1.10                                         | 1.10                                      | 30.90                                       | —                                         |
| Dec. 31, 2015         | 10.81                            | 958 343                     | 88 668                                | 1.16                                         | 1.16                                      | 30.67                                       | —                                         |
| Dec. 31, 2014         | 10.84                            | 1 142 935                   | 105 441                               | 1.16                                         | 1.16                                      | 36.84                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.47</b>                     | <b>16 055</b>               | <b>1 533</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>27.63</b>                                | —                                         |
| Dec. 31, 2017         | 10.53                            | 20 129                      | 1 911                                 | 1.04                                         | 1.04                                      | 28.17                                       | —                                         |
| Dec. 31, 2016         | 10.73                            | 25 152                      | 2 343                                 | 1.10                                         | 1.10                                      | 30.90                                       | —                                         |
| Dec. 31, 2015         | 10.86                            | 26 001                      | 2 393                                 | 1.16                                         | 1.16                                      | 30.67                                       | —                                         |
| Dec. 31, 2014         | 10.90                            | 27 560                      | 2 529                                 | 1.16                                         | 1.16                                      | 36.84                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.45</b>                     | <b>16 477</b>               | <b>1 576</b>                          | <b>0.66</b>                                  | <b>0.66</b>                               | <b>27.63</b>                                | —                                         |
| Dec. 31, 2017         | 10.51                            | 22 803                      | 2 170                                 | 0.66                                         | 0.66                                      | 28.17                                       | —                                         |
| Dec. 31, 2016         | 10.71                            | 24 826                      | 2 317                                 | 0.71                                         | 0.71                                      | 30.90                                       | —                                         |
| Dec. 31, 2015         | 10.84                            | 21 582                      | 1 991                                 | 0.77                                         | 0.77                                      | 30.67                                       | —                                         |
| Dec. 31, 2014         | 10.87                            | 21 077                      | 1 940                                 | 0.76                                         | 0.76                                      | 36.84                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.51</b>                     | <b>28 008</b>               | <b>2 666</b>                          | <b>0.49</b>                                  | <b>0.49</b>                               | <b>27.63</b>                                | —                                         |
| Dec. 31, 2017         | 10.56                            | 39 644                      | 3 753                                 | 0.49                                         | 0.49                                      | 28.17                                       | —                                         |
| Dec. 31, 2016         | 10.77                            | 29 528                      | 2 741                                 | 0.54                                         | 0.54                                      | 30.90                                       | —                                         |
| Dec. 31, 2015         | 10.90                            | 11 717                      | 1 075                                 | 0.60                                         | 0.60                                      | 30.67                                       | —                                         |
| Dec. 31, 2014         | 10.93                            | 11 341                      | 1 038                                 | 0.60                                         | 0.60                                      | 36.84                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.49</b>                     | <b>5 100 360</b>            | <b>486 443</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>27.63</b>                                | —                                         |
| Dec. 31, 2017         | 10.54                            | 4 765 340                   | 451 958                               | 0.02                                         | 0.02                                      | 28.17                                       | —                                         |
| Dec. 31, 2016         | 10.75                            | 4 228 496                   | 393 436                               | 0.02                                         | 0.02                                      | 30.90                                       | —                                         |
| Dec. 31, 2015         | 10.88                            | 3 685 300                   | 338 783                               | 0.02                                         | 0.02                                      | 30.67                                       | —                                         |
| Dec. 31, 2014         | 10.91                            | 3 968 376                   | 363 822                               | 0.02                                         | 0.02                                      | 36.84                                       | —                                         |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.05%, Advisor Series – 1.04%, Series D – 0.66% and Series F – 0.49%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 0.90%           | 56%                   | 44%    |
| Advisor Series | 0.90%           | 56%                   | 44%    |
| Series D       | 0.55%           | 27%                   | 73%    |
| Series F       | 0.40%           | —                     | 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.

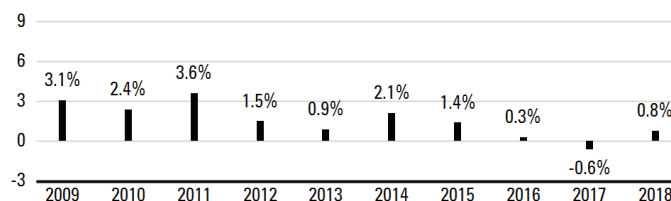
### PAST PERFORMANCE

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.

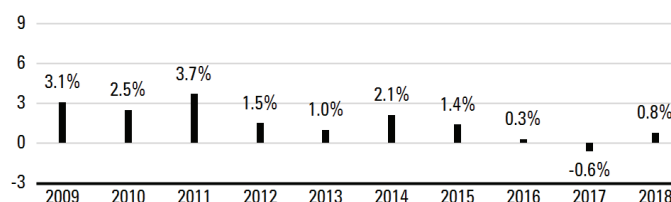
### Year-by-Year Returns (%)

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.

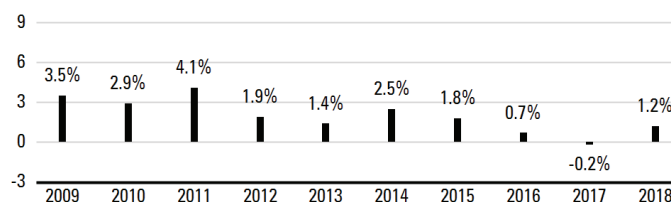
**Series A (%)**



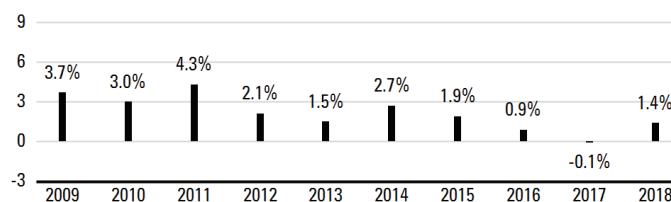
**Advisor Series (%)**



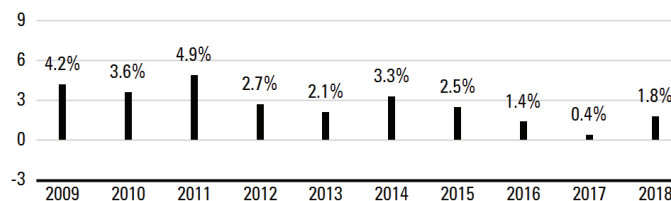
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE Canada Short Term Bond Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 0.8          | 0.2             | 0.8             | 1.5              | —                  |
| Benchmark      | 1.9          | 1.0             | 1.7             | 2.5              | —                  |
| Advisor Series | 0.8          | 0.2             | 0.8             | 1.6              | —                  |
| Benchmark      | 1.9          | 1.0             | 1.7             | 2.5              | —                  |
| Series D       | 1.2          | 0.5             | 1.2             | 2.0              | —                  |
| Benchmark      | 1.9          | 1.0             | 1.7             | 2.5              | —                  |
| Series F       | 1.4          | 0.7             | 1.3             | 2.1              | —                  |
| Benchmark      | 1.9          | 1.0             | 1.7             | 2.5              | —                  |
| Series O       | 1.8          | 1.2             | 1.9             | 2.7              | —                  |
| Benchmark      | 1.9          | 1.0             | 1.7             | 2.5              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**FTSE Canada Short Term Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

\* 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            | 46.5                 |
| Federal Bonds              | 26.7                 |
| Provincial/Municipal Bonds | 24.8                 |
| Cash/Other                 | 2.0                  |

### Top 25 Holdings

|                                               | % of Net Asset Value |
|-----------------------------------------------|----------------------|
| Government of Canada 0.500% Mar 1 2022        | 3.2                  |
| Canada Housing Trust No. 1 3.350% Dec 15 2020 | 2.9                  |
| Province of Ontario 2.100% Sep 8 2019         | 2.9                  |
| Province of Ontario 2.850% Jun 2 2023         | 2.8                  |
| Province of Ontario 4.000% Jun 2 2021         | 2.7                  |
| Government of Canada 1.500% Jun 1 2023        | 2.5                  |
| Province of Quebec 4.500% Dec 1 2020          | 2.4                  |
| Province of Quebec 3.500% Dec 1 2022          | 2.3                  |
| Canada Housing Trust No. 1 1.250% Jun 15 2021 | 2.1                  |
| Government of Canada 0.750% Sep 1 2020        | 1.9                  |
| Government of Canada 2.000% Sep 1 2023        | 1.9                  |
| Government of Canada 1.750% Mar 1 2023        | 1.8                  |
| Province of Ontario 1.350% Mar 8 2022         | 1.7                  |
| Canada Housing Trust No. 1 1.250% Dec 15 2020 | 1.6                  |
| Canada Housing Trust No. 1 2.650% Mar 15 2022 | 1.6                  |
| Cash & Cash Equivalents                       | 1.5                  |
| Province of New Brunswick 4.500% Jun 2 2020   | 1.5                  |
| Province of Manitoba 1.550% Sep 5 2021        | 1.4                  |
| Canada Housing Trust No. 1 1.750% Jun 15 2022 | 1.4                  |
| HSBC Bank Canada 3.245% Sep 15 2023           | 1.3                  |
| National Bank of Canada 1.809% Jul 26 2021    | 1.2                  |
| Province of Alberta 1.350% Sep 1 2021         | 1.2                  |
| Bank of Montreal 2.270% Jul 11 2022           | 1.1                  |
| Government of Canada 0.750% Mar 1 2021        | 1.1                  |
| Wells Fargo Canada Corp. 3.040% Jan 29 2021   | 1.1                  |
| Top 25 Holdings                               | 47.1                 |

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).



FIXED-INCOME FUND

**RBC \$U.S. SHORT-TERM  
CORPORATE BOND FUND**

*December 31, 2018*

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

Sub-Advisor (for the underlying fund): RBC Global Asset Management (U.S.) Inc.,  
Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide regular monthly income with the potential for modest capital growth by investing primarily in a well-diversified portfolio of short-term fixed-income securities issued in the U.S. market by U.S. and foreign corporations either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate of RBC GAM.

The Fund invests up to 100% of its assets in units of the RBC Short Term U.S. Corporate Bond ETF (the “underlying fund”), which is sub-advised by RBC Global Asset Management (U.S.) Inc. The underlying fund invests primarily in investment-grade short-duration fixed-income securities issued in the U.S. market by U.S. and foreign corporations rated BBB(-) and above by Standard & Poor’s (or equivalent rating agency).

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying fund. The Fund is suitable for investors who plan to hold their investments for the short-to-medium term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund was launched on January 29, 2018, and its net asset value was \$94 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### **Recent Developments**

The sub-advisor expects economic growth to decelerate in 2019. Corporate profits should remain relatively strong but likely won’t achieve the levels of 2018 as tailwinds from U.S. tax reform fade and trade tensions mount.

The sub-advisor continues to favour large companies with stable or improving credit profiles, and that generate consistent cash flow and are in the process of reducing debt. The Fund has overweight positions in banks and the Utilities sector, given the sub-advisor’s view that credit profiles will improve in these areas. The Fund is underweight the two consumer sectors as well as sectors that are likely to increase debt and are less capable of generating consistent cash flows if the economy weakens.

In the view of the sub-advisor, the Fund is positioned such that changes in interest rates should not have a significant impact on relative returns.

## **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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust (“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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$12,000 or 9% of the total transaction costs paid for this 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |      |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |      |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |      |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |      |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.49                                             | (0.09)            | (0.12)                        | (0.21)                          | 0.07   | (0.11)                                     | —                 | —                        | —                    | (0.11)                              | 9.81 |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |      |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 1.58                                             | (0.08)            | (0.51)                        | (1.05)                          | (0.06) | (0.12)                                     | —                 | —                        | —                    | (0.12)                              | 9.81 |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |      |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.31                                             | (0.07)            | (0.07)                        | (0.05)                          | 0.12   | (0.14)                                     | —                 | —                        | —                    | (0.14)                              | 9.81 |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |      |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.28                                             | (0.04)            | (0.03)                        | (0.01)                          | 0.20   | (0.16)                                     | —                 | —                        | —                    | (0.16)                              | 9.82 |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |      |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.26                                             | —                 | (0.03)                        | 0.01                            | 0.24   | (0.20)                                     | —                 | —                        | —                    | (0.20)                              | 9.81 |

<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 January 17, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.81</b>                      | <b>3 631</b>                | <b>370</b>                            | <b>0.95</b>                                  | <b>1.35</b>                               | <b>12.86</b>                                | <b>0.36</b>                               |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.81</b>                      | <b>1</b>                    | —                                     | <b>0.95</b>                                  | <b>1.35</b>                               | <b>12.86</b>                                | <b>0.36</b>                               |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.81</b>                      | <b>102</b>                  | <b>10</b>                             | <b>0.73</b>                                  | <b>1.13</b>                               | <b>12.86</b>                                | <b>0.36</b>                               |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.82</b>                      | <b>5 593</b>                | <b>570</b>                            | <b>0.43</b>                                  | <b>0.83</b>                               | <b>12.86</b>                                | <b>0.36</b>                               |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.81</b>                      | <b>85 302</b>               | <b>8 694</b>                          | <b>0.02</b>                                  | <b>0.42</b>                               | <b>12.86</b>                                | <b>0.36</b>                               |

<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 January 17, 2018.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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       | 0.85%           | 59%                   | 41%    |
| Advisor Series | 0.85%           | 59%                   | 41%    |
| Series D       | 0.60%           | 42%                   | 58%    |
| Series F       | 0.35%           | —                     | 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 (in USD)

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A, Advisor Series, Series D, Series F and Series O units of this Fund were launched on January 29, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 83.2                 |
| Canada          | 4.4                  |
| Australia       | 3.3                  |
| Netherlands     | 2.9                  |
| United Kingdom  | 2.0                  |
| Other Countries | 4.0                  |
| Cash/Other      | 0.2                  |

### Top 25 Holdings\*

|                                                                   | % of Net Asset Value |
|-------------------------------------------------------------------|----------------------|
| UnitedHealth Group Inc. 3.500% Feb 15 2024                        | 1.3                  |
| Bank of America Corp. 2.328% Oct 1 2021                           | 1.2                  |
| Citigroup Inc. 2.700% Mar 30 2021                                 | 1.2                  |
| JPMorgan Chase & Co. 2.295% Aug 15 2021                           | 1.1                  |
| Bank of America Corp. 2.503% Oct 21 2022                          | 1.1                  |
| Kinder Morgan Energy Partners LP 5.000% Oct 1 2021                | 1.0                  |
| Eversource Energy 3.800% Dec 1 2023                               | 1.0                  |
| Medtronic Inc. 3.150% Mar 15 2022                                 | 1.0                  |
| Anheuser-Busch InBev Worldwide Inc. 3.750% Jan 15 2022            | 1.0                  |
| JPMorgan Chase & Co. 2.750% Jun 23 2020                           | 1.0                  |
| Anheuser-Busch InBev Finance Inc. 3.300% Feb 1 2023               | 1.0                  |
| Rockwell Collins Inc. 2.800% Mar 15 2022                          | 1.0                  |
| Shire Acquisitions Investments Ireland DAC USD 2.400% Sep 23 2021 | 1.0                  |
| JPMorgan Chase & Co. 2.700% May 18 2023                           | 0.9                  |
| Duke Energy Corp. 1.800% Sep 1 2021                               | 0.9                  |
| AT&T Inc. 5.000% Mar 1 2021                                       | 0.9                  |
| The Goldman Sachs Group Inc. 2.350% Nov 15 2021                   | 0.9                  |
| ONEOK Inc. 4.250% Feb 1 2022                                      | 0.9                  |
| Actavis Funding SCS USD 3.450% Mar 15 2022                        | 0.9                  |
| Becton Dickinson and Co. 2.894% Jun 6 2022                        | 0.9                  |
| CenterPoint Energy Inc. 3.850% Feb 1 2024                         | 0.8                  |
| Citigroup Inc. 4.044% Jun 1 2024                                  | 0.8                  |
| The Sherwin-Williams Co. 2.750% Jun 1 2022                        | 0.8                  |
| Becton Dickinson and Co. 2.404% Jun 5 2020                        | 0.8                  |
| Williams Partners LP 3.350% Aug 15 2022                           | 0.8                  |
| <b>Total</b>                                                      | <b>24.2</b>          |

\* The Fund invests substantially all of its assets directly in the RBC Short Term U.S. Corporate Bond ETF. The above are the Top 25 holdings of the RBC Short Term U.S. Corporate Bond ETF.

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).



FIXED-INCOME FUND

**RBC MONTHLY INCOME BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide regular monthly income with the potential for modest capital appreciation by investing primarily in units of fixed-income funds managed by RBC GAM or an affiliate (called the “underlying funds”). To achieve its objective, the Fund invests in underlying funds from the RBC Funds family or the PH&N Funds family.

The portfolio manager allocates and rebalances the Fund’s assets among underlying funds based on the underlying funds’ ability to help the Fund meet its investment objectives.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the short-to-medium term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$902 million as of December 31, 2018, from \$1.2 billion at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund’s Series A units gained 0.6%, which underperformed the 1.6% rise in the benchmark. The broad-based index rose 1.4%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 2.25 cents per Series A unit. For the year, the Fund made total distributions of approximately 27 cents per Series A unit, consisting of 18 cents per unit of interest and 9 cents return of capital.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. In this environment of slowing growth, long-term Canadian federal bonds outperformed their short- and mid-term counterparts, and corporate and provincial bonds of all maturities.

The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank (the “ECB”) began preparing investors for the possibility that it, too, might start gradually raising rates.

Returns were bolstered by exposure to the Phillips, Hager & North Short Term Bond & Mortgage Fund, the Phillips, Hager & North Total Return Bond Fund and the RBC Emerging Markets Bond Fund. The RBC Global Corporate Bond Fund had a negative impact on performance.

### Recent Developments

Lower economic growth suggests that the Fed will slow its pace of rate increases in 2019, relative to earlier expectations. The ECB has ended its bond-buying program and may begin raising rates this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, so long as central banks seem committed to higher benchmark rates. However, the bulk of the Fed rate increases is likely behind us, in the view of the portfolio manager, and trade tensions and slowing economic growth could keep bond yields within the recent range.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.82                                   | 0.28                                             | (0.10)            | (0.06)                        | (0.09)                          | 0.03  | (0.18)                                     | —                 | —                        | (0.09)               | (0.27) | 9.60                                |
| Dec. 31, 2017                 | 9.95                                   | 0.29                                             | (0.10)            | 0.01                          | (0.07)                          | 0.13  | (0.20)                                     | —                 | (0.01)                   | (0.06)               | (0.27) | 9.82                                |
| Dec. 31, 2016                 | 10.01                                  | 0.32                                             | (0.11)            | 0.08                          | (0.08)                          | 0.21  | (0.22)                                     | —                 | (0.08)                   | —                    | (0.30) | 9.95                                |
| Dec. 31, 2015                 | 10.03                                  | 0.34                                             | (0.12)            | 0.06                          | (0.06)                          | 0.22  | (0.23)                                     | —                 | (0.02)                   | (0.02)               | (0.27) | 10.01                               |
| Dec. 31, 2014                 | 9.76                                   | 0.33                                             | (0.12)            | 0.01                          | 0.32                            | 0.54  | (0.21)                                     | —                 | —                        | (0.06)               | (0.27) | 10.03                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.83                                   | 0.28                                             | (0.10)            | (0.06)                        | (0.09)                          | 0.03  | (0.18)                                     | —                 | —                        | (0.09)               | (0.27) | 9.61                                |
| Dec. 31, 2017                 | 9.97                                   | 0.29                                             | (0.11)            | 0.01                          | (0.06)                          | 0.13  | (0.20)                                     | —                 | (0.01)                   | (0.06)               | (0.27) | 9.83                                |
| Dec. 31, 2016                 | 10.02                                  | 0.32                                             | (0.11)            | 0.08                          | (0.07)                          | 0.22  | (0.22)                                     | —                 | (0.08)                   | —                    | (0.30) | 9.97                                |
| Dec. 31, 2015                 | 10.05                                  | 0.34                                             | (0.12)            | 0.06                          | (0.06)                          | 0.22  | (0.23)                                     | —                 | (0.02)                   | (0.02)               | (0.27) | 10.02                               |
| Dec. 31, 2014                 | 9.77                                   | 0.33                                             | (0.12)            | 0.01                          | 0.33                            | 0.55  | (0.21)                                     | —                 | —                        | (0.06)               | (0.27) | 10.05                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.10                                  | 0.30                                             | (0.07)            | (0.07)                        | 0.02                            | 0.18  | (0.19)                                     | —                 | —                        | (0.09)               | (0.28) | 9.92                                |
| Dec. 31, 2017                 | 10.19                                  | 0.29                                             | (0.07)            | 0.01                          | (0.08)                          | 0.15  | (0.20)                                     | —                 | (0.01)                   | (0.06)               | (0.27) | 10.10                               |
| Dec. 31, 2016                 | 10.20                                  | 0.33                                             | (0.07)            | 0.08                          | (0.11)                          | 0.23  | (0.22)                                     | —                 | (0.08)                   | —                    | (0.30) | 10.19                               |
| Dec. 31, 2015                 | 10.18                                  | 0.35                                             | (0.08)            | 0.07                          | (0.06)                          | 0.28  | (0.23)                                     | —                 | (0.02)                   | (0.02)               | (0.27) | 10.20                               |
| Dec. 31, 2014                 | 9.87                                   | 0.33                                             | (0.08)            | 0.01                          | 0.33                            | 0.59  | (0.21)                                     | —                 | —                        | (0.06)               | (0.27) | 10.18                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.21                                  | 0.30                                             | (0.05)            | (0.07)                        | (0.08)                          | 0.10  | (0.19)                                     | —                 | —                        | (0.09)               | (0.28) | 10.04                               |
| Dec. 31, 2017                 | 10.29                                  | 0.30                                             | (0.05)            | 0.01                          | (0.09)                          | 0.17  | (0.20)                                     | —                 | (0.01)                   | (0.06)               | (0.27) | 10.21                               |
| Dec. 31, 2016                 | 10.28                                  | 0.33                                             | (0.06)            | 0.08                          | (0.19)                          | 0.16  | (0.22)                                     | —                 | (0.08)                   | —                    | (0.30) | 10.29                               |
| Dec. 31, 2015                 | 10.24                                  | 0.35                                             | (0.06)            | 0.07                          | (0.06)                          | 0.30  | (0.23)                                     | —                 | (0.02)                   | (0.02)               | (0.27) | 10.28                               |
| Dec. 31, 2014                 | 9.91                                   | 0.34                                             | (0.06)            | 0.01                          | 0.33                            | 0.62  | (0.21)                                     | —                 | —                        | (0.06)               | (0.27) | 10.24                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.67                                  | 0.33                                             | —                 | (0.07)                        | (0.05)                          | 0.21  | (0.19)                                     | —                 | —                        | (0.10)               | (0.29) | 10.54                               |
| Dec. 31, 2017                 | 10.69                                  | 0.31                                             | —                 | 0.01                          | 0.23                            | 0.55  | (0.20)                                     | —                 | (0.01)                   | (0.06)               | (0.27) | 10.67                               |
| Dec. 31, 2016                 | 10.63                                  | 0.31                                             | —                 | 0.07                          | (0.32)                          | 0.06  | (0.23)                                     | —                 | (0.09)                   | —                    | (0.32) | 10.69                               |
| Dec. 31, 2015                 | 10.52                                  | 0.36                                             | —                 | 0.07                          | (0.06)                          | 0.37  | (0.23)                                     | —                 | (0.02)                   | (0.02)               | (0.27) | 10.63                               |
| Dec. 31, 2014                 | 10.11                                  | 0.34                                             | —                 | 0.01                          | 0.34                            | 0.69  | (0.21)                                     | —                 | —                        | (0.06)               | (0.27) | 10.52                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.60</b>                      | <b>683 785</b>              | <b>71 235</b>                         | <b>1.09</b>                                  | <b>1.09</b>                               | <b>3.22</b>                                 | —                                         |
| Dec. 31, 2017         | 9.82                             | 956 564                     | 97 453                                | 1.09                                         | 1.09                                      | 6.42                                        | —                                         |
| Dec. 31, 2016         | 9.95                             | 1 040 586                   | 104 537                               | 1.14                                         | 1.14                                      | 5.70                                        | —                                         |
| Dec. 31, 2015         | 10.01                            | 829 483                     | 82 898                                | 1.20                                         | 1.20                                      | 3.71                                        | —                                         |
| Dec. 31, 2014         | 10.03                            | 812 294                     | 80 949                                | 1.20                                         | 1.20                                      | 11.92                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.61</b>                      | <b>33 373</b>               | <b>3 473</b>                          | <b>1.10</b>                                  | <b>1.10</b>                               | <b>3.22</b>                                 | —                                         |
| Dec. 31, 2017         | 9.83                             | 46 340                      | 4 716                                 | 1.10                                         | 1.10                                      | 6.42                                        | —                                         |
| Dec. 31, 2016         | 9.97                             | 52 166                      | 5 234                                 | 1.15                                         | 1.15                                      | 5.70                                        | —                                         |
| Dec. 31, 2015         | 10.02                            | 40 134                      | 4 006                                 | 1.20                                         | 1.20                                      | 3.71                                        | —                                         |
| Dec. 31, 2014         | 10.05                            | 23 324                      | 2 321                                 | 1.20                                         | 1.20                                      | 11.92                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.92</b>                      | <b>47 306</b>               | <b>4 771</b>                          | <b>0.70</b>                                  | <b>0.70</b>                               | <b>3.22</b>                                 | —                                         |
| Dec. 31, 2017         | 10.10                            | 20 237                      | 2 004                                 | 0.70                                         | 0.70                                      | 6.42                                        | —                                         |
| Dec. 31, 2016         | 10.19                            | 19 732                      | 1 936                                 | 0.75                                         | 0.75                                      | 5.70                                        | —                                         |
| Dec. 31, 2015         | 10.20                            | 12 280                      | 1 204                                 | 0.81                                         | 0.81                                      | 3.71                                        | —                                         |
| Dec. 31, 2014         | 10.18                            | 7 537                       | 740                                   | 0.82                                         | 0.82                                      | 11.92                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.04</b>                     | <b>136 528</b>              | <b>13 597</b>                         | <b>0.54</b>                                  | <b>0.54</b>                               | <b>3.22</b>                                 | —                                         |
| Dec. 31, 2017         | 10.21                            | 144 956                     | 14 195                                | 0.54                                         | 0.54                                      | 6.42                                        | —                                         |
| Dec. 31, 2016         | 10.29                            | 116 475                     | 11 320                                | 0.58                                         | 0.58                                      | 5.70                                        | —                                         |
| Dec. 31, 2015         | 10.28                            | 46 590                      | 4 533                                 | 0.65                                         | 0.65                                      | 3.71                                        | —                                         |
| Dec. 31, 2014         | 10.24                            | 18 565                      | 1 812                                 | 0.65                                         | 0.65                                      | 11.92                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.54</b>                     | <b>606</b>                  | <b>58</b>                             | <b>0.06</b>                                  | <b>0.06</b>                               | <b>3.22</b>                                 | —                                         |
| Dec. 31, 2017         | 10.67                            | 56                          | 5                                     | 0.07                                         | 0.07                                      | 6.42                                        | —                                         |
| Dec. 31, 2016         | 10.69                            | 2 404                       | 225                                   | 0.06                                         | 0.06                                      | 5.70                                        | —                                         |
| Dec. 31, 2015         | 10.63                            | 17                          | 2                                     | 0.06                                         | 0.06                                      | 3.71                                        | —                                         |
| Dec. 31, 2014         | 10.52                            | 208                         | 20                                    | 0.06                                         | 0.06                                      | 11.92                                       | —                                         |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.09%, Advisor Series – 1.10%, Series D – 0.70% and Series F – 0.54%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 0.90%           | 56%                   | 44%    |
| Advisor Series | 0.90%           | 56%                   | 44%    |
| Series D       | 0.55%           | 27%                   | 73%    |
| Series F       | 0.40%           | —                     | 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.

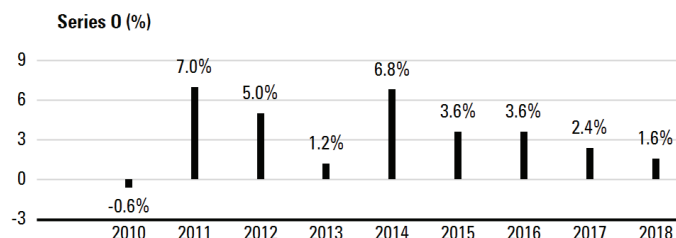
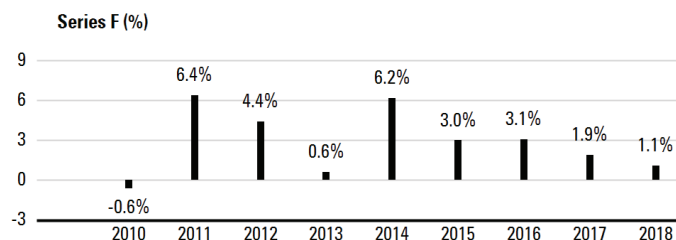
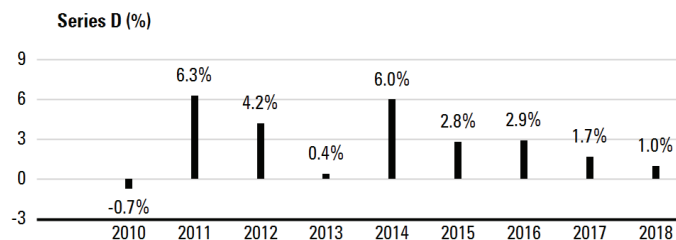
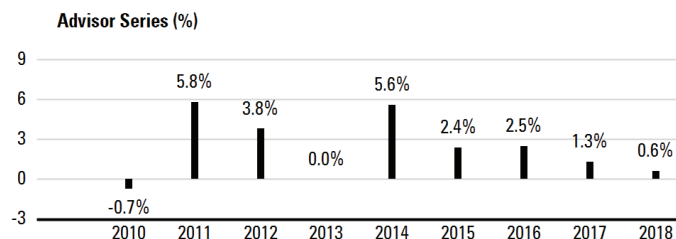
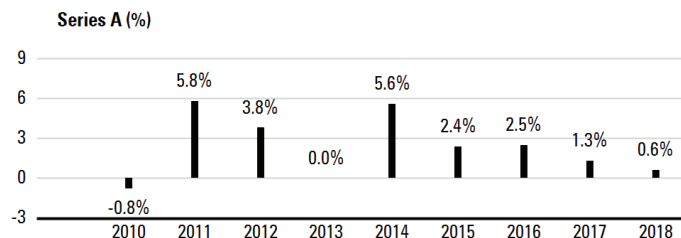
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 60% FTSE Canada Universe Bond Index
- 40% FTSE Canada Short Term Bond Index

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

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | 0.6          | 1.5             | 2.5             | —                | 2.6                |
| Benchmark         | 1.6          | 1.5             | 2.8             | —                | 2.9                |
| Broad-based index | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Advisor Series    | 0.6          | 1.5             | 2.5             | —                | 2.6                |
| Benchmark         | 1.6          | 1.5             | 2.8             | —                | 2.9                |
| Broad-based index | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series D          | 1.0          | 1.9             | 2.9             | —                | 3.0                |
| Benchmark         | 1.6          | 1.5             | 2.8             | —                | 2.9                |
| Broad-based index | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series F          | 1.1          | 2.0             | 3.0             | —                | 3.2                |
| Benchmark         | 1.6          | 1.5             | 2.8             | —                | 2.9                |
| Broad-based index | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series O          | 1.6          | 2.5             | 3.6             | —                | 3.7                |
| Benchmark         | 1.6          | 1.5             | 2.8             | —                | 2.9                |
| Broad-based index | 1.4          | 1.9             | 3.5             | —                | 3.5                |

The returns of each series may vary because of differences in management fees and expenses. 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 index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since October 12, 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

## INDEX DESCRIPTIONS

**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 Short Term Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

\* 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 |
|--------------|----------------------|
| Income Funds | 99.2                 |
| Cash/Other   | 0.8                  |

### Top 25 Holdings\*

|                                                         | % of Net Asset Value |
|---------------------------------------------------------|----------------------|
| Phillips, Hager & North Short Term Bond & Mortgage Fund | 39.0                 |
| RBC Bond Fund                                           | 21.8                 |
| Phillips, Hager & North Total Return Bond Fund          | 20.9                 |
| RBC Global Corporate Bond Fund                          | 10.1                 |
| RBC Emerging Markets Bond Fund                          | 5.0                  |
| RBC High Yield Bond Fund                                | 2.2                  |
| Cash & Cash Equivalents                                 | 1.0                  |
| Total                                                   | 100.0                |

\* 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).



FIXED-INCOME FUND

**RBC CANADIAN BOND INDEX FUND**

December 31, 2018

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

**Sub-Advisor (for the underlying fund):** State Street Global Advisors, Ltd.

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 currently seeks to provide a total return consisting of income and modest capital gains by tracking the performance of the FTSE Canada Universe + Maple Bond Index and investing primarily in units of the RBC Canadian Bond Index ETF (the “underlying fund”).

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$31 million as of December 31, 2018, from \$36 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund’s Series A units gained 0.7%, which underperformed the 1.4% rise in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada (the “BOC”), in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. In this environment of slowing growth, long-term Canadian federal bonds outperformed their short- and mid-term counterparts, and corporate and provincial bonds of all maturities.

The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond portfolio. The European Central Bank (the “ECB”) began preparing investors for the possibility that it, too, might start gradually raising rates.

### Recent Developments

Lower economic growth suggests that the Fed will slow its pace of rate increases in 2019. The ECB has now ended its bond-buying program and may begin raising rates later this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue to rise faster than those on longer-term bonds, as long as central banks appear committed to higher benchmark rates. However, the bulk of the Fed rate increases is likely behind us, in the view of the portfolio manager, while trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager expects the pace of interest-rate increases to slow, as the BOC’s tone has turned more cautious amid weakening Canadian economic growth. One indicator of the weakness is that shorter-term interest rates have risen more quickly than longer-term rates – this is known as “yield-curve flattening.”

RBC GAM has called and will hold a special meeting of the unitholders of the Fund on March 22, 2019. Subject to unitholder approval, the investment objective of the Fund will change to permit the Fund to invest in fixed-income securities, in substantially the same proportion as its benchmark index, either directly or indirectly through investment in other mutual funds. In addition, the benchmark index will be changed to the FTSE Canada Universe Bond Index. If the change in investment objective is approved, all changes are expected to be effective on or about April 5, 2019.

Effective on or about April 5, 2019, the management fee of the Series F units of the Fund will be reduced from 0.10% to 0.09% per annum.

### 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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$5,000 (2017 – \$2,000) or 83% (2017 – 100%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.58                                  | 0.32                                             | (0.07)            | —                             | (0.20)                          | (0.05) | (0.29)                                     | —                 | —                        | —                    | (0.29) | 11.36                               |
| Dec. 31, 2017                 | 11.83                                  | 0.40                                             | (0.09)            | 0.26                          | (0.33)                          | 0.24   | (0.32)                                     | —                 | (0.16)                   | —                    | (0.48) | 11.58                               |
| Dec. 31, 2016                 | 12.06                                  | 0.41                                             | (0.11)            | 0.14                          | (0.33)                          | 0.11   | (0.30)                                     | —                 | (0.04)                   | —                    | (0.34) | 11.83                               |
| Dec. 31, 2015                 | 12.04                                  | 0.42                                             | (0.11)            | 0.08                          | (0.09)                          | 0.30   | (0.30)                                     | —                 | —                        | —                    | (0.30) | 12.06                               |
| Dec. 31, 2014                 | 11.47                                  | 0.45                                             | (0.11)            | 0.41                          | 0.25                            | 1.00   | (0.33)                                     | —                 | —                        | —                    | (0.33) | 12.04                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.78                                  | 0.32                                             | (0.01)            | —                             | (0.19)                          | 0.12   | (0.36)                                     | —                 | —                        | —                    | (0.36) | 11.56                               |
| Dec. 31, 2017                 | 12.05                                  | 0.41                                             | (0.05)            | 0.26                          | (0.31)                          | 0.31   | (0.39)                                     | —                 | (0.16)                   | —                    | (0.55) | 11.78                               |
| Dec. 31, 2016                 | 12.28                                  | 0.42                                             | (0.08)            | 0.15                          | (0.36)                          | 0.13   | (0.34)                                     | —                 | (0.04)                   | —                    | (0.38) | 12.05                               |
| Dec. 31, 2015                 | 12.26                                  | 0.42                                             | (0.08)            | 0.08                          | (0.09)                          | 0.33   | (0.34)                                     | —                 | —                        | —                    | (0.34) | 12.28                               |
| Dec. 31, 2014                 | 11.67                                  | 0.48                                             | (0.07)            | 0.44                          | 0.27                            | 1.12   | (0.37)                                     | —                 | —                        | —                    | (0.37) | 12.26                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.36</b>                     | <b>24 582</b>               | <b>2 164</b>                          | <b>0.72</b>                                  | <b>0.72</b>                               | <b>4.85</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017        | 11.58                            | 28 542                      | 2 463                                 | 0.81                                         | 0.81                                      | 6.06                                        | —                                         |
| Dec. 31, 2016        | 11.83                            | 33 157                      | 2 802                                 | 0.93                                         | 0.93                                      | 16.85                                       | —                                         |
| Dec. 31, 2015        | 12.06                            | 35 255                      | 2 923                                 | 0.92                                         | 0.93                                      | 16.03                                       | —                                         |
| Dec. 31, 2014        | 12.04                            | 36 130                      | 3 000                                 | 0.93                                         | 0.93                                      | 11.87                                       | —                                         |
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.56</b>                     | <b>6 863</b>                | <b>594</b>                            | <b>0.17</b>                                  | <b>0.17</b>                               | <b>4.85</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017        | 11.78                            | 7 572                       | 642                                   | 0.42                                         | 0.43                                      | 6.06                                        | —                                         |
| Dec. 31, 2016        | 12.05                            | 15 570                      | 1 292                                 | 0.61                                         | 0.61                                      | 16.85                                       | —                                         |
| Dec. 31, 2015        | 12.28                            | 14 705                      | 1 198                                 | 0.61                                         | 0.61                                      | 16.03                                       | —                                         |
| Dec. 31, 2014        | 12.26                            | 10 805                      | 881                                   | 0.60                                         | 0.60                                      | 11.87                                       | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.50%            | 83%                   | 17%    |
| Series F | 0.00%            | —                     | 100%   |

\* Effective September 21, 2017, the management fees for Series A units were waived to 0.50% from 0.60%; and for Series F units were waived to 0.00% from 0.10% to account for the management fee charged by the underlying fund. Effective June 30, 2017, the management fees for Series A units were reduced to 0.60% from 0.80%; and for Series F units were reduced to 0.10% from 0.50%.

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

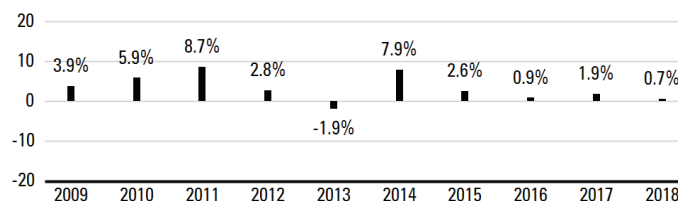
## PAST PERFORMANCE

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.

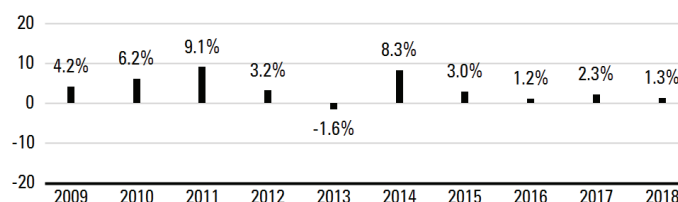
### Year-by-Year Returns (%)

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.

**Series A (%)**



**Series F (%)**



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE Canada Universe + Maple Bond Index

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series A  | 0.7       | 1.2          | 2.8          | 3.3           | —               |
| Benchmark | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Series F  | 1.3       | 1.6          | 3.2          | 3.7           | —               |
| Benchmark | 1.4       | 1.9          | 3.5          | 4.2           | —               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Advisor Series units were renamed Series A units effective June 30, 2017.

## INDEX DESCRIPTION

**FTSE Canada Universe + Maple Bond Index\*** This index is a measure of the performance of bonds denominated in Canadian dollars, including securities issued by non-Canadian companies.

\* 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 |
|----------------------------|----------------------|
| Provincial/Municipal Bonds | 34.1                 |
| Federal Bonds              | 33.3                 |
| Corporate Bonds            | 31.7                 |
| Cash/Other                 | 0.9                  |

### Top 25 Holdings\*

|                                                       | % of Net Asset Value |
|-------------------------------------------------------|----------------------|
| Canada Housing Trust No. 1 1.250% Jun 15 2021         | 2.6                  |
| Province of Quebec 9.500% Mar 30 2023                 | 2.3                  |
| Government of Canada 3.500% Dec 1 2045                | 1.8                  |
| Canada Housing Trust No. 1 2.350% Sep 15 2023         | 1.8                  |
| Government of Canada 2.750% Dec 1 2048                | 1.6                  |
| Canada Housing Trust No. 1 3.350% Dec 15 2020         | 1.4                  |
| TCHC Issuer Trust 4.877% May 11 2037                  | 1.3                  |
| Government of Canada 1.500% Jun 1 2026                | 1.3                  |
| Province of Ontario 2.600% Jun 2 2025                 | 1.2                  |
| Government of Canada 0.750% Mar 1 2021                | 1.1                  |
| Government of Canada 0.750% Sep 1 2020                | 1.1                  |
| Government of Canada 1.000% Jun 1 2027                | 1.1                  |
| Greater Toronto Airports Authority 3.040% Sep 21 2022 | 1.0                  |
| Royal Bank of Canada† 2.030% Mar 15 2021              | 1.0                  |
| Government of Canada 2.000% Jun 1 2028                | 1.0                  |
| Government of Canada 1.500% Jun 1 2023                | 0.9                  |
| Loblaw Companies Ltd. 6.050% Jun 9 2034               | 0.9                  |
| Province of Ontario 2.850% Jun 2 2023                 | 0.9                  |
| Province of Ontario 3.150% Jun 2 2022                 | 0.9                  |
| Government of Canada 5.750% Jun 1 2029                | 0.9                  |
| Government of Canada 1.000% Sep 1 2022                | 0.8                  |
| Government of Canada 2.250% Jun 1 2025                | 0.8                  |
| Province of Ontario 2.900% Dec 2 2046                 | 0.8                  |
| Province of Quebec 3.500% Dec 1 2048                  | 0.8                  |
| Government of Canada 1.500% Mar 1 2020                | 0.8                  |
| <b>Total</b>                                          | <b>30.1</b>          |

\* The Fund invests substantially all of its assets directly in the RBC Canadian Bond Index ETF. The above are the Top 25 holdings of the RBC Canadian Bond Index ETF.

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).



FIXED-INCOME FUND

**RBC CANADIAN GOVERNMENT  
BOND INDEX FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a total return consisting of income and moderate capital growth by tracking the performance of the FTSE Canada Federal Bond Index.

The Fund invests primarily in fixed-income securities issued or guaranteed by Canadian governments in substantially the same proportion as the index, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate of RBC GAM.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$153 million as of December 31, 2018, from \$175 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series A units gained 1.9%, which underperformed the 2.4% rise in the benchmark. The broad-based index rose 1.4%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. In this environment of slowing growth, long-term Canadian federal bonds outperformed their short- and mid-term counterparts, and corporate and provincial bonds of all maturities. The outperformance was not in line with investors' expectations.

Mortgage bonds, which are backed by the federal government, underperformed Government of Canada bonds but still managed to post modest gains. The recent financial-market declines have made valuations of these bonds more attractive, in the view of the portfolio manager.

### **Recent Developments**

Reduced economic growth suggests that the U.S. Federal Reserve will slow its pace of rate increases in 2019, relative to earlier expectations. The European Central Bank has ended its bond-buying program and may begin raising rates this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, so long as central banks seem committed to higher benchmark rates. However, the portfolio manager believes that the bulk of central-bank rate increases is likely behind us, and that trade tensions and slowing economic growth could keep bond yields within the recent range.

Further significant financial-market volatility could lead to declines in government-bond yields. The Fund will continue to hold an overweight position in Canadian government-backed mortgage bonds, as the higher income that they offer will help offset capital losses if yields rise further.

RBC GAM has called and will hold a special meeting of the unitholders of the Fund on March 22, 2019. Subject to unitholder approval, the investment objective of the Fund will change to permit the Fund to invest in fixed-income securities, in substantially the same proportion as its benchmark index, either directly or indirectly through investment in other mutual funds. If approved, this change is expected to be effective on or about April 5, 2019.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |       |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|-------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |       |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |       |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018                 | 11.63                                  | 0.27                                             | (0.07)            | (0.06)                        | 0.06                            | 0.20   | (0.21)                                     | —                 | —                        | —                    | (0.21)                              | 11.64 |
| Dec. 31, 2017                 | 11.88                                  | 0.28                                             | (0.08)            | 0.04                          | (0.28)                          | (0.04) | (0.20)                                     | —                 | —                        | —                    | (0.20)                              | 11.63 |
| Dec. 31, 2016                 | 12.16                                  | 0.29                                             | (0.08)            | 0.06                          | (0.34)                          | (0.07) | (0.21)                                     | —                 | (0.01)                   | —                    | (0.22)                              | 11.88 |
| Dec. 31, 2015                 | 12.00                                  | 0.29                                             | (0.08)            | 0.06                          | 0.10                            | 0.37   | (0.21)                                     | —                 | —                        | —                    | (0.21)                              | 12.16 |
| Dec. 31, 2014                 | 11.50                                  | 0.29                                             | (0.08)            | 0.02                          | 0.50                            | 0.73   | (0.22)                                     | —                 | —                        | —                    | (0.22)                              | 12.00 |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018                 | 9.38                                   | 0.22                                             | (0.03)            | (0.05)                        | 0.12                            | 0.26   | (0.20)                                     | —                 | —                        | —                    | (0.20)                              | 9.39  |
| Dec. 31, 2017                 | 9.58                                   | 0.23                                             | (0.03)            | 0.04                          | (0.37)                          | (0.13) | (0.19)                                     | —                 | —                        | —                    | (0.19)                              | 9.38  |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | (0.02)            | 0.03                          | (0.64)                          | (0.51) | (0.08)                                     | —                 | (0.01)                   | —                    | (0.09)                              | 9.58  |

<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.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.64</b>                     | <b>149 846</b>              | <b>12 874</b>                         | <b>0.61</b>                                  | <b>0.61</b>                               | <b>11.03</b>                                | —                                         |
| Dec. 31, 2017              | 11.63                            | 172 163                     | 14 804                                | 0.64                                         | 0.64                                      | 16.56                                       | —                                         |
| Dec. 31, 2016              | 11.88                            | 208 349                     | 17 543                                | 0.66                                         | 0.66                                      | 14.98                                       | —                                         |
| Dec. 31, 2015              | 12.16                            | 221 627                     | 18 223                                | 0.67                                         | 0.67                                      | 11.61                                       | —                                         |
| Dec. 31, 2014              | 12.00                            | 234 408                     | 19 534                                | 0.67                                         | 0.67                                      | 21.16                                       | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.39</b>                      | <b>3 417</b>                | <b>364</b>                            | <b>0.28</b>                                  | <b>0.28</b>                               | <b>11.03</b>                                | —                                         |
| Dec. 31, 2017              | 9.38                             | 2 757                       | 294                                   | 0.35                                         | 0.35                                      | 16.56                                       | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.58                             | 641                         | 67                                    | 0.50                                         | 0.50                                      | 14.98                                       | —                                         |

<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.

Effective June 30, 2017, the management fees were changed in respect of Series F units of the Fund and the administration fees were changed in respect of Series A units of the Fund. If the changes to the management fees and administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 0.61% and Series F – 0.28%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.50%           | 20%                   | 80%    |
| Series F | 0.20%           | —                     | 100%   |

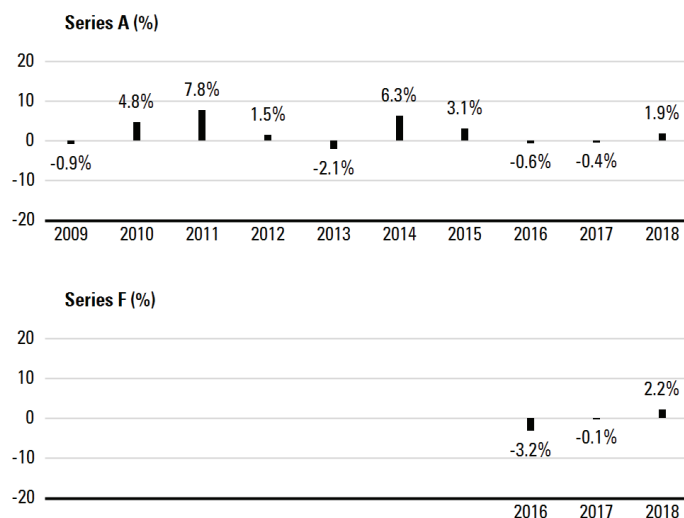
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

### FTSE Canada Federal 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 |
|-------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A          | 1.9       | 0.3          | 2.0          | 2.1           | —               |
| Benchmark         | 2.4       | 0.8          | 2.6          | 2.7           | —               |
| Broad-based index | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Series F          | 2.2       | —            | —            | —             | -0.5            |
| Benchmark         | 2.4       | —            | —            | —             | -0.2            |
| Broad-based index | 1.4       | —            | —            | —             | 0.5             |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE Canada Federal Bond Index\*** This index is designed to represent the total return of the Canadian government bond market. It covers Government of Canada fixed-income securities, including agency and non-agency debt and crown corporations, and certain supranational entities. The index is a market-value-weighted average of total bond returns, including coupon return and capital gains or losses.

**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 |
|---------------------|----------------------|
| Federal Bonds       | 96.0                 |
| Supranational Bonds | 2.9                  |
| Cash/Other          | 1.1                  |

### Top 25 Holdings

|                                                        | % of Net Asset Value |
|--------------------------------------------------------|----------------------|
| Canada Housing Trust No. 1 1.250% Jun 15 2021          | 11.6                 |
| Canada Housing Trust No. 1 3.350% Dec 15 2020          | 9.9                  |
| Canada Housing Trust No. 1 2.350% Sep 15 2023          | 6.9                  |
| Government of Canada 4.000% Jun 1 2041                 | 6.5                  |
| Canada Housing Trust No. 1 1.750% Jun 15 2022          | 5.5                  |
| Government of Canada 3.500% Dec 1 2045                 | 5.1                  |
| Canada Housing Trust No. 1 2.650% Mar 15 2022          | 4.6                  |
| Canada Housing Trust No. 1 1.250% Dec 15 2020          | 4.5                  |
| Government of Canada 1.500% Jun 1 2026                 | 4.4                  |
| Government of Canada 0.750% Sep 1 2020                 | 4.2                  |
| Government of Canada 0.500% Mar 1 2022                 | 3.9                  |
| Government of Canada 2.250% Jun 1 2025                 | 3.9                  |
| Government of Canada 5.750% Jun 1 2029                 | 3.7                  |
| Government of Canada 1.500% Jun 1 2023                 | 3.6                  |
| Government of Canada 2.750% Jun 1 2022                 | 3.3                  |
| Government of Canada 3.500% Jun 1 2020                 | 3.2                  |
| Government of Canada 5.000% Jun 1 2037                 | 3.0                  |
| Inter-American Development Bank CAD 4.400% Jan 26 2026 | 2.9                  |
| Government of Canada 5.750% Jun 1 2033                 | 1.9                  |
| Government of Canada 2.000% Jun 1 2028                 | 1.8                  |
| Canada Housing Trust No. 1 1.900% Sep 15 2026          | 1.3                  |
| Government of Canada 1.000% Jun 1 2027                 | 1.3                  |
| Government of Canada 1.750% Mar 1 2023                 | 1.0                  |
| Cash & Cash Equivalents                                | 0.8                  |
| Canada Post Corp. 4.360% Jul 16 2040                   | 0.8                  |
| Top 25 Holdings                                        | 99.6                 |

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).



FIXED-INCOME FUND

**RBC BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues above-average long-term returns consisting of interest income and moderate capital growth by investing mainly in high-quality fixed-income securities issued by Canadian governments and corporations. Holdings within the portfolio in non-investment grade bonds are limited to 30% of assets.

The Fund may invest in similar securities outside of Canada.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$19.9 billion as of December 31, 2018, from \$18.6 billion at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units gained 0.1%, which underperformed the 1.4% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. In this environment of slowing growth, long-term Canadian federal bonds outperformed their short- and mid-term counterparts, and corporate and provincial bonds of all maturities. The outperformance was not in line with investors' expectations.

The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back the bond purchases that had helped hold down longer-term yields. The European Central Bank (the "ECB") began preparing investors for the possibility that it, too, might start gradually raising rates.

In another sign of investor concern, the extra yield required to own bonds issued by provinces and corporations increased relative to Government of Canada bonds, mostly in the fourth quarter.

The Fund's returns were hurt by exposure to non-federal bonds. However, the portfolio manager's decision to reduce exposure to corporate and provincial bonds earlier in 2018 helped mitigate losses. Foreign-currency trading was the major contributor to the Fund's performance.

### Recent Developments

Reduced economic growth suggests that the Fed will slow its pace of rate increases in 2019, relative to earlier expectations. The ECB has ended its bond-buying program and may begin raising rates this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, so long as central banks seem committed to higher benchmark rates. However, the portfolio manager believes that the bulk of central-bank rate increases is likely behind us, and that trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager is likely to accumulate corporate and provincial bonds, as their valuations are more attractive than at any time in the past two years. The portfolio manager can be more selective with its investments, given muted revenue growth, trade uncertainty and weak oil prices. The portfolio manager expects higher-than-normal financial-market volatility in the first half of 2019.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$24,000 (2017 – \$4,000) or 12% (2017 – 3%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.58                                   | 0.21                                             | (0.07)            | (0.02)                        | (0.13)                          | (0.01) | (0.14)                                     | —                 | —                        | —                    | (0.14) | 6.45                                |
| Dec. 31, 2017                 | 6.57                                   | 0.21                                             | (0.07)            | 0.02                          | (0.01)                          | 0.15   | (0.15)                                     | —                 | —                        | —                    | (0.15) | 6.58                                |
| Dec. 31, 2016                 | 6.62                                   | 0.22                                             | (0.08)            | 0.08                          | (0.07)                          | 0.15   | (0.14)                                     | —                 | (0.06)                   | —                    | (0.20) | 6.57                                |
| Dec. 31, 2015                 | 6.60                                   | 0.24                                             | (0.08)            | 0.03                          | —                               | 0.19   | (0.14)                                     | —                 | (0.01)                   | —                    | (0.15) | 6.62                                |
| Dec. 31, 2014                 | 6.26                                   | 0.22                                             | (0.08)            | 0.03                          | 0.31                            | 0.48   | (0.15)                                     | —                 | —                        | —                    | (0.15) | 6.60                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.72                                   | 0.22                                             | (0.07)            | (0.02)                        | (0.11)                          | 0.02   | (0.14)                                     | —                 | —                        | —                    | (0.14) | 6.59                                |
| Dec. 31, 2017                 | 6.71                                   | 0.22                                             | (0.07)            | 0.02                          | (0.01)                          | 0.16   | (0.15)                                     | —                 | —                        | —                    | (0.15) | 6.72                                |
| Dec. 31, 2016                 | 6.76                                   | 0.23                                             | (0.08)            | 0.08                          | (0.15)                          | 0.08   | (0.15)                                     | —                 | (0.06)                   | —                    | (0.21) | 6.71                                |
| Dec. 31, 2015                 | 6.74                                   | 0.24                                             | (0.08)            | 0.03                          | —                               | 0.19   | (0.14)                                     | —                 | (0.01)                   | —                    | (0.15) | 6.76                                |
| Dec. 31, 2014                 | 6.39                                   | 0.23                                             | (0.08)            | 0.03                          | 0.31                            | 0.49   | (0.15)                                     | —                 | —                        | —                    | (0.15) | 6.74                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.62                                   | 0.21                                             | (0.04)            | (0.02)                        | (0.11)                          | 0.04   | (0.16)                                     | —                 | —                        | —                    | (0.16) | 6.49                                |
| Dec. 31, 2017                 | 6.61                                   | 0.21                                             | (0.04)            | 0.02                          | (0.02)                          | 0.17   | (0.17)                                     | —                 | —                        | —                    | (0.17) | 6.62                                |
| Dec. 31, 2016                 | 6.66                                   | 0.22                                             | (0.05)            | 0.08                          | (0.10)                          | 0.15   | (0.17)                                     | —                 | (0.06)                   | —                    | (0.23) | 6.61                                |
| Dec. 31, 2015                 | 6.64                                   | 0.24                                             | (0.05)            | 0.03                          | —                               | 0.22   | (0.17)                                     | —                 | (0.01)                   | —                    | (0.18) | 6.66                                |
| Dec. 31, 2014                 | 6.30                                   | 0.22                                             | (0.05)            | 0.03                          | 0.31                            | 0.51   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 6.64                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.79                                   | 0.22                                             | (0.03)            | (0.02)                        | (0.12)                          | 0.05   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 6.66                                |
| Dec. 31, 2017                 | 6.78                                   | 0.22                                             | (0.03)            | 0.02                          | (0.02)                          | 0.19   | (0.19)                                     | —                 | —                        | —                    | (0.19) | 6.79                                |
| Dec. 31, 2016                 | 6.83                                   | 0.22                                             | (0.04)            | 0.08                          | (0.32)                          | (0.06) | (0.19)                                     | —                 | (0.06)                   | —                    | (0.25) | 6.78                                |
| Dec. 31, 2015                 | 6.81                                   | 0.24                                             | (0.04)            | 0.03                          | —                               | 0.23   | (0.19)                                     | —                 | (0.01)                   | —                    | (0.20) | 6.83                                |
| Dec. 31, 2014                 | 6.45                                   | 0.23                                             | (0.04)            | 0.03                          | 0.32                            | 0.54   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 6.81                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.86                                   | 0.22                                             | —                 | (0.02)                        | (0.11)                          | 0.09   | (0.22)                                     | —                 | —                        | —                    | (0.22) | 6.73                                |
| Dec. 31, 2017                 | 6.85                                   | 0.22                                             | —                 | 0.02                          | (0.01)                          | 0.23   | (0.22)                                     | —                 | —                        | —                    | (0.22) | 6.86                                |
| Dec. 31, 2016                 | 6.90                                   | 0.23                                             | —                 | 0.08                          | (0.09)                          | 0.22   | (0.23)                                     | —                 | (0.06)                   | —                    | (0.29) | 6.85                                |
| Dec. 31, 2015                 | 6.89                                   | 0.25                                             | —                 | 0.03                          | —                               | 0.28   | (0.25)                                     | —                 | (0.01)                   | —                    | (0.26) | 6.90                                |
| Dec. 31, 2014                 | 6.54                                   | 0.23                                             | —                 | 0.03                          | 0.32                            | 0.58   | (0.23)                                     | —                 | —                        | —                    | (0.23) | 6.89                                |

<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.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>6.45</b>                      | <b>1 055 386</b>            | <b>163 651</b>                        | <b>1.11</b>                                  | <b>1.11</b>                               | <b>19.42</b>                                | —                                         |
| Dec. 31, 2017         | 6.58                             | 1 280 465                   | 194 643                               | 1.11                                         | 1.11                                      | 22.22                                       | —                                         |
| Dec. 31, 2016         | 6.57                             | 1 437 109                   | 218 656                               | 1.16                                         | 1.16                                      | 22.46                                       | —                                         |
| Dec. 31, 2015         | 6.62                             | 1 535 208                   | 231 839                               | 1.22                                         | 1.22                                      | 22.38                                       | —                                         |
| Dec. 31, 2014         | 6.60                             | 1 642 304                   | 248 942                               | 1.22                                         | 1.22                                      | 35.76                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>6.59</b>                      | <b>128 789</b>              | <b>19 534</b>                         | <b>1.06</b>                                  | <b>1.06</b>                               | <b>19.42</b>                                | —                                         |
| Dec. 31, 2017         | 6.72                             | 106 026                     | 15 770                                | 1.06                                         | 1.06                                      | 22.22                                       | —                                         |
| Dec. 31, 2016         | 6.71                             | 91 942                      | 13 692                                | 1.10                                         | 1.10                                      | 22.46                                       | —                                         |
| Dec. 31, 2015         | 6.76                             | 53 352                      | 7 889                                 | 1.17                                         | 1.17                                      | 22.38                                       | —                                         |
| Dec. 31, 2014         | 6.74                             | 42 893                      | 6 368                                 | 1.17                                         | 1.17                                      | 35.76                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>6.49</b>                      | <b>78 644</b>               | <b>12 111</b>                         | <b>0.66</b>                                  | <b>0.66</b>                               | <b>19.42</b>                                | —                                         |
| Dec. 31, 2017         | 6.62                             | 77 521                      | 11 707                                | 0.66                                         | 0.66                                      | 22.22                                       | —                                         |
| Dec. 31, 2016         | 6.61                             | 74 904                      | 11 328                                | 0.71                                         | 0.71                                      | 22.46                                       | —                                         |
| Dec. 31, 2015         | 6.66                             | 65 736                      | 9 869                                 | 0.77                                         | 0.77                                      | 22.38                                       | —                                         |
| Dec. 31, 2014         | 6.64                             | 61 636                      | 9 286                                 | 0.77                                         | 0.77                                      | 35.76                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>6.66</b>                      | <b>288 332</b>              | <b>43 319</b>                         | <b>0.49</b>                                  | <b>0.49</b>                               | <b>19.42</b>                                | —                                         |
| Dec. 31, 2017         | 6.79                             | 256 615                     | 37 792                                | 0.50                                         | 0.50                                      | 22.22                                       | —                                         |
| Dec. 31, 2016         | 6.78                             | 164 460                     | 24 249                                | 0.53                                         | 0.53                                      | 22.46                                       | —                                         |
| Dec. 31, 2015         | 6.83                             | 27 232                      | 3 986                                 | 0.61                                         | 0.61                                      | 22.38                                       | —                                         |
| Dec. 31, 2014         | 6.81                             | 13 230                      | 1 943                                 | 0.61                                         | 0.61                                      | 35.76                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>6.73</b>                      | <b>18 326 023</b>           | <b>2 724 545</b>                      | <b>0.03</b>                                  | <b>0.03</b>                               | <b>19.42</b>                                | —                                         |
| Dec. 31, 2017         | 6.86                             | 16 835 516                  | 2 454 134                             | 0.03                                         | 0.03                                      | 22.22                                       | —                                         |
| Dec. 31, 2016         | 6.85                             | 15 482 201                  | 2 260 060                             | 0.03                                         | 0.03                                      | 22.46                                       | —                                         |
| Dec. 31, 2015         | 6.90                             | 13 791 733                  | 1 998 370                             | 0.03                                         | 0.03                                      | 22.38                                       | —                                         |
| Dec. 31, 2014         | 6.89                             | 11 430 668                  | 1 658 442                             | 0.02                                         | 0.02                                      | 35.76                                       | —                                         |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.11%, Advisor Series – 1.06%, Series D – 0.66% and Series F – 0.50%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 0.90%           | 56%                   | 44%    |
| Advisor Series | 0.90%           | 56%                   | 44%    |
| Series D       | 0.55%           | 27%                   | 73%    |
| Series F       | 0.40%           | —                     | 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.

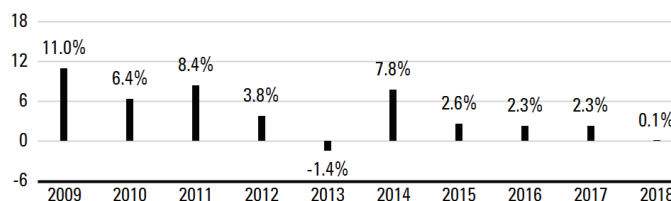
### PAST PERFORMANCE

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.

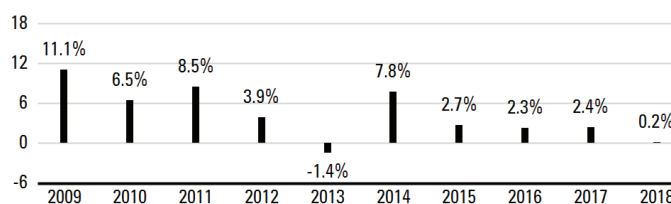
### Year-by-Year Returns (%)

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.

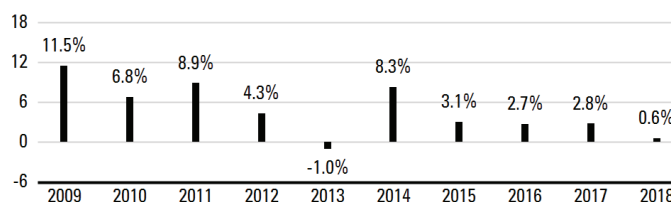
**Series A (%)**



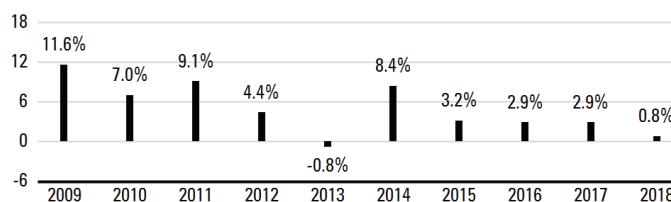
**Advisor Series (%)**



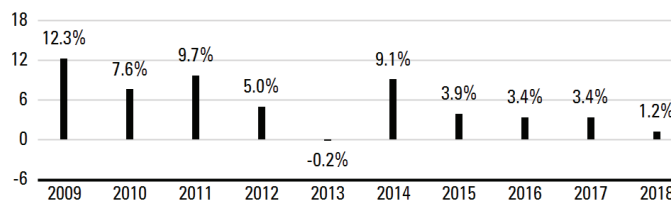
**Series D (%)**



**Series F (%)**



**Series O (%)**







## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE Canada Universe Bond Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 0.1          | 1.6             | 3.0             | 4.3              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Advisor Series | 0.2          | 1.6             | 3.0             | 4.3              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Series D       | 0.6          | 2.0             | 3.5             | 4.7              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Series F       | 0.8          | 2.2             | 3.6             | 4.9              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Series O       | 1.2          | 2.7             | 4.2             | 5.5              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series I units were re-designated as Series F units effective June 30, 2016.

### INDEX DESCRIPTION

**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 |
|----------------------------|----------------------|
| Provincial/Municipal Bonds | 40.8                 |
| Corporate Bonds            | 38.4                 |
| Federal Bonds              | 9.4                  |
| Foreign Bonds              | 3.3                  |
| Income Funds               | 2.9                  |
| Cash/Other                 | 5.2                  |

### Top 25 Holdings

|                                               | % of Net Asset Value |
|-----------------------------------------------|----------------------|
| Province of Ontario 3.450% Jun 2 2045         | 2.7                  |
| Province of Ontario 3.500% Jun 2 2043         | 2.1                  |
| Province of Ontario 2.600% Jun 2 2027         | 2.1                  |
| Province of Ontario 2.600% Jun 2 2025         | 2.1                  |
| Province of Ontario 2.900% Dec 2 2046         | 2.1                  |
| RBC Emerging Markets Foreign Exchange Fund    | 1.8                  |
| Province of Ontario 4.600% Jun 2 2039         | 1.8                  |
| Government of Canada 2.750% Dec 1 2048        | 1.7                  |
| United States 10-Year Note Future, March 2019 | 1.6                  |
| Province of Ontario 2.400% Jun 2 2026         | 1.6                  |
| Province of Ontario 4.650% Jun 2 2041         | 1.6                  |
| Cash & Cash Equivalents                       | 1.6                  |
| Government of Canada 2.000% Jun 1 2028        | 1.5                  |
| Province of Ontario 4.000% Jun 2 2021         | 1.5                  |
| Government of Canada 1.500% Jun 1 2026        | 1.5                  |
| Province of Ontario 2.850% Jun 2 2023         | 1.5                  |
| Province of Ontario 2.900% Jun 2 2028         | 1.4                  |
| Province of Quebec 2.750% Sep 1 2028          | 1.4                  |
| Province of Ontario 3.500% Jun 2 2024         | 1.3                  |
| Province of Quebec 2.750% Sep 1 2027          | 1.2                  |
| Province of Quebec 3.000% Sep 1 2023          | 1.2                  |
| BlueBay Emerging Markets Corporate Bond Fund  | 1.1                  |
| Government of Canada 1.000% Jun 1 2027        | 1.1                  |
| Province of Quebec 3.750% Sep 1 2024          | 1.0                  |
| Province of Quebec 5.000% Dec 1 2041          | 0.9                  |
| <b>Top 25 Holdings</b>                        | <b>39.4</b>          |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



FIXED-INCOME FUND

**RBC VISION BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued by Canadian governments and corporations. The Fund follows a socially responsible approach to investing. Investments that qualify for inclusion in the Fund must possess strong environmental, social and governance practices relative to industry peers, as defined by Sustainalytics Best-of-Sector™ methodology.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$237 million as of December 31, 2018, from \$226 million at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 0.4%, which underperformed the 1.4% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Domestic bond yields rose for most of 2018 in response to interest-rate hikes from the Bank of Canada (the "BOC") and faster global economic growth, but yields fell toward the end of the year as investors flocked to the relative safety of government fixed income amid declines in equity markets. Canadian bonds outperformed U.S. bonds on expectations that relatively fast U.S. growth would prompt the U.S. Federal Reserve to raise benchmark interest rates at a quicker pace than the BOC.

The portfolio manager's preference for bonds of higher-quality companies that were less sensitive to changes in economic growth had a significantly positive impact on relative returns. This approach was due to the portfolio manager's view that the extra yields available on lower-quality corporate bonds weren't sufficient to compensate for the risk of higher exposure. The portfolio manager was also able to take advantage of the short-term price fluctuations over the year by adjusting the Fund's overall maturity, adding to relative returns.

During 2018, the Fund maintained underweight exposure to provincial bonds in favour of federally guaranteed mortgage bonds, which offer higher yields than Government of Canada bonds without undue risk.

Portfolio turnover can be high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Sustainalytics conducted one review covering the Fund's holdings in 2018. Eligibility was determined in relation to the Environmental, Social and Governance ("ESG") criteria developed by RBC GAM in consultation with Sustainalytics. In the opinion of Sustainalytics, all holdings in the Fund were eligible in the latest review, based on the above criteria.

### Recent Developments

A commitment from central banks in Canada and the U.S. to raise benchmark interest rates helped drive bond yields higher for much of 2018. However, concerns about Canadian competitiveness, trade uncertainty, falling energy prices and high household-debt levels have prompted the BOC to reassess the pace of rate increases from the current rate of 1.75%. It is even possible that the BOC does not raise rates at all in 2019.

### 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.

™ Best-of-Sector is a trademark of Sustainalytics. Used under licence.



***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.82                                  | 0.32                                             | (0.11)            | (0.16)                        | 0.01                            | 0.06  | (0.20)                                     | —                 | —                        | —                    | (0.20) | 10.67                               |
| Dec. 31, 2017                 | 10.85                                  | 0.31                                             | (0.11)            | (0.03)                        | 0.01                            | 0.18  | (0.20)                                     | —                 | —                        | —                    | (0.20) | 10.82                               |
| Dec. 31, 2016                 | 11.06                                  | 0.34                                             | (0.12)            | 0.13                          | (0.21)                          | 0.14  | (0.21)                                     | —                 | (0.14)                   | —                    | (0.35) | 10.85                               |
| Dec. 31, 2015                 | 11.24                                  | 0.37                                             | (0.13)            | 0.23                          | (0.17)                          | 0.30  | (0.24)                                     | —                 | (0.25)                   | —                    | (0.49) | 11.06                               |
| Dec. 31, 2014                 | 10.68                                  | 0.38                                             | (0.13)            | 0.14                          | 0.46                            | 0.85  | (0.25)                                     | —                 | (0.03)                   | —                    | (0.28) | 11.24                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.82                                  | 0.32                                             | (0.11)            | (0.16)                        | 0.01                            | 0.06  | (0.20)                                     | —                 | —                        | —                    | (0.20) | 10.67                               |
| Dec. 31, 2017                 | 10.85                                  | 0.31                                             | (0.11)            | (0.03)                        | 0.01                            | 0.18  | (0.20)                                     | —                 | —                        | —                    | (0.20) | 10.82                               |
| Dec. 31, 2016                 | 11.06                                  | 0.34                                             | (0.12)            | 0.13                          | (0.25)                          | 0.10  | (0.21)                                     | —                 | (0.14)                   | —                    | (0.35) | 10.85                               |
| Dec. 31, 2015                 | 11.24                                  | 0.37                                             | (0.13)            | 0.23                          | (0.17)                          | 0.30  | (0.24)                                     | —                 | (0.25)                   | —                    | (0.49) | 11.06                               |
| Dec. 31, 2014                 | 10.68                                  | 0.38                                             | (0.13)            | 0.14                          | 0.46                            | 0.85  | (0.25)                                     | —                 | (0.03)                   | —                    | (0.28) | 11.24                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.74                                  | 0.32                                             | (0.06)            | (0.16)                        | (0.01)                          | 0.09  | (0.24)                                     | —                 | —                        | —                    | (0.24) | 10.59                               |
| Dec. 31, 2017                 | 10.76                                  | 0.31                                             | (0.06)            | (0.03)                        | 0.01                            | 0.23  | (0.24)                                     | —                 | —                        | —                    | (0.24) | 10.74                               |
| Dec. 31, 2016                 | 10.97                                  | 0.34                                             | (0.07)            | 0.13                          | (0.20)                          | 0.20  | (0.26)                                     | —                 | (0.14)                   | —                    | (0.40) | 10.76                               |
| Dec. 31, 2015                 | 11.16                                  | 0.37                                             | (0.07)            | 0.22                          | (0.17)                          | 0.35  | (0.30)                                     | —                 | (0.26)                   | —                    | (0.56) | 10.97                               |
| Dec. 31, 2014                 | 10.60                                  | 0.38                                             | (0.07)            | 0.14                          | 0.46                            | 0.91  | (0.31)                                     | —                 | (0.03)                   | —                    | (0.34) | 11.16                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.79                                  | 0.32                                             | (0.05)            | (0.16)                        | 0.04                            | 0.15  | (0.25)                                     | —                 | —                        | —                    | (0.25) | 10.64                               |
| Dec. 31, 2017                 | 10.81                                  | 0.31                                             | (0.05)            | (0.03)                        | —                               | 0.23  | (0.25)                                     | —                 | —                        | —                    | (0.25) | 10.79                               |
| Dec. 31, 2016                 | 11.02                                  | 0.34                                             | (0.06)            | 0.13                          | (0.33)                          | 0.08  | (0.27)                                     | —                 | (0.14)                   | —                    | (0.41) | 10.81                               |
| Dec. 31, 2015                 | 11.21                                  | 0.37                                             | (0.07)            | 0.23                          | (0.17)                          | 0.36  | (0.31)                                     | —                 | (0.25)                   | —                    | (0.56) | 11.02                               |
| Dec. 31, 2014                 | 10.64                                  | 0.38                                             | (0.07)            | 0.14                          | 0.46                            | 0.91  | (0.31)                                     | —                 | (0.03)                   | —                    | (0.34) | 11.21                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.61                                  | 0.31                                             | —                 | (0.15)                        | 0.01                            | 0.17  | (0.30)                                     | —                 | —                        | —                    | (0.30) | 10.46                               |
| Dec. 31, 2017                 | 10.63                                  | 0.31                                             | —                 | (0.03)                        | (0.02)                          | 0.26  | (0.30)                                     | —                 | —                        | —                    | (0.30) | 10.61                               |
| Dec. 31, 2016                 | 10.84                                  | 0.34                                             | (0.01)            | 0.13                          | (0.23)                          | 0.23  | (0.32)                                     | —                 | (0.14)                   | —                    | (0.46) | 10.63                               |
| Dec. 31, 2015                 | 11.03                                  | 0.37                                             | (0.01)            | 0.22                          | (0.16)                          | 0.42  | (0.36)                                     | —                 | (0.25)                   | —                    | (0.61) | 10.84                               |
| Dec. 31, 2014                 | 10.48                                  | 0.37                                             | (0.01)            | 0.14                          | 0.45                            | 0.95  | (0.37)                                     | —                 | (0.03)                   | —                    | (0.40) | 11.03                               |

<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.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.67</b>                     | <b>10 588</b>               | <b>993</b>                            | <b>1.05</b>                                  | <b>1.05</b>                               | <b>171.86</b>                               | —                                         |
| Dec. 31, 2017         | 10.82                            | 8 749                       | 808                                   | 1.04                                         | 1.04                                      | 96.52                                       | —                                         |
| Dec. 31, 2016         | 10.85                            | 7 707                       | 711                                   | 1.09                                         | 1.09                                      | 152.83                                      | —                                         |
| Dec. 31, 2015         | 11.06                            | 7 551                       | 683                                   | 1.15                                         | 1.15                                      | 217.41                                      | —                                         |
| Dec. 31, 2014         | 11.24                            | 6 941                       | 617                                   | 1.15                                         | 1.15                                      | 218.50                                      | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.67</b>                     | <b>5 837</b>                | <b>547</b>                            | <b>1.03</b>                                  | <b>1.03</b>                               | <b>171.86</b>                               | —                                         |
| Dec. 31, 2017         | 10.82                            | 5 521                       | 510                                   | 1.04                                         | 1.04                                      | 96.52                                       | —                                         |
| Dec. 31, 2016         | 10.85                            | 6 296                       | 581                                   | 1.09                                         | 1.09                                      | 152.83                                      | —                                         |
| Dec. 31, 2015         | 11.06                            | 5 392                       | 488                                   | 1.15                                         | 1.15                                      | 217.41                                      | —                                         |
| Dec. 31, 2014         | 11.24                            | 3 959                       | 352                                   | 1.15                                         | 1.15                                      | 218.50                                      | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.59</b>                     | <b>18 034</b>               | <b>1 703</b>                          | <b>0.60</b>                                  | <b>0.60</b>                               | <b>171.86</b>                               | —                                         |
| Dec. 31, 2017         | 10.74                            | 19 000                      | 1 769                                 | 0.60                                         | 0.60                                      | 96.52                                       | —                                         |
| Dec. 31, 2016         | 10.76                            | 20 010                      | 1 859                                 | 0.60                                         | 0.60                                      | 152.83                                      | —                                         |
| Dec. 31, 2015         | 10.97                            | 20 695                      | 1 886                                 | 0.60                                         | 0.60                                      | 217.41                                      | —                                         |
| Dec. 31, 2014         | 11.16                            | 18 979                      | 1 700                                 | 0.60                                         | 0.60                                      | 218.50                                      | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.64</b>                     | <b>18 504</b>               | <b>1 740</b>                          | <b>0.50</b>                                  | <b>0.50</b>                               | <b>171.86</b>                               | —                                         |
| Dec. 31, 2017         | 10.79                            | 11 996                      | 1 112                                 | 0.50                                         | 0.50                                      | 96.52                                       | —                                         |
| Dec. 31, 2016         | 10.81                            | 9 855                       | 912                                   | 0.55                                         | 0.55                                      | 152.83                                      | —                                         |
| Dec. 31, 2015         | 11.02                            | 7 246                       | 658                                   | 0.60                                         | 0.60                                      | 217.41                                      | —                                         |
| Dec. 31, 2014         | 11.21                            | 4 983                       | 445                                   | 0.61                                         | 0.61                                      | 218.50                                      | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.46</b>                     | <b>184 210</b>              | <b>17 607</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>171.86</b>                               | —                                         |
| Dec. 31, 2017         | 10.61                            | 180 422                     | 17 000                                | 0.04                                         | 0.04                                      | 96.52                                       | —                                         |
| Dec. 31, 2016         | 10.63                            | 147 357                     | 13 858                                | 0.06                                         | 0.06                                      | 152.83                                      | —                                         |
| Dec. 31, 2015         | 10.84                            | 121 361                     | 11 192                                | 0.06                                         | 0.06                                      | 217.41                                      | —                                         |
| Dec. 31, 2014         | 11.03                            | 119 158                     | 10 801                                | 0.06                                         | 0.06                                      | 218.50                                      | —                                         |

<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 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.

Effective June 30, 2017, the administration fees were changed in respect of Series O units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series O – 0.02%.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.03%, Advisor Series – 1.03% and Series F – 0.50%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 0.90%           | 56%                   | 44%    |
| Advisor Series | 0.90%           | 56%                   | 44%    |
| Series D       | 0.50%           | 30%                   | 70%    |
| Series F       | 0.40%           | —                     | 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.

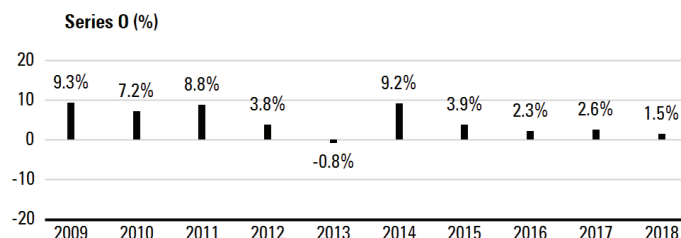
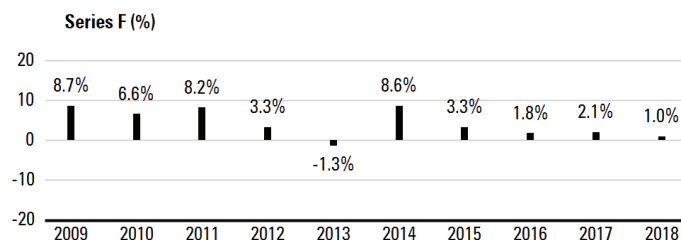
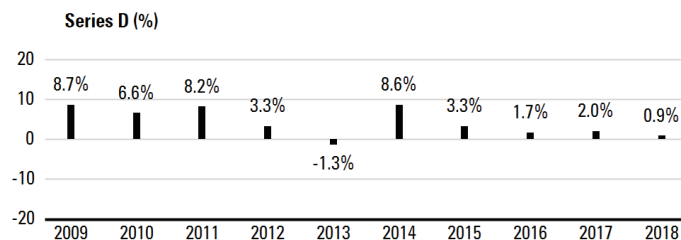
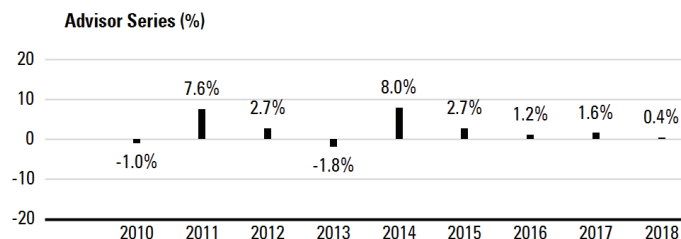
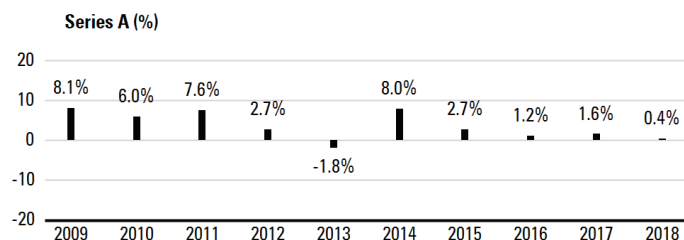
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE Canada Universe Bond Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 0.4          | 1.1             | 2.8             | 3.6              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Advisor Series | 0.4          | 1.1             | 2.8             | —                | 2.6                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series D       | 0.9          | 1.6             | 3.3             | 4.1              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Series F       | 1.0          | 1.6             | 3.3             | 4.2              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Series O       | 1.5          | 2.1             | 3.8             | 4.7              | —                  |
| Benchmark      | 1.4          | 1.9             | 3.5             | 4.2              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Advisor Series units have been available for sale to unitholders since October 29, 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series C units were renamed Series A units effective June 30, 2016.

### INDEX DESCRIPTION

**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            | 44.7                 |
| Provincial/Municipal Bonds | 33.2                 |
| Federal Bonds              | 21.4                 |
| Mortgage-Backed Bonds      | 0.1                  |
| Cash/Other                 | 0.6                  |

### Top 25 Holdings

|                                                          | % of Net Asset Value |
|----------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                  | 6.6                  |
| Government of Canada 2.750% Dec 1 2048                   | 5.1                  |
| Canada Housing Trust No. 1 2.400% Dec 15 2022            | 3.0                  |
| Bank of Montreal 3.400% Apr 23 2021                      | 2.9                  |
| Canada Housing Trust No. 1 2.350% Jun 15 2023            | 2.8                  |
| Province of Ontario 5.600% Jun 2 2035                    | 2.5                  |
| Province of Ontario 6.200% Jun 2 2031                    | 2.4                  |
| Canada Housing Trust No. 1 1.150% Dec 15 2021            | 2.3                  |
| Province of Ontario 3.500% Jun 2 2043                    | 2.2                  |
| Canada Housing Trust No. 1 1.750% Jun 15 2022            | 2.1                  |
| Province of Ontario 2.900% Jun 2 2049                    | 2.0                  |
| Union Gas Ltd. 4.850% Apr 25 2022                        | 1.7                  |
| Royal Bank of Canada 2.030% Mar 15 2021                  | 1.6                  |
| Province of Ontario 2.900% Jun 2 2028                    | 1.6                  |
| Province of Ontario 3.500% Jun 2 2024                    | 1.6                  |
| Toronto-Dominion Bank 2.045% Mar 8 2021                  | 1.6                  |
| Royal Bank of Canada 1.650% Jul 15 2021                  | 1.4                  |
| Toronto-Dominion Bank 1.693% Apr 2 2020                  | 1.3                  |
| Province of Ontario 4.600% Jun 2 2039                    | 1.3                  |
| Province of Ontario 2.600% Jun 2 2027                    | 1.2                  |
| TELUS Corp. 5.050% Jul 23 2020                           | 1.1                  |
| Brookfield Infrastructure Finance ULC 3.538% Oct 30 2020 | 1.1                  |
| Province of Alberta 2.200% Jun 1 2026                    | 1.1                  |
| Province of Quebec 2.750% Sep 1 2028                     | 1.1                  |
| Hydro One Inc. 4.400% Jun 1 2020                         | 1.0                  |
| Top 25 Holdings                                          | 52.6                 |

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).





FIXED-INCOME FUND

**RBC GLOBAL BOND FUND**

*December 31, 2018*

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

**Sub-Advisor:** RBC Global Asset Management (UK) Limited, London, England  
*(for a portion of the Fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues above-average long-term total returns, consisting of interest income and some capital growth in world fixed-income markets.

The Fund invests principally in high-quality, fixed-income securities denominated in foreign currencies and issued by foreign and Canadian governments. The Fund may use derivative contracts extensively to manage currency risk and to protect against losses. The Fund may also invest in debt issued by foreign corporations and international agencies like the World Bank.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$7.7 billion as of December 31, 2018, from \$6.8 billion at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 1.1%, which underperformed the 1.9% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Major government-bond markets posted gains in 2018, with December accounting for most of the increases, as trade tensions and slowing global economic growth prompted investors to seek assets perceived as offering the most safety. U.S. Treasury bonds underperformed German and Japanese federal bonds by a wide margin, given faster U.S. inflation and growth, prompting four interest-rate increases during 2018 by the U.S. Federal Reserve (the "Fed"). Meanwhile, the European Central Bank (the "ECB") and the Bank of Japan (the "BOJ") left interest rates unchanged.

The Fed's rate hikes put the benchmark federal funds rate at its highest level since 2008, and the U.S. central bank also continued to scale back bond purchases that had helped to hold down longer-term yields. The ECB wound up its bond-buying program at the end of 2018 and began preparing investors for the possibility that it, too, might start gradually raising its benchmark interest rate. Italian government bonds were Europe's worst-performing, as Italy's ruling coalition sought to challenge EU limits on government spending.

Japanese yields remained near zero – supporting bond prices – as the BOJ judged that inflation would not be problematic, given the sluggish domestic economy.

The Fund's overall preference for longer-maturity bonds and underweight position in intermediate-term securities added to performance. In Europe, an allocation to longer-term German bonds was good for relative performance, while an overweight position in Italian fixed-income bonds had a negative impact. Returns were also held back by the Fund's overweight position in emerging-market debt and corporate fixed income, which performed poorly amid the search for safe havens. However, the Fund's exposure to foreign currencies during 2018 was positive for returns in a year when the Canadian dollar was the worst-performing currency in the developed world.

### Recent Developments

Reduced economic growth suggests that the Fed will slow its pace of rate increases in 2019, relative to earlier expectations. The ECB has ended its bond-buying program and may begin raising rates this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, so long as central banks seem committed to higher benchmark rates. However, the portfolio manager believes that the bulk of central-bank rate increases is likely behind us, and that trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager is likely to accumulate corporate and emerging-market bonds, as their valuations are more attractive than at any time in the past two years. The portfolio manager can be more selective with its investments, given muted revenue growth, trade uncertainty and weak oil prices. The portfolio manager expects higher-than-normal financial-market volatility in the first half of 2019.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.58                                  | 0.23                                             | (0.17)            | (0.01)                        | 0.05                            | 0.10  | (0.04)                                     | —                 | —                        | —                    | (0.04) | 10.65                               |
| Dec. 31, 2017                 | 10.76                                  | 0.22                                             | (0.17)            | 0.20                          | (0.11)                          | 0.14  | (0.05)                                     | —                 | (0.27)                   | —                    | (0.32) | 10.58                               |
| Dec. 31, 2016                 | 10.84                                  | 0.25                                             | (0.19)            | 0.65                          | (0.36)                          | 0.35  | (0.05)                                     | —                 | (0.40)                   | —                    | (0.45) | 10.76                               |
| Dec. 31, 2015                 | 10.80                                  | 0.28                                             | (0.19)            | (0.10)                        | 0.14                            | 0.13  | (0.09)                                     | —                 | —                        | —                    | (0.09) | 10.84                               |
| Dec. 31, 2014                 | 10.42                                  | 0.29                                             | (0.19)            | 0.34                          | 0.32                            | 0.76  | (0.10)                                     | —                 | (0.27)                   | —                    | (0.37) | 10.80                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.83                                  | 0.23                                             | (0.17)            | (0.01)                        | 0.08                            | 0.13  | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.90                               |
| Dec. 31, 2017                 | 11.01                                  | 0.23                                             | (0.17)            | 0.20                          | (0.11)                          | 0.15  | (0.05)                                     | —                 | (0.28)                   | —                    | (0.33) | 10.83                               |
| Dec. 31, 2016                 | 11.09                                  | 0.25                                             | (0.19)            | 0.65                          | (0.51)                          | 0.20  | (0.06)                                     | —                 | (0.41)                   | —                    | (0.47) | 11.01                               |
| Dec. 31, 2015                 | 11.06                                  | 0.28                                             | (0.19)            | (0.10)                        | 0.15                            | 0.14  | (0.09)                                     | —                 | —                        | —                    | (0.09) | 11.09                               |
| Dec. 31, 2014                 | 10.66                                  | 0.29                                             | (0.19)            | 0.34                          | 0.32                            | 0.76  | (0.10)                                     | —                 | (0.28)                   | —                    | (0.38) | 11.06                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.69                                  | 0.23                                             | (0.09)            | (0.01)                        | 0.07                            | 0.20  | (0.12)                                     | —                 | —                        | —                    | (0.12) | 10.76                               |
| Dec. 31, 2017                 | 10.88                                  | 0.23                                             | (0.10)            | 0.20                          | (0.10)                          | 0.23  | (0.13)                                     | —                 | (0.28)                   | —                    | (0.41) | 10.69                               |
| Dec. 31, 2016                 | 10.96                                  | 0.25                                             | (0.11)            | 0.65                          | (0.40)                          | 0.39  | (0.13)                                     | —                 | (0.41)                   | —                    | (0.54) | 10.88                               |
| Dec. 31, 2015                 | 10.93                                  | 0.28                                             | (0.12)            | (0.10)                        | 0.14                            | 0.20  | (0.17)                                     | —                 | —                        | —                    | (0.17) | 10.96                               |
| Dec. 31, 2014                 | 10.53                                  | 0.29                                             | (0.11)            | 0.34                          | 0.32                            | 0.84  | (0.17)                                     | —                 | (0.27)                   | —                    | (0.44) | 10.93                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.10                                  | 0.24                                             | (0.08)            | (0.01)                        | 0.10                            | 0.25  | (0.14)                                     | —                 | —                        | —                    | (0.14) | 11.17                               |
| Dec. 31, 2017                 | 11.29                                  | 0.23                                             | (0.08)            | 0.20                          | (0.10)                          | 0.25  | (0.15)                                     | —                 | (0.29)                   | —                    | (0.44) | 11.10                               |
| Dec. 31, 2016                 | 11.37                                  | 0.26                                             | (0.09)            | 0.67                          | (0.57)                          | 0.27  | (0.16)                                     | —                 | (0.42)                   | —                    | (0.58) | 11.29                               |
| Dec. 31, 2015                 | 11.34                                  | 0.29                                             | (0.10)            | (0.10)                        | 0.15                            | 0.24  | (0.19)                                     | —                 | —                        | —                    | (0.19) | 11.37                               |
| Dec. 31, 2014                 | 10.92                                  | 0.30                                             | (0.10)            | 0.35                          | 0.33                            | 0.88  | (0.20)                                     | —                 | (0.28)                   | —                    | (0.48) | 11.34                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.10                                  | 0.24                                             | (0.07)            | (0.01)                        | 0.03                            | 0.19  | (0.16)                                     | —                 | —                        | —                    | (0.16) | 11.17                               |
| Dec. 31, 2017                 | 11.28                                  | 0.23                                             | (0.07)            | 0.21                          | (0.11)                          | 0.26  | (0.16)                                     | —                 | (0.29)                   | —                    | (0.45) | 11.10                               |
| Dec. 31, 2016                 | 11.36                                  | 0.26                                             | (0.07)            | 0.68                          | (0.46)                          | 0.41  | (0.18)                                     | —                 | (0.42)                   | —                    | (0.60) | 11.28                               |
| Dec. 31, 2015                 | 11.33                                  | 0.29                                             | (0.07)            | (0.10)                        | 0.15                            | 0.27  | (0.23)                                     | —                 | —                        | —                    | (0.23) | 11.36                               |
| Dec. 31, 2014 <sup>3</sup>    | 11.18 <sup>†</sup>                     | 0.20                                             | (0.05)            | 0.23                          | 0.22                            | 0.60  | (0.16)                                     | —                 | (0.28)                   | —                    | (0.44) | 11.33                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.89                                  | 0.23                                             | —                 | (0.01)                        | 0.07                            | 0.29  | (0.22)                                     | —                 | —                        | —                    | (0.22) | 10.96                               |
| Dec. 31, 2017                 | 11.07                                  | 0.23                                             | —                 | 0.20                          | (0.10)                          | 0.33  | (0.22)                                     | —                 | (0.28)                   | —                    | (0.50) | 10.89                               |
| Dec. 31, 2016                 | 11.15                                  | 0.26                                             | —                 | 0.66                          | (0.42)                          | 0.50  | (0.25)                                     | —                 | (0.41)                   | —                    | (0.66) | 11.07                               |
| Dec. 31, 2015                 | 11.11                                  | 0.28                                             | —                 | (0.10)                        | 0.15                            | 0.33  | (0.29)                                     | —                 | —                        | —                    | (0.29) | 11.15                               |
| Dec. 31, 2014                 | 10.72                                  | 0.30                                             | —                 | 0.34                          | 0.33                            | 0.97  | (0.30)                                     | —                 | (0.28)                   | —                    | (0.58) | 11.11                               |

<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 April 21, 2014.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.65</b>                     | <b>106 828</b>              | <b>10 035</b>                         | <b>1.61</b>                                  | <b>1.61</b>                               | <b>74.06</b>                                | —                                         |
| Dec. 31, 2017              | 10.58                            | 120 719                     | 11 410                                | 1.61                                         | 1.61                                      | 75.51                                       | —                                         |
| Dec. 31, 2016              | 10.76                            | 127 932                     | 11 893                                | 1.69                                         | 1.69                                      | 59.34                                       | —                                         |
| Dec. 31, 2015              | 10.84                            | 121 289                     | 11 191                                | 1.78                                         | 1.78                                      | 105.88                                      | —                                         |
| Dec. 31, 2014              | 10.80                            | 125 557                     | 11 623                                | 1.78                                         | 1.78                                      | 78.54                                       | —                                         |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.90</b>                     | <b>27 617</b>               | <b>2 534</b>                          | <b>1.58</b>                                  | <b>1.58</b>                               | <b>74.06</b>                                | —                                         |
| Dec. 31, 2017              | 10.83                            | 26 489                      | 2 446                                 | 1.57                                         | 1.57                                      | 75.51                                       | —                                         |
| Dec. 31, 2016              | 11.01                            | 33 524                      | 3 045                                 | 1.65                                         | 1.65                                      | 59.34                                       | —                                         |
| Dec. 31, 2015              | 11.09                            | 20 119                      | 1 813                                 | 1.75                                         | 1.75                                      | 105.88                                      | —                                         |
| Dec. 31, 2014              | 11.06                            | 9 860                       | 892                                   | 1.75                                         | 1.75                                      | 78.54                                       | —                                         |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.76</b>                     | <b>17 768</b>               | <b>1 652</b>                          | <b>0.89</b>                                  | <b>0.89</b>                               | <b>74.06</b>                                | —                                         |
| Dec. 31, 2017              | 10.69                            | 14 903                      | 1 394                                 | 0.89                                         | 0.89                                      | 75.51                                       | —                                         |
| Dec. 31, 2016              | 10.88                            | 14 348                      | 1 319                                 | 0.97                                         | 0.97                                      | 59.34                                       | —                                         |
| Dec. 31, 2015              | 10.96                            | 11 376                      | 1 038                                 | 1.06                                         | 1.06                                      | 105.88                                      | —                                         |
| Dec. 31, 2014              | 10.93                            | 9 232                       | 845                                   | 1.06                                         | 1.06                                      | 78.54                                       | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.17</b>                     | <b>616 798</b>              | <b>55 227</b>                         | <b>0.73</b>                                  | <b>0.73</b>                               | <b>74.06</b>                                | —                                         |
| Dec. 31, 2017              | 11.10                            | 422 304                     | 38 054                                | 0.73                                         | 0.73                                      | 75.51                                       | —                                         |
| Dec. 31, 2016              | 11.29                            | 305 543                     | 27 071                                | 0.80                                         | 0.80                                      | 59.34                                       | —                                         |
| Dec. 31, 2015              | 11.37                            | 154 167                     | 13 556                                | 0.89                                         | 0.89                                      | 105.88                                      | —                                         |
| Dec. 31, 2014              | 11.34                            | 54 298                      | 4 790                                 | 0.89                                         | 0.89                                      | 78.54                                       | —                                         |
| <b>Series I</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.17</b>                     | <b>46 489</b>               | <b>4 164</b>                          | <b>0.62</b>                                  | <b>0.62</b>                               | <b>74.06</b>                                | —                                         |
| Dec. 31, 2017              | 11.10                            | 61 751                      | 5 565                                 | 0.62                                         | 0.62                                      | 75.51                                       | —                                         |
| Dec. 31, 2016              | 11.28                            | 78 150                      | 6 928                                 | 0.62                                         | 0.62                                      | 59.34                                       | —                                         |
| Dec. 31, 2015              | 11.36                            | 55 833                      | 4 914                                 | 0.61                                         | 0.61                                      | 105.88                                      | —                                         |
| Dec. 31, 2014 <sup>4</sup> | 11.33                            | 36 620                      | 3 233                                 | 0.62                                         | 0.62                                      | 78.54                                       | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.96</b>                     | <b>6 854 715</b>            | <b>625 641</b>                        | <b>0.03</b>                                  | <b>0.03</b>                               | <b>74.06</b>                                | —                                         |
| Dec. 31, 2017              | 10.89                            | 6 173 423                   | 567 094                               | 0.03                                         | 0.03                                      | 75.51                                       | —                                         |
| Dec. 31, 2016              | 11.07                            | 4 937 352                   | 446 088                               | 0.03                                         | 0.03                                      | 59.34                                       | —                                         |
| Dec. 31, 2015              | 11.15                            | 3 415 968                   | 306 417                               | 0.03                                         | 0.03                                      | 105.88                                      | —                                         |
| Dec. 31, 2014              | 11.11                            | 3 707 325                   | 333 574                               | 0.03                                         | 0.03                                      | 78.54                                       | —                                         |

<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 April 21, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.61%, Advisor Series – 1.59%, Series D – 0.89% and Series F – 0.73%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.35%           | 56%                   | 44%    |
| Advisor Series | 1.35%           | 56%                   | 44%    |
| Series D       | 0.75%           | 20%                   | 80%    |
| Series F       | 0.60%           | —                     | 100%   |
| Series I       | 0.50%           | —                     | 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.

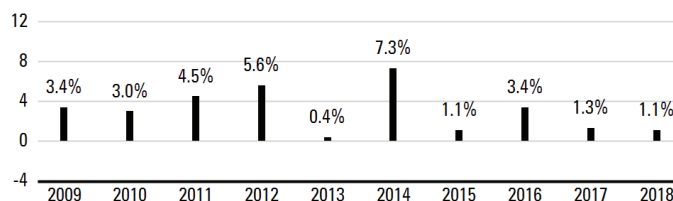
### PAST PERFORMANCE

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.

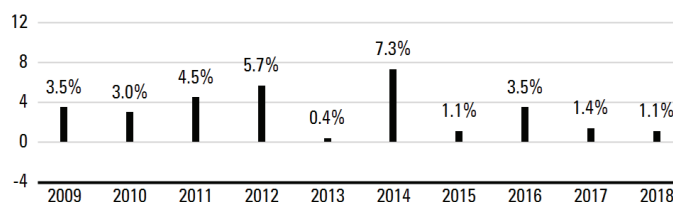
### Year-by-Year Returns (%)

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.

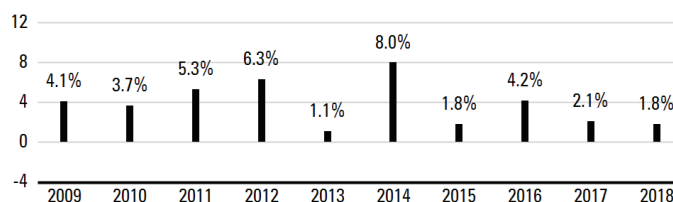
Series A (%)



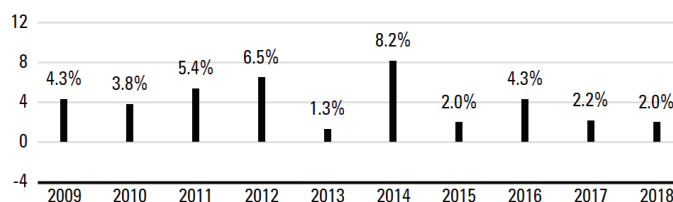
Advisor Series (%)



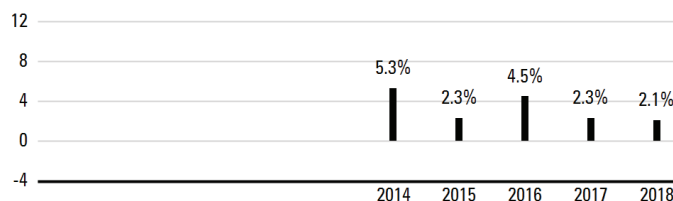
Series D (%)



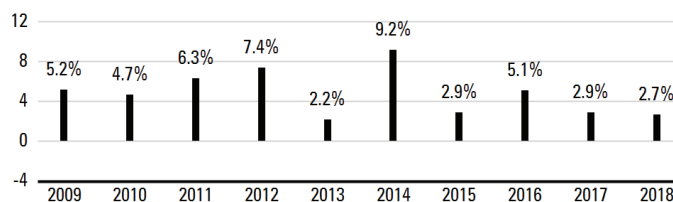
Series F (%)



Series I (%)



Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE World Government Bond Index (hedged to CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 1.1          | 1.9             | 2.8             | 3.1              | —                  |
| Benchmark      | 1.9          | 2.4             | 3.7             | 3.6              | —                  |
| Advisor Series | 1.1          | 2.0             | 2.9             | 3.1              | —                  |
| Benchmark      | 1.9          | 2.4             | 3.7             | 3.6              | —                  |
| Series D       | 1.8          | 2.7             | 3.6             | 3.8              | —                  |
| Benchmark      | 1.9          | 2.4             | 3.7             | 3.6              | —                  |
| Series F       | 2.0          | 2.8             | 3.7             | 4.0              | —                  |
| Benchmark      | 1.9          | 2.4             | 3.7             | 3.6              | —                  |
| Series I       | 2.1          | 3.0             | —               | —                | 3.5                |
| Benchmark      | 1.9          | 2.4             | —               | —                | 3.3                |
| Series O       | 2.7          | 3.6             | 4.5             | 4.8              | —                  |
| Benchmark      | 1.9          | 2.4             | 3.7             | 3.6              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series I units have been available for sale to unitholders since April 21, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

### INDEX DESCRIPTION

**FTSE World Government Bond Index (hedged to CAD)\*** This index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index includes sovereign debt from about 20 countries and is hedged to Canadian dollars.

\* The FTSE World Government Bond Index (hedged to CAD) was known as the Citi World Government Bond Index (Currency-Hedged in CAD) 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 |
|-----------------|----------------------|
| United States   | 20.9                 |
| Japan           | 11.4                 |
| Italy           | 9.2                  |
| Spain           | 8.9                  |
| France          | 8.4                  |
| Canada          | 5.9                  |
| United Kingdom  | 5.8                  |
| Income Funds    | 4.9                  |
| Germany         | 4.1                  |
| Mexico          | 1.4                  |
| Other Countries | 11.4                 |
| Cash/Other      | 7.7                  |

### Top 25 Holdings

|                                                     | % of Net Asset Value |
|-----------------------------------------------------|----------------------|
| Spain Government EUR 1.150% Jul 30 2020             | 4.7                  |
| United States 2-Year Note Future, March 2019        | 4.5                  |
| United States Treasury 2.375% May 15 2027           | 3.9                  |
| United States Treasury 1.500% Jan 31 2022           | 3.3                  |
| United States 10-Year Note Future, March 2019       | 2.8                  |
| France O.A.T. EUR 3.000% Apr 25 2022                | 2.7                  |
| United States Treasury 1.625% Jul 31 2020           | 2.5                  |
| BlueBay Emerging Markets Corporate Bond Fund        | 2.5                  |
| United Kingdom Gilt GBP 1.250% Jul 22 2027          | 2.4                  |
| United Kingdom Gilt GBP 3.250% Jan 22 2044          | 2.4                  |
| RBC Emerging Markets Foreign Exchange Fund          | 2.3                  |
| France O.A.T. EUR 0.500% May 25 2026                | 2.3                  |
| United States Treasury 2.500% Feb 15 2045           | 2.3                  |
| Buoni Poliennali Del Tesoro EUR 1.450% Sep 15 2022  | 2.3                  |
| Japan Government Twenty Year JPY 0.200% Jun 20 2036 | 2.1                  |
| France O.A.T. EUR 1.250% May 25 2036                | 2.1                  |
| Bundesrepublik Deutschland EUR 1.500% Sep 4 2022    | 2.0                  |
| United States Treasury 3.500% Feb 15 2039           | 2.0                  |
| United States Treasury 1.750% May 15 2023           | 1.9                  |
| Japan Government Thirty Year JPY 0.300% Jun 20 2046 | 1.9                  |
| United States Treasury 2.750% Feb 15 2028           | 1.8                  |
| Buoni Poliennali Del Tesoro EUR 0.650% Nov 1 2020   | 1.8                  |
| Japan Government Twenty Year JPY 0.500% Sep 20 2036 | 1.7                  |
| Spain Government EUR 0.450% Oct 31 2022             | 1.7                  |
| Belgium Government EUR 2.600% Jun 22 2024           | 1.6                  |
| Top 25 Holdings                                     | 61.5                 |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



FIXED-INCOME FUND

**RBC GLOBAL BOND &  
CURRENCY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns comprised of interest income and some capital growth by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in high-quality fixed-income securities issued internationally by Canadian and foreign governments and in emerging-market currencies. The Fund may also invest in fixed-income securities issued by Canadian and foreign corporations and supranational agencies such as the World Bank.

To achieve its objective, the Fund selects underlying funds from the RBC Funds family or PH&N Funds family, including the RBC Global Bond Fund, a portion of which is sub-advised by RBC Global Asset Management (UK) Limited and the RBC Emerging Markets Foreign Exchange Fund, which primarily invests in investment-grade fixed-income securities issued internationally by the Canadian government and corporations or foreign governments and corporations, or provides exposure to emerging-market currencies.

The portfolio manager allocates and rebalances the Fund’s assets among underlying funds based on the underlying funds’ ability to help the Fund meet its investment objectives.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund was launched on January 29, 2018, and its net asset value was \$9 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

Lower economic growth suggests that the U.S. Federal Reserve (the “Fed”) will slow its pace of rate increases in 2019, relative to earlier expectations. The European Central Bank has ended its bond-buying program and may begin raising rates in 2019. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, as long as central banks seem committed to higher benchmark rates. However, in the view of the portfolio manager, the bulk of Fed rate increases is likely behind us, and trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager expects emerging-market currencies to continue recovering in the near term, given indications that the Fed is likely to start slowing the pace of interest-rate increases from the four hikes recorded in 2018. Growth for most emerging economies will remain subdued in the first half of 2019, and the portfolio manager will continue to favour currencies with faster expected economic growth, lower vulnerability to U.S.-dollar funding and governments willing to enact structural reforms.

### 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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |
| <b>Series A</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.17</b>                                      | <b>(0.16)</b>     | <b>(0.34)</b>                 | <b>0.70</b>                     | <b>0.37</b>   | <b>(0.02)</b>                              | —                 | —                        | —                    | <b>10.20</b>                        |
| <b>Advisor Series</b>            |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.17</b>                                      | <b>(0.16)</b>     | <b>(0.33)</b>                 | <b>0.57</b>                     | <b>0.25</b>   | <b>(0.02)</b>                              | —                 | —                        | —                    | <b>10.20</b>                        |
| <b>Series D</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.35</b>                                      | <b>(0.11)</b>     | <b>(0.68)</b>                 | <b>1.11</b>                     | <b>0.67</b>   | <b>(0.05)</b>                              | —                 | —                        | —                    | <b>10.22</b>                        |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.15</b>                                      | <b>(0.08)</b>     | <b>(0.29)</b>                 | <b>0.05</b>                     | <b>(0.17)</b> | <b>(0.07)</b>                              | —                 | —                        | —                    | <b>10.23</b>                        |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>2.10</b>                                      | <b>(0.02)</b>     | <b>(4.13)</b>                 | <b>2.14</b>                     | <b>0.09</b>   | <b>(0.13)</b>                              | —                 | —                        | —                    | <b>10.25</b>                        |

<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 January 17, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.20</b>                     | <b>614</b>                  | <b>60</b>                             | <b>1.72</b>                                  | <b>1.73</b>                               | <b>157.73</b>                               | —                                         |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.20</b>                     | <b>230</b>                  | <b>23</b>                             | <b>1.72</b>                                  | <b>1.73</b>                               | <b>157.73</b>                               | —                                         |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.22</b>                     | <b>310</b>                  | <b>30</b>                             | <b>1.15</b>                                  | <b>1.16</b>                               | <b>157.73</b>                               | —                                         |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.23</b>                     | <b>8 277</b>                | <b>809</b>                            | <b>0.88</b>                                  | <b>0.89</b>                               | <b>157.73</b>                               | —                                         |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.25</b>                     | <b>2</b>                    | —                                     | <b>0.05</b>                                  | <b>0.06</b>                               | <b>157.73</b>                               | —                                         |

<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 January 17, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.45%           | 52%                   | 48%    |
| Advisor Series | 1.45%           | 52%                   | 48%    |
| Series D       | 0.95%           | 26%                   | 74%    |
| Series F       | 0.70%           | —                     | 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A, Advisor Series, Series D, Series F and Series O units of this Fund were launched on January 29, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                  | % of Net Asset Value |
|------------------|----------------------|
| Underlying Funds | 99.3                 |
| Cash/Other       | 0.7                  |

### Top 25 Holdings\*

|                                            | % of Net Asset Value |
|--------------------------------------------|----------------------|
| RBC Emerging Markets Foreign Exchange Fund | 50.5                 |
| RBC Global Bond Fund                       | 48.7                 |
| Cash & Cash Equivalents                    | 0.8                  |
| Total                                      | 100.0                |

\* 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).



FIXED-INCOME FUND

**RBC \$U.S. INVESTMENT GRADE  
CORPORATE BOND FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (U.S.) Inc., Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide interest income with the potential for modest capital growth by investing primarily in a portfolio of diversified investment-grade fixed-income securities issued by U.S. corporations.

To achieve the Fund's objectives, the portfolio manager invests primarily in bonds issued by U.S. corporations rated BBB- and above by Standard & Poor's or an equivalent rating agency. The portfolio manager employs a value-focused philosophy that emphasizes quality companies having stable to improving credit profiles, and which are considered to be undervalued given current market sentiment. The portfolio manager conducts fundamental company credit and industry analysis and diversifies the portfolio so that it is not concentrated in any one issuer, industry, country or credit rating.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$146 million as of December 31, 2018, from \$246 million at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series A units lost 3.8%, which underperformed the 2.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Expectations of slower global economic growth, escalating U.S.-China trade tensions and lower oil prices led to the underperformance of riskier assets, such as corporate bonds, relative to the "risk-free" government benchmark in 2018. Investor concern was reflected in the widening gap between yields on corporate bonds and comparable government securities, and this preference for safety was highlighted by the outperformance of highly rated AAA securities versus lower-rated BBB bonds, while shorter-maturity fixed income performed better than longer maturities. Within the Fund, overweight exposure to larger BBB-rated issuers hurt relative performance but was partially offset by positioning in longer-term securities.

From a sector perspective, the Fund's overweight position in Utilities held back performance. The Fund benefited from lower-than-benchmark exposure to the two consumer sectors and from positioning in auto-related companies and tobacco. The elimination of positions in Ford and General Electric aided relative returns, as it enabled the Fund to avoid some of the losses associated with securities of these companies during the year.

### **Recent Developments**

The sub-advisor expects economic growth to decelerate in 2019. Corporate profits should remain relatively strong but likely won't achieve the levels of 2018, as tailwinds from U.S. tax reform fade and trade tensions mount.

The sub-advisor continues to favour large companies with stable or improving credit profiles, and that generate consistent cash flows and are in the process of reducing debt. The Fund has overweight positions in banks and the Utilities sector, given the sub-advisor's view that credit profiles will improve in these areas. The Fund is underweight the consumer sectors as well as sectors that are likely to increase debt and are less capable of generating consistent cash flows if the economy weakens.

In the view of the sub-advisor, the Fund is positioned such that changes in interest rates should not have a significant impact on relative returns.

### **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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.71                                   | 0.37                                             | (0.12)            | (0.19)                        | (0.48)                          | (0.42) | (0.27)                                     | —                 | —                        | —                    | (0.27) | 9.08                                |
| Dec. 31, 2017                 | 9.47                                   | 0.37                                             | (0.12)            | 0.02                          | 0.23                            | 0.50   | (0.22)                                     | —                 | (0.05)                   | —                    | (0.27) | 9.71                                |
| Dec. 31, 2016                 | 9.50                                   | 0.39                                             | (0.13)            | (0.01)                        | 0.01                            | 0.26   | (0.26)                                     | —                 | (0.23)                   | —                    | (0.49) | 9.47                                |
| Dec. 31, 2015                 | 10.42                                  | 0.41                                             | (0.15)            | (0.01)                        | (0.37)                          | (0.12) | (0.28)                                     | —                 | (0.53)                   | —                    | (0.81) | 9.50                                |
| Dec. 31, 2014                 | 10.06                                  | 0.40                                             | (0.15)            | 0.04                          | 0.20                            | 0.49   | (0.20)                                     | —                 | (0.07)                   | —                    | (0.27) | 10.42                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.59                                   | 0.37                                             | (0.12)            | (0.19)                        | (0.44)                          | (0.38) | (0.27)                                     | —                 | —                        | —                    | (0.27) | 8.97                                |
| Dec. 31, 2017                 | 9.35                                   | 0.35                                             | (0.12)            | 0.02                          | 0.21                            | 0.46   | (0.21)                                     | —                 | (0.05)                   | —                    | (0.26) | 9.59                                |
| Dec. 31, 2016                 | 9.50                                   | 0.39                                             | (0.14)            | (0.01)                        | 0.14                            | 0.38   | (0.25)                                     | —                 | (0.34)                   | —                    | (0.59) | 9.35                                |
| Dec. 31, 2015                 | 10.42                                  | 0.41                                             | (0.15)            | (0.01)                        | (0.37)                          | (0.12) | (0.28)                                     | —                 | (0.53)                   | —                    | (0.81) | 9.50                                |
| Dec. 31, 2014                 | 10.08                                  | 0.40                                             | (0.14)            | 0.04                          | 0.21                            | 0.51   | (0.24)                                     | —                 | (0.07)                   | —                    | (0.31) | 10.42                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.72                                   | 0.37                                             | (0.08)            | (0.19)                        | (0.51)                          | (0.41) | (0.30)                                     | —                 | —                        | —                    | (0.30) | 9.09                                |
| Dec. 31, 2017                 | 9.48                                   | 0.36                                             | (0.09)            | 0.02                          | 0.25                            | 0.54   | (0.25)                                     | —                 | (0.05)                   | —                    | (0.30) | 9.72                                |
| Dec. 31, 2016                 | 9.50                                   | 0.38                                             | (0.09)            | (0.01)                        | (0.08)                          | 0.20   | (0.29)                                     | —                 | (0.22)                   | —                    | (0.51) | 9.48                                |
| Dec. 31, 2015                 | 10.42                                  | 0.41                                             | (0.11)            | (0.01)                        | (0.37)                          | (0.08) | (0.32)                                     | —                 | (0.53)                   | —                    | (0.85) | 9.50                                |
| Dec. 31, 2014                 | 10.07                                  | 0.42                                             | (0.11)            | 0.04                          | 0.21                            | 0.56   | (0.25)                                     | —                 | (0.07)                   | —                    | (0.32) | 10.42                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.70                                   | 0.37                                             | (0.07)            | (0.19)                        | (0.47)                          | (0.36) | (0.32)                                     | —                 | —                        | —                    | (0.32) | 9.07                                |
| Dec. 31, 2017                 | 9.45                                   | 0.36                                             | (0.07)            | 0.02                          | 0.23                            | 0.54   | (0.27)                                     | —                 | (0.05)                   | —                    | (0.32) | 9.70                                |
| Dec. 31, 2016                 | 9.50                                   | 0.38                                             | (0.08)            | (0.01)                        | (0.21)                          | 0.08   | (0.31)                                     | —                 | (0.24)                   | —                    | (0.55) | 9.45                                |
| Dec. 31, 2015                 | 10.42                                  | 0.41                                             | (0.09)            | (0.01)                        | (0.37)                          | (0.06) | (0.34)                                     | —                 | (0.53)                   | —                    | (0.87) | 9.50                                |
| Dec. 31, 2014                 | 10.05                                  | 0.38                                             | (0.10)            | 0.04                          | 0.20                            | 0.52   | (0.24)                                     | —                 | (0.07)                   | —                    | (0.31) | 10.42                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.67                                   | 0.36                                             | —                 | (0.19)                        | (0.50)                          | (0.33) | (0.38)                                     | —                 | —                        | —                    | (0.38) | 9.04                                |
| Dec. 31, 2017                 | 9.42                                   | 0.36                                             | —                 | 0.02                          | 0.24                            | 0.62   | (0.34)                                     | —                 | (0.05)                   | —                    | (0.39) | 9.67                                |
| Dec. 31, 2016                 | 9.46                                   | 0.39                                             | —                 | (0.01)                        | 0.12                            | 0.50   | (0.39)                                     | —                 | (0.22)                   | —                    | (0.61) | 9.42                                |
| Dec. 31, 2015                 | 10.38                                  | 0.41                                             | —                 | (0.01)                        | (0.37)                          | 0.03   | (0.43)                                     | —                 | (0.53)                   | —                    | (0.96) | 9.46                                |
| Dec. 31, 2014                 | 10.04                                  | 0.43                                             | —                 | 0.04                          | 0.22                            | 0.69   | (0.37)                                     | —                 | (0.07)                   | —                    | (0.44) | 10.38                               |

<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.





**FINANCIAL HIGHLIGHTS (in USD) (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.08</b>                      | <b>18 396</b>               | <b>2 027</b>                          | <b>1.26</b>                                  | <b>1.26</b>                               | <b>25.19</b>                                | —                                         |
| Dec. 31, 2017         | 9.71                             | 26 828                      | 2 763                                 | 1.27                                         | 1.27                                      | 21.65                                       | —                                         |
| Dec. 31, 2016         | 9.47                             | 28 835                      | 3 046                                 | 1.33                                         | 1.33                                      | 43.14                                       | —                                         |
| Dec. 31, 2015         | 9.50                             | 21 665                      | 2 280                                 | 1.45                                         | 1.45                                      | 53.05                                       | —                                         |
| Dec. 31, 2014         | 10.42                            | 16 342                      | 1 568                                 | 1.47                                         | 1.47                                      | 31.66                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.97</b>                      | <b>532</b>                  | <b>59</b>                             | <b>1.26</b>                                  | <b>1.26</b>                               | <b>25.19</b>                                | —                                         |
| Dec. 31, 2017         | 9.59                             | 987                         | 103                                   | 1.27                                         | 1.27                                      | 21.65                                       | —                                         |
| Dec. 31, 2016         | 9.35                             | 605                         | 65                                    | 1.40                                         | 1.40                                      | 43.14                                       | —                                         |
| Dec. 31, 2015         | 9.50                             | 757                         | 80                                    | 1.43                                         | 1.43                                      | 53.05                                       | —                                         |
| Dec. 31, 2014         | 10.42                            | 863                         | 83                                    | 1.37                                         | 1.37                                      | 31.66                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.09</b>                      | <b>1 608</b>                | <b>177</b>                            | <b>0.89</b>                                  | <b>0.89</b>                               | <b>25.19</b>                                | —                                         |
| Dec. 31, 2017         | 9.72                             | 2 700                       | 278                                   | 0.88                                         | 0.88                                      | 21.65                                       | —                                         |
| Dec. 31, 2016         | 9.48                             | 1 464                       | 155                                   | 0.92                                         | 0.92                                      | 43.14                                       | —                                         |
| Dec. 31, 2015         | 9.50                             | 834                         | 88                                    | 1.04                                         | 1.04                                      | 53.05                                       | —                                         |
| Dec. 31, 2014         | 10.42                            | 907                         | 87                                    | 1.07                                         | 1.07                                      | 31.66                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.07</b>                      | <b>12 947</b>               | <b>1 428</b>                          | <b>0.70</b>                                  | <b>0.70</b>                               | <b>25.19</b>                                | —                                         |
| Dec. 31, 2017         | 9.70                             | 19 012                      | 1 960                                 | 0.71                                         | 0.71                                      | 21.65                                       | —                                         |
| Dec. 31, 2016         | 9.45                             | 10 599                      | 1 121                                 | 0.77                                         | 0.77                                      | 43.14                                       | —                                         |
| Dec. 31, 2015         | 9.50                             | 3 334                       | 351                                   | 0.89                                         | 0.89                                      | 53.05                                       | —                                         |
| Dec. 31, 2014         | 10.42                            | 2 363                       | 227                                   | 0.91                                         | 0.91                                      | 31.66                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.04</b>                      | <b>112 623</b>              | <b>12 464</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>25.19</b>                                | —                                         |
| Dec. 31, 2017         | 9.67                             | 196 944                     | 20 372                                | 0.02                                         | 0.02                                      | 21.65                                       | —                                         |
| Dec. 31, 2016         | 9.42                             | 110 479                     | 11 722                                | 0.02                                         | 0.02                                      | 43.14                                       | —                                         |
| Dec. 31, 2015         | 9.46                             | 92 992                      | 9 833                                 | 0.02                                         | 0.02                                      | 53.05                                       | —                                         |
| Dec. 31, 2014         | 10.38                            | 96 158                      | 9 264                                 | 0.02                                         | 0.02                                      | 31.66                                       | —                                         |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.26%, Advisor Series – 1.30%, Series D – 0.86% and Series F – 0.72%.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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       | 1.10%           | 45%                   | 55%    |
| Advisor Series | 1.10%           | 45%                   | 55%    |
| Series D       | 0.75%           | 20%                   | 80%    |
| Series F       | 0.60%           | —                     | 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.

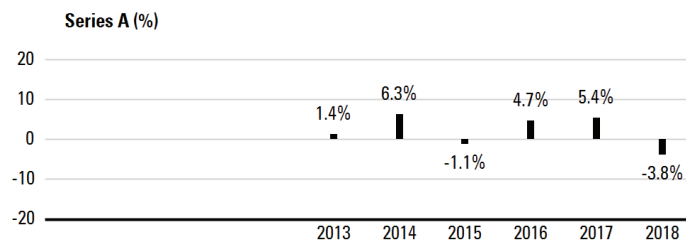
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE (in USD)

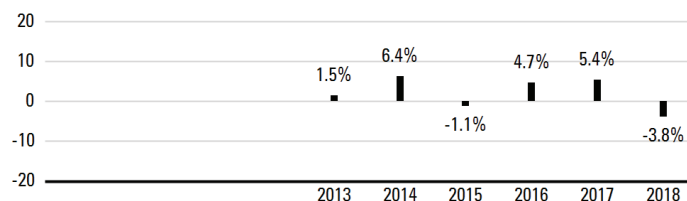
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

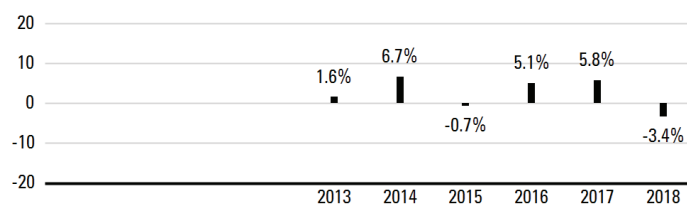
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



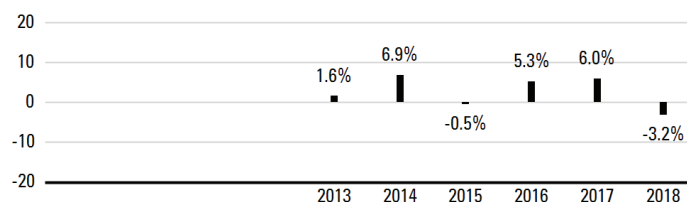
### Advisor Series (%)



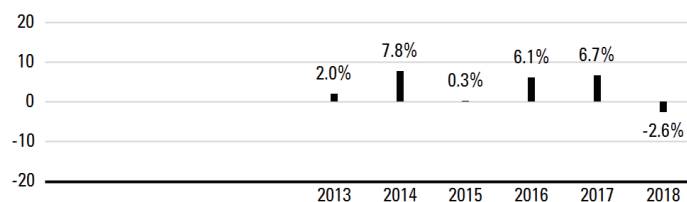
### Series D (%)



### Series F (%)



### Series O (%)





## PAST PERFORMANCE (in USD) (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Bloomberg Barclays U.S. Corporate Bond Index (USD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.8         | 2.0             | 2.2             | —                | 2.4                |
| Benchmark      | -2.5         | 3.3             | 3.3             | —                | 3.3                |
| Advisor Series | -3.8         | 2.0             | 2.3             | —                | 2.4                |
| Benchmark      | -2.5         | 3.3             | 3.3             | —                | 3.3                |
| Series D       | -3.4         | 2.4             | 2.6             | —                | 2.8                |
| Benchmark      | -2.5         | 3.3             | 3.3             | —                | 3.3                |
| Series F       | -3.2         | 2.6             | 2.8             | —                | 2.9                |
| Benchmark      | -2.5         | 3.3             | 3.3             | —                | 3.3                |
| Series O       | -2.6         | 3.3             | 3.6             | —                | 3.7                |
| Benchmark      | -2.5         | 3.3             | 3.3             | —                | 3.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since August 12, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

### INDEX DESCRIPTION

**Bloomberg Barclays U.S. Corporate Bond Index (USD)\*** This index is a broad measure of performance for the U.S. investment-grade, fixed-rate corporate-bond market.

\* Bloomberg Barclays benchmarks were known as the Barclays Capital benchmarks before a name change.

## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 84.1                 |
| Other Countries | 14.9                 |
| Cash/Other      | 1.0                  |

### Top 25 Holdings

|                                                                  | % of Net Asset Value |
|------------------------------------------------------------------|----------------------|
| Bank of America Corp. 3.875% Aug 1 2025                          | 1.2                  |
| Cooperatieve Rabobank U.A. USD 4.375% Aug 4 2025                 | 1.2                  |
| Appalachian Power Co. 7.000% Apr 1 2038                          | 1.2                  |
| Southern Power Co. 4.950% Dec 15 2046                            | 1.2                  |
| Citigroup Inc. 3.200% Oct 21 2026                                | 1.1                  |
| ConocoPhillips Holding Co. 6.950% Apr 15 2029                    | 1.1                  |
| Delta Air Lines Inc. 2.875% Mar 13 2020                          | 1.1                  |
| Morgan Stanley 3.875% Jan 27 2026                                | 1.1                  |
| Broadcom Corp. 3.625% Jan 15 2024                                | 1.1                  |
| Wells Fargo & Co. 3.000% Oct 23 2026                             | 1.1                  |
| Rockwell Collins Inc. 3.200% Mar 15 2024                         | 1.0                  |
| Exelon Corp. 5.625% Jun 15 2035                                  | 1.0                  |
| Bank of America Corp. 2.503% Oct 21 2022                         | 1.0                  |
| Starbucks Corp. 4.500% Nov 15 2048                               | 1.0                  |
| Bank of America Corp. 3.093% Oct 1 2025                          | 1.0                  |
| Lloyds Banking Group Plc. USD 2.907% Nov 7 2023                  | 1.0                  |
| Morgan Stanley 3.591% Jul 22 2028                                | 1.0                  |
| AXA S.A. USD 8.600% Dec 15 2030                                  | 0.9                  |
| Celgene Corp. 2.875% Feb 19 2021                                 | 0.9                  |
| AT&T Inc. 5.250% Mar 1 2037                                      | 0.9                  |
| Duke Energy Corp. 3.750% Sep 1 2046                              | 0.9                  |
| ConocoPhillips 5.900% Oct 15 2032                                | 0.9                  |
| JPMorgan Chase & Co. 3.220% Mar 1 2025                           | 0.9                  |
| Medtronic Inc. 3.150% Mar 15 2022                                | 0.9                  |
| Credit Suisse Group Funding Guernsey Ltd. USD 3.125% Dec 10 2020 | 0.9                  |
| Top 25 Holdings                                                  | 25.6                 |

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).



FIXED-INCOME FUND

**RBC GLOBAL CORPORATE BOND FUND**

December 31, 2018

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England  
(for a portion of the Fund)

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a high level of interest income with the potential for modest capital growth by investing primarily in global corporate bonds.

The majority of the Fund's holdings will consist of corporate debt rated by major credit-rating agencies as investment grade. The Fund may also invest up to 30% in non-investment grade corporate debt and emerging-market sovereign and corporate bonds.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$10.7 billion as of December 31, 2018, from \$9.9 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 2.6%, which underperformed the 1.7% decline in the benchmark. The broad-based index declined 3.3%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Corporate bonds underperformed similar-maturity government bonds in 2018, as investors became concerned about the potential for slowing economic growth; an intensifying trade dispute between the U.S. and China; geopolitical risks linked to Middle East tensions; and the U.K.'s plan to leave the European Union. These risks led to an increase in the excess yield earned on corporate bonds over sovereign securities, resulting in smaller relative price gains or outright declines for corporate bonds.

The Fund benefited from its preference for higher-quality companies, which cushioned losses amid declines in the riskier parts of the corporate-bond market. Similarly, returns in the Fund's emerging-market bond holdings benefited from less exposure to weaker economies, such as Argentina and Turkey. Currency management also added to the Fund's performance.

High-yield holdings in industries such as autos and homebuilding hurt relative returns, given concern about a slowing global economy. Returns were also held back by exposure to Canadian preferred shares, whose prices fell significantly in the fourth quarter.

### Recent Developments

The portfolio manager believes that the Fund is positioned to withstand a slowdown in economic growth, with overweight allocations to higher-quality Canadian and U.S. bonds, and to capitalize on attractive investment opportunities in the event of further underperformance in corporate bonds. The Fund recently increased its allocation to emerging markets as valuations improved. High-yield corporate-bond weightings are lower than in previous years, while the average maturity of the Fund is similar to the benchmark. European bonds are being kept at benchmark levels.

### 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*

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$86,000 (2017 – \$5,000) or 34% (2017 – 7%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.83                                   | 0.35                                             | (0.17)            | (0.14)                        | (0.32)                          | (0.28) | (0.17)                                     | —                 | —                        | —                    | (0.17) | 9.40                                |
| Dec. 31, 2017                 | 9.66                                   | 0.36                                             | (0.17)            | 0.24                          | (0.08)                          | 0.35   | (0.17)                                     | —                 | —                        | —                    | (0.17) | 9.83                                |
| Dec. 31, 2016                 | 9.39                                   | 0.39                                             | (0.17)            | 0.23                          | 0.04                            | 0.49   | (0.21)                                     | —                 | —                        | —                    | (0.21) | 9.66                                |
| Dec. 31, 2015                 | 9.69                                   | 0.43                                             | (0.17)            | (0.67)                        | 0.28                            | (0.13) | (0.24)                                     | —                 | —                        | —                    | (0.24) | 9.39                                |
| Dec. 31, 2014                 | 9.38                                   | 0.52                                             | (0.17)            | (0.26)                        | 0.53                            | 0.62   | (0.31)                                     | —                 | —                        | —                    | (0.31) | 9.69                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.97                                   | 0.36                                             | (0.17)            | (0.14)                        | (0.33)                          | (0.28) | (0.18)                                     | —                 | —                        | —                    | (0.18) | 9.53                                |
| Dec. 31, 2017                 | 9.79                                   | 0.36                                             | (0.17)            | 0.24                          | (0.08)                          | 0.35   | (0.18)                                     | —                 | —                        | —                    | (0.18) | 9.97                                |
| Dec. 31, 2016                 | 9.52                                   | 0.40                                             | (0.17)            | 0.24                          | 0.02                            | 0.49   | (0.22)                                     | —                 | —                        | —                    | (0.22) | 9.79                                |
| Dec. 31, 2015                 | 9.82                                   | 0.44                                             | (0.17)            | (0.68)                        | 0.28                            | (0.13) | (0.24)                                     | —                 | —                        | —                    | (0.24) | 9.52                                |
| Dec. 31, 2014                 | 9.51                                   | 0.53                                             | (0.17)            | (0.26)                        | 0.54                            | 0.64   | (0.32)                                     | —                 | —                        | —                    | (0.32) | 9.82                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.56                                  | 0.38                                             | (0.11)            | (0.15)                        | (0.33)                          | (0.21) | (0.26)                                     | —                 | —                        | —                    | (0.26) | 10.10                               |
| Dec. 31, 2017                 | 10.38                                  | 0.38                                             | (0.11)            | 0.26                          | (0.09)                          | 0.44   | (0.26)                                     | —                 | —                        | —                    | (0.26) | 10.56                               |
| Dec. 31, 2016                 | 10.09                                  | 0.42                                             | (0.11)            | 0.25                          | (0.01)                          | 0.55   | (0.30)                                     | —                 | —                        | —                    | (0.30) | 10.38                               |
| Dec. 31, 2015                 | 10.41                                  | 0.46                                             | (0.11)            | (0.71)                        | 0.30                            | (0.06) | (0.32)                                     | —                 | —                        | —                    | (0.32) | 10.09                               |
| Dec. 31, 2014                 | 10.06                                  | 0.54                                             | (0.11)            | (0.27)                        | 0.56                            | 0.72   | (0.38)                                     | —                 | —                        | —                    | (0.38) | 10.41                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.01                                  | 0.36                                             | (0.09)            | (0.14)                        | (0.32)                          | (0.19) | (0.26)                                     | —                 | —                        | —                    | (0.26) | 9.57                                |
| Dec. 31, 2017                 | 9.84                                   | 0.36                                             | (0.09)            | 0.24                          | (0.08)                          | 0.43   | (0.26)                                     | —                 | —                        | —                    | (0.26) | 10.01                               |
| Dec. 31, 2016                 | 9.57                                   | 0.39                                             | (0.09)            | 0.23                          | (0.09)                          | 0.44   | (0.30)                                     | —                 | —                        | —                    | (0.30) | 9.84                                |
| Dec. 31, 2015                 | 9.87                                   | 0.43                                             | (0.09)            | (0.67)                        | 0.28                            | (0.05) | (0.32)                                     | —                 | —                        | —                    | (0.32) | 9.57                                |
| Dec. 31, 2014                 | 9.54                                   | 0.52                                             | (0.09)            | (0.26)                        | 0.53                            | 0.70   | (0.38)                                     | —                 | —                        | —                    | (0.38) | 9.87                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.96                                   | 0.35                                             | —                 | (0.14)                        | (0.30)                          | (0.09) | (0.34)                                     | —                 | —                        | —                    | (0.34) | 9.52                                |
| Dec. 31, 2017                 | 9.79                                   | 0.36                                             | —                 | 0.24                          | (0.08)                          | 0.52   | (0.35)                                     | —                 | —                        | —                    | (0.35) | 9.96                                |
| Dec. 31, 2016                 | 9.52                                   | 0.40                                             | —                 | 0.23                          | (0.01)                          | 0.62   | (0.38)                                     | —                 | —                        | —                    | (0.38) | 9.79                                |
| Dec. 31, 2015                 | 9.82                                   | 0.43                                             | —                 | (0.67)                        | 0.28                            | 0.04   | (0.41)                                     | —                 | —                        | —                    | (0.41) | 9.52                                |
| Dec. 31, 2014                 | 9.45                                   | 0.47                                             | —                 | (0.23)                        | 0.48                            | 0.72   | (0.42)                                     | —                 | —                        | —                    | (0.42) | 9.82                                |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.40</b>                      | <b>107 335</b>              | <b>11 419</b>                         | <b>1.75</b>                                  | <b>1.75</b>                               | <b>33.49</b>                                | —                                         |
| Dec. 31, 2017         | 9.83                             | 146 899                     | 14 940                                | 1.75                                         | 1.75                                      | 24.11                                       | —                                         |
| Dec. 31, 2016         | 9.66                             | 156 474                     | 16 204                                | 1.74                                         | 1.74                                      | 23.19                                       | —                                         |
| Dec. 31, 2015         | 9.39                             | 174 798                     | 18 607                                | 1.74                                         | 1.74                                      | 23.91                                       | —                                         |
| Dec. 31, 2014         | 9.69                             | 201 106                     | 20 750                                | 1.74                                         | 1.74                                      | 24.57                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.53</b>                      | <b>64 226</b>               | <b>6 740</b>                          | <b>1.73</b>                                  | <b>1.73</b>                               | <b>33.49</b>                                | —                                         |
| Dec. 31, 2017         | 9.97                             | 87 785                      | 8 808                                 | 1.73                                         | 1.73                                      | 24.11                                       | —                                         |
| Dec. 31, 2016         | 9.79                             | 93 925                      | 9 596                                 | 1.72                                         | 1.72                                      | 23.19                                       | —                                         |
| Dec. 31, 2015         | 9.52                             | 101 967                     | 10 709                                | 1.72                                         | 1.72                                      | 23.91                                       | —                                         |
| Dec. 31, 2014         | 9.82                             | 113 679                     | 11 574                                | 1.71                                         | 1.71                                      | 24.57                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.10</b>                     | <b>84 150</b>               | <b>8 333</b>                          | <b>1.05</b>                                  | <b>1.05</b>                               | <b>33.49</b>                                | —                                         |
| Dec. 31, 2017         | 10.56                            | 90 389                      | 8 557                                 | 1.06                                         | 1.06                                      | 24.11                                       | —                                         |
| Dec. 31, 2016         | 10.38                            | 74 121                      | 7 143                                 | 1.05                                         | 1.05                                      | 23.19                                       | —                                         |
| Dec. 31, 2015         | 10.09                            | 65 076                      | 6 447                                 | 1.05                                         | 1.05                                      | 23.91                                       | —                                         |
| Dec. 31, 2014         | 10.41                            | 58 309                      | 5 600                                 | 1.05                                         | 1.05                                      | 24.57                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.57</b>                      | <b>139 281</b>              | <b>14 550</b>                         | <b>0.90</b>                                  | <b>0.90</b>                               | <b>33.49</b>                                | —                                         |
| Dec. 31, 2017         | 10.01                            | 167 705                     | 16 746                                | 0.91                                         | 0.91                                      | 24.11                                       | —                                         |
| Dec. 31, 2016         | 9.84                             | 114 699                     | 11 660                                | 0.90                                         | 0.90                                      | 23.19                                       | —                                         |
| Dec. 31, 2015         | 9.57                             | 70 148                      | 7 330                                 | 0.90                                         | 0.90                                      | 23.91                                       | —                                         |
| Dec. 31, 2014         | 9.87                             | 49 867                      | 5 051                                 | 0.90                                         | 0.90                                      | 24.57                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.52</b>                      | <b>10 306 916</b>           | <b>1 082 187</b>                      | <b>0.04</b>                                  | <b>0.04</b>                               | <b>33.49</b>                                | —                                         |
| Dec. 31, 2017         | 9.96                             | 9 419 213                   | 945 600                               | 0.04                                         | 0.04                                      | 24.11                                       | —                                         |
| Dec. 31, 2016         | 9.79                             | 6 562 512                   | 670 520                               | 0.03                                         | 0.03                                      | 23.19                                       | —                                         |
| Dec. 31, 2015         | 9.52                             | 4 871 827                   | 511 679                               | 0.03                                         | 0.03                                      | 23.91                                       | —                                         |
| Dec. 31, 2014         | 9.82                             | 2 925 525                   | 297 836                               | 0.03                                         | 0.03                                      | 24.57                                       | —                                         |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

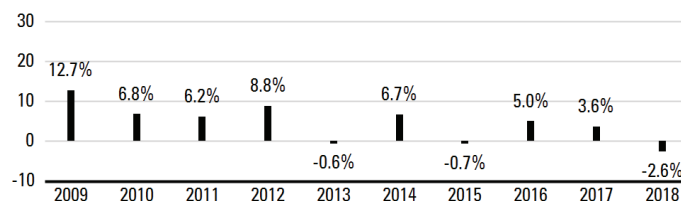
### PAST PERFORMANCE

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.

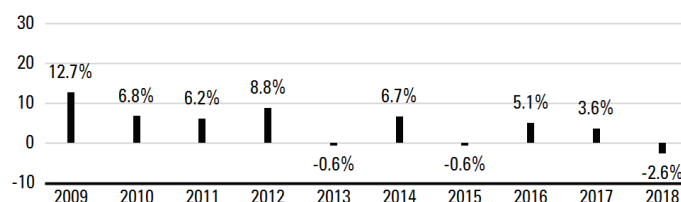
### Year-by-Year Returns (%)

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.

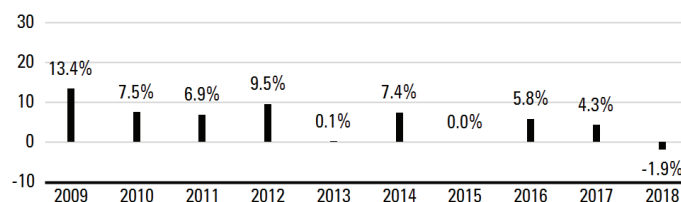
**Series A (%)**



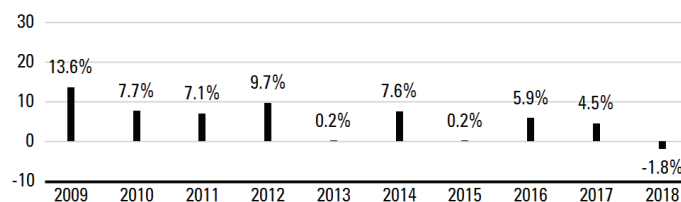
**Advisor Series (%)**



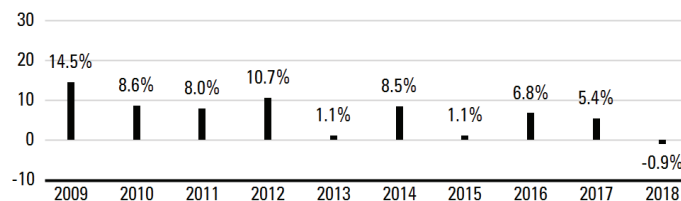
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 40% Bloomberg Barclays U.S. Corporate Investment Grade Bond Index (hedged to CAD)
- 20% Bloomberg Barclays Pan European Corporate Bond Index (hedged to CAD)
- 15% FTSE Canada All Corporate Bond Index
- 10% JPMorgan EMBI Global Diversified (hedged to CAD)
- 10% ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)
- 5% Bloomberg Barclays Asia-Pacific Corporate Bond Index (hedged to CAD)

The broad-based index is the Bloomberg Barclays U.S. Corporate Investment Grade Bond Index (hedged to CAD).

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -2.6         | 2.0             | 2.3             | 4.5              | —                  |
| Benchmark         | -1.7         | 3.4             | 3.7             | 6.5              | —                  |
| Broad-based index | -3.3         | 2.7             | 3.2             | 6.1              | —                  |
| Advisor Series    | -2.6         | 2.0             | 2.4             | 4.5              | —                  |
| Benchmark         | -1.7         | 3.4             | 3.7             | 6.5              | —                  |
| Broad-based index | -3.3         | 2.7             | 3.2             | 6.1              | —                  |
| Series D          | -1.9         | 2.7             | 3.1             | 5.2              | —                  |
| Benchmark         | -1.7         | 3.4             | 3.7             | 6.5              | —                  |
| Broad-based index | -3.3         | 2.7             | 3.2             | 6.1              | —                  |
| Series F          | -1.8         | 2.8             | 3.2             | 5.4              | —                  |
| Benchmark         | -1.7         | 3.4             | 3.7             | 6.5              | —                  |
| Broad-based index | -3.3         | 2.7             | 3.2             | 6.1              | —                  |
| Series O          | -0.9         | 3.7             | 4.1             | 6.3              | —                  |
| Benchmark         | -1.7         | 3.4             | 3.7             | 6.5              | —                  |
| Broad-based index | -3.3         | 2.7             | 3.2             | 6.1              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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 index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

### Bloomberg Barclays U.S. Corporate Investment Grade Bond Index (hedged to CAD)\*

This index is a broad measure of the performance of investment-grade U.S. corporate and specified foreign debentures that mature in more than one year. The index is hedged to Canadian dollars.

**Bloomberg Barclays Pan European Corporate Bond Index (hedged to CAD)\*** This index is a broad measure of the performance of investment-grade European corporate debt that matures in more than one year. The index is hedged to Canadian dollars.

**FTSE Canada All Corporate Bond Index†** This index is a broad measure of the performance of investment-grade Canadian bonds issued by corporations. The index includes bonds with terms to maturity of at least one year.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)‡** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is hedged to Canadian dollars.

**Bloomberg Barclays Asia-Pacific Corporate Bond Index (hedged to CAD)\*** This index is a broad measure of the performance of Asia-Pacific region investment-grade corporate debt that matures in more than one year. The index is hedged to Canadian dollars.

\* Bloomberg Barclays benchmarks were known as the Barclays Capital benchmarks before a name change.

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

‡ ICE BofAML benchmarks were known as the Bank of America Merrill Lynch 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 |
|-----------------|----------------------|
| United States   | 38.3                 |
| Canada          | 20.7                 |
| Income Funds    | 14.7                 |
| United Kingdom  | 7.4                  |
| Germany         | 3.4                  |
| France          | 2.3                  |
| Netherlands     | 2.3                  |
| Spain           | 1.0                  |
| Other Countries | 10.1                 |
| Cash/Other      | (0.2)                |

### Top 25 Holdings

|                                                         | % of Net Asset Value |
|---------------------------------------------------------|----------------------|
| iShares iBoxx \$ Investment Grade Corporate Bond Fund   | 3.3                  |
| RBC Emerging Markets Bond Fund                          | 2.2                  |
| BlueBay Emerging Markets Corporate Bond Fund            | 2.2                  |
| Vanguard Short-Term Corporate Bond Fund                 | 1.7                  |
| Vanguard Long-Term Corporate Bond Fund                  | 1.1                  |
| Vanguard Intermediate-Term Corporate Bond Fund          | 1.0                  |
| RBC Emerging Markets Foreign Exchange Fund              | 1.0                  |
| United States 2-Year Note Future, March 2019            | 0.8                  |
| RBC Target 2020 Corporate Bond Index ETF                | 0.6                  |
| iShares Canadian Corporate Bond Index Fund              | 0.5                  |
| iShares J.P. Morgan USD Emerging Markets Bond Fund      | 0.5                  |
| Bank of America Corp. EUR 0.736% Feb 7 2022             | 0.5                  |
| ING Bank N.V. EUR 0.375% Nov 26 2021                    | 0.3                  |
| Great-West Lifeco Inc. EUR 2.500% Apr 18 2023           | 0.3                  |
| Toronto-Dominion Bank USD 3.250% Jun 11 2021            | 0.3                  |
| BMO Short Corporate Bond Index ETF                      | 0.3                  |
| Credit Agricole SA EUR 0.750% Dec 5 2023                | 0.3                  |
| UBS Group Funding Switzerland AG EUR 1.250% Apr 17 2025 | 0.3                  |
| Rogers Communications Inc. USD 4.300% Feb 15 2048       | 0.3                  |
| Apple Inc. 3.850% Aug 4 2046                            | 0.3                  |
| ING Groep N.V. EUR 0.750% Mar 9 2022                    | 0.3                  |
| Verizon Communications Inc. 4.862% Aug 21 2046          | 0.3                  |
| Citigroup Inc. EUR 1.500% Jul 24 2026                   | 0.3                  |
| Natwest Markets Plc. EUR 0.625% Mar 2 2022              | 0.3                  |
| Morgan Stanley 5.500% Jul 28 2021                       | 0.3                  |
| Top 25 Holdings                                         | 19.3                 |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



FIXED-INCOME FUND

**RBC HIGH YIELD BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a high level of income with the potential for modest capital growth by investing primarily in higher-yielding corporate debt securities issued by Canadian and U.S. corporations.

To achieve its objectives, the portfolio manager invests primarily in debt securities rated from BBB to B by Standard & Poor's or an equivalent credit-rating company. The portfolio manager employs a value-focused philosophy, striving to invest in quality companies having stable to improving credit profiles, and which are considered undervalued.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$1.7 billion as of December 31, 2018, from \$1.9 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 4.2%, which underperformed the 1.4% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The Fund's relative returns were held back by the underperformance of U.S. high-yield corporate bonds, which made up most of the Fund's assets. U.S. high-yield bonds were negatively affected by a general rise in U.S. interest rates during the period and an increase in the premium required by investors to invest in lower-rated corporate bonds, known as the credit spread. U.S. high-yield bonds had outperformed Canadian investment-grade-rated bonds until October, as credit spreads narrowed for most of the year to their lowest levels since 2007. However, spreads widened significantly during the final quarter of 2018.

The lowest-rated corporate bonds, which had outperformed for most of the year, reversed course late in the fourth quarter and were the worst-performing part of the corporate-bond market by year-end. Factors that held back returns included lower oil prices; fears of slowing global growth and an increase in global trade tensions; and

the U.S. Federal Reserve's steps to shrink its balance sheet and raise short-term interest rates. These concerns resulted in falling equity prices and rising credit spreads for non-government bonds.

Even so, measures of the health of the corporate-bond market improved slightly, and defaults fell, and remain, at low levels.

The Fund was negatively affected by its exposure to U.S. high-yield bonds in general, and by its exposure to specific automotive issuers and the technology industry. The Fund benefited from its significant cash holdings and exposure to higher-quality Canadian corporate bonds.

### Recent Developments

Valuations of high-yield bonds have improved, as credit spreads widened, although they remain below long-term averages and the portfolio manager anticipates more volatility if central banks continue tightening monetary policy. While modest returns are expected in the near term, credit defaults remain low and some corporate bonds have fallen to valuations that offer the potential for more attractive returns.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.82                                  | 0.56                                             | (0.15)            | (0.28)                        | (0.56)                          | (0.43) | (0.41)                                     | —                 | —                        | —                    | (0.41) | 9.96                                |
| Dec. 31, 2017                 | 10.67                                  | 0.53                                             | (0.15)            | 0.73                          | (0.58)                          | 0.53   | (0.38)                                     | —                 | —                        | —                    | (0.38) | 10.82                               |
| Dec. 31, 2016                 | 9.89                                   | 0.55                                             | (0.15)            | 0.44                          | 0.32                            | 1.16   | (0.39)                                     | —                 | —                        | —                    | (0.39) | 10.67                               |
| Dec. 31, 2015                 | 10.48                                  | 0.63                                             | (0.15)            | (0.78)                        | 0.10                            | (0.20) | (0.46)                                     | —                 | —                        | —                    | (0.46) | 9.89                                |
| Dec. 31, 2014                 | 10.61                                  | 0.65                                             | (0.15)            | (0.43)                        | 0.26                            | 0.33   | (0.49)                                     | —                 | —                        | —                    | (0.49) | 10.48                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.91                                  | 0.57                                             | (0.16)            | (0.28)                        | (0.57)                          | (0.44) | (0.41)                                     | —                 | —                        | —                    | (0.41) | 10.04                               |
| Dec. 31, 2017                 | 10.76                                  | 0.53                                             | (0.16)            | 0.74                          | (0.59)                          | 0.52   | (0.38)                                     | —                 | —                        | —                    | (0.38) | 10.91                               |
| Dec. 31, 2016                 | 9.97                                   | 0.55                                             | (0.15)            | 0.44                          | 0.33                            | 1.17   | (0.39)                                     | —                 | —                        | —                    | (0.39) | 10.76                               |
| Dec. 31, 2015                 | 10.57                                  | 0.63                                             | (0.16)            | (0.79)                        | 0.10                            | (0.22) | (0.46)                                     | —                 | —                        | —                    | (0.46) | 9.97                                |
| Dec. 31, 2014                 | 10.70                                  | 0.66                                             | (0.16)            | (0.43)                        | 0.26                            | 0.33   | (0.49)                                     | —                 | —                        | —                    | (0.49) | 10.57                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.91                                  | 0.57                                             | (0.11)            | (0.28)                        | (0.59)                          | (0.41) | (0.46)                                     | —                 | —                        | —                    | (0.46) | 10.04                               |
| Dec. 31, 2017                 | 10.77                                  | 0.53                                             | (0.11)            | 0.74                          | (0.60)                          | 0.56   | (0.43)                                     | —                 | —                        | —                    | (0.43) | 10.91                               |
| Dec. 31, 2016                 | 9.97                                   | 0.55                                             | (0.11)            | 0.44                          | 0.34                            | 1.22   | (0.43)                                     | —                 | —                        | —                    | (0.43) | 10.77                               |
| Dec. 31, 2015                 | 10.58                                  | 0.63                                             | (0.11)            | (0.78)                        | 0.10                            | (0.16) | (0.51)                                     | —                 | —                        | —                    | (0.51) | 9.97                                |
| Dec. 31, 2014                 | 10.73                                  | 0.66                                             | (0.11)            | (0.43)                        | 0.26                            | 0.38   | (0.55)                                     | —                 | —                        | —                    | (0.55) | 10.58                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.93                                  | 0.57                                             | (0.09)            | (0.28)                        | (0.58)                          | (0.38) | (0.48)                                     | —                 | —                        | —                    | (0.48) | 10.07                               |
| Dec. 31, 2017                 | 10.79                                  | 0.53                                             | (0.10)            | 0.74                          | (0.57)                          | 0.60   | (0.44)                                     | —                 | —                        | —                    | (0.44) | 10.93                               |
| Dec. 31, 2016                 | 10.00                                  | 0.55                                             | (0.09)            | 0.44                          | 0.33                            | 1.23   | (0.45)                                     | —                 | —                        | —                    | (0.45) | 10.79                               |
| Dec. 31, 2015                 | 10.60                                  | 0.63                                             | (0.09)            | (0.78)                        | 0.10                            | (0.14) | (0.53)                                     | —                 | —                        | —                    | (0.53) | 10.00                               |
| Dec. 31, 2014                 | 10.73                                  | 0.66                                             | (0.10)            | (0.43)                        | 0.26                            | 0.39   | (0.55)                                     | —                 | —                        | —                    | (0.55) | 10.60                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.98                                  | 0.57                                             | —                 | (0.28)                        | (0.59)                          | (0.30) | (0.57)                                     | —                 | —                        | —                    | (0.57) | 10.11                               |
| Dec. 31, 2017                 | 10.84                                  | 0.54                                             | —                 | 0.75                          | (0.59)                          | 0.70   | (0.54)                                     | —                 | —                        | —                    | (0.54) | 10.98                               |
| Dec. 31, 2016                 | 10.05                                  | 0.56                                             | —                 | 0.44                          | 0.36                            | 1.36   | (0.55)                                     | —                 | —                        | —                    | (0.55) | 10.84                               |
| Dec. 31, 2015                 | 10.66                                  | 0.63                                             | —                 | (0.78)                        | 0.10                            | (0.05) | (0.62)                                     | —                 | —                        | —                    | (0.62) | 10.05                               |
| Dec. 31, 2014                 | 10.79                                  | 0.66                                             | —                 | (0.43)                        | 0.26                            | 0.49   | (0.64)                                     | —                 | —                        | —                    | (0.64) | 10.66                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.96</b>                      | <b>97 634</b>               | <b>9 803</b>                          | <b>1.44</b>                                  | <b>1.44</b>                               | <b>33.78</b>                                | —                                         |
| Dec. 31, 2017         | 10.82                            | 128 435                     | 11 871                                | 1.45                                         | 1.45                                      | 35.21                                       | —                                         |
| Dec. 31, 2016         | 10.67                            | 131 462                     | 12 317                                | 1.43                                         | 1.43                                      | 46.64                                       | —                                         |
| Dec. 31, 2015         | 9.89                             | 128 894                     | 13 038                                | 1.43                                         | 1.43                                      | 49.04                                       | —                                         |
| Dec. 31, 2014         | 10.48                            | 171 940                     | 16 401                                | 1.43                                         | 1.43                                      | 43.67                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.04</b>                     | <b>50 671</b>               | <b>5 045</b>                          | <b>1.48</b>                                  | <b>1.48</b>                               | <b>33.78</b>                                | —                                         |
| Dec. 31, 2017         | 10.91                            | 62 900                      | 5 765                                 | 1.49                                         | 1.49                                      | 35.21                                       | —                                         |
| Dec. 31, 2016         | 10.76                            | 61 156                      | 5 682                                 | 1.47                                         | 1.47                                      | 46.64                                       | —                                         |
| Dec. 31, 2015         | 9.97                             | 63 854                      | 6 404                                 | 1.47                                         | 1.47                                      | 49.04                                       | —                                         |
| Dec. 31, 2014         | 10.57                            | 85 467                      | 8 083                                 | 1.47                                         | 1.47                                      | 43.67                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.04</b>                     | <b>66 407</b>               | <b>6 612</b>                          | <b>1.03</b>                                  | <b>1.03</b>                               | <b>33.78</b>                                | —                                         |
| Dec. 31, 2017         | 10.91                            | 72 006                      | 6 598                                 | 1.04                                         | 1.04                                      | 35.21                                       | —                                         |
| Dec. 31, 2016         | 10.77                            | 62 257                      | 5 782                                 | 1.02                                         | 1.02                                      | 46.64                                       | —                                         |
| Dec. 31, 2015         | 9.97                             | 50 172                      | 5 030                                 | 1.02                                         | 1.02                                      | 49.04                                       | —                                         |
| Dec. 31, 2014         | 10.58                            | 46 131                      | 4 361                                 | 1.02                                         | 1.02                                      | 43.67                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.07</b>                     | <b>93 475</b>               | <b>9 286</b>                          | <b>0.89</b>                                  | <b>0.89</b>                               | <b>33.78</b>                                | —                                         |
| Dec. 31, 2017         | 10.93                            | 117 315                     | 10 727                                | 0.91                                         | 0.91                                      | 35.21                                       | —                                         |
| Dec. 31, 2016         | 10.79                            | 110 807                     | 10 269                                | 0.89                                         | 0.89                                      | 46.64                                       | —                                         |
| Dec. 31, 2015         | 10.00                            | 62 664                      | 6 269                                 | 0.89                                         | 0.89                                      | 49.04                                       | —                                         |
| Dec. 31, 2014         | 10.60                            | 68 962                      | 6 505                                 | 0.88                                         | 0.88                                      | 43.67                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.11</b>                     | <b>1 373 495</b>            | <b>135 808</b>                        | <b>0.03</b>                                  | <b>0.03</b>                               | <b>33.78</b>                                | —                                         |
| Dec. 31, 2017         | 10.98                            | 1 549 829                   | 141 060                               | 0.05                                         | 0.05                                      | 35.21                                       | —                                         |
| Dec. 31, 2016         | 10.84                            | 1 647 774                   | 151 979                               | 0.02                                         | 0.02                                      | 46.64                                       | —                                         |
| Dec. 31, 2015         | 10.05                            | 1 346 816                   | 134 021                               | 0.02                                         | 0.02                                      | 49.04                                       | —                                         |
| Dec. 31, 2014         | 10.66                            | 942 527                     | 88 398                                | 0.02                                         | 0.02                                      | 43.67                                       | —                                         |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.25%           | 40%                   | 60%    |
| Advisor Series | 1.25%           | 40%                   | 60%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

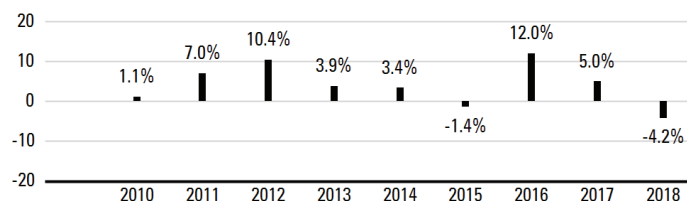
### PAST PERFORMANCE

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.

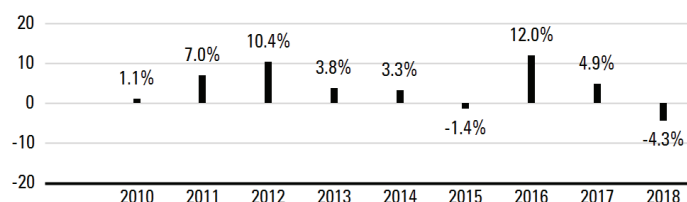
### Year-by-Year Returns (%)

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.

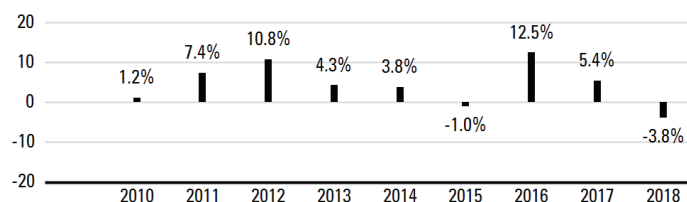
Series A (%)



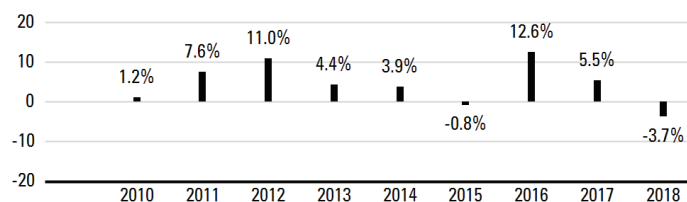
Advisor Series (%)



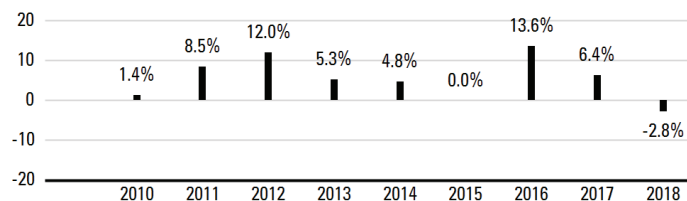
Series D (%)



Series F (%)



Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE Canada Universe Bond Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -4.2         | 4.0             | 2.8             | —                | 4.4                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Advisor Series | -4.3         | 4.0             | 2.8             | —                | 4.4                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series D       | -3.8         | 4.5             | 3.2             | —                | 4.8                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series F       | -3.7         | 4.6             | 3.4             | —                | 5.0                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series O       | -2.8         | 5.5             | 4.2             | —                | 5.9                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.5                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since October 12, 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**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 |
|-----------------|----------------------|
| United States   | 61.9                 |
| Canada          | 22.8                 |
| Other Countries | 8.1                  |
| Cash/Other      | 7.2                  |

### Top 25 Holdings

|                                                      | % of Net Asset Value |
|------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                              | 4.3                  |
| Videotron Ltd. 5.750% Jan 15 2026                    | 2.2                  |
| ArcelorMittal USD 8.000% Oct 15 2039                 | 2.1                  |
| Western Digital Corp. 4.750% Feb 15 2026             | 2.0                  |
| CCO Holdings LLC 5.750% Feb 15 2026                  | 1.9                  |
| Lennar Corp. 5.250% Jun 1 2026                       | 1.7                  |
| Hanesbrands Inc. 4.875% May 15 2026                  | 1.7                  |
| Diamond 1 Finance Corp. 6.020% Jun 15 2026           | 1.5                  |
| Equinix Inc. 5.875% Jan 15 2026                      | 1.5                  |
| HCA Inc. 4.500% Feb 15 2027                          | 1.5                  |
| Vermilion Energy Inc. USD 5.625% Mar 15 2025         | 1.5                  |
| RBC Emerging Markets Foreign Exchange Fund           | 1.5                  |
| Adient Global Holdings Ltd. EUR 3.500% Aug 15 2024   | 1.5                  |
| Post Holdings Inc. 5.750% Mar 1 2027                 | 1.4                  |
| T-Mobile USA Inc. 4.750% Feb 1 2028                  | 1.4                  |
| Seven Generations Energy Ltd. USD 5.375% Sep 30 2025 | 1.3                  |
| United Rentals North America Inc. 5.875% Sep 15 2026 | 1.3                  |
| CSC Holdings LLC 5.500% Apr 15 2027                  | 1.3                  |
| HCA Inc. 5.875% Feb 15 2026                          | 1.3                  |
| The Goodyear Tire & Rubber Co. 5.000% May 31 2026    | 1.3                  |
| Baytex Energy Corp. USD 5.125% Jun 1 2021            | 1.2                  |
| Hilton Domestic Operating Co. Inc. 5.125% May 1 2026 | 1.2                  |
| Boyd Gaming Corp. 6.375% Apr 1 2026                  | 1.2                  |
| Vistra Operations Co. LLC 5.500% Sep 1 2026          | 1.2                  |
| Six Flags Entertainment Corp. 5.500% Apr 15 2027     | 1.2                  |
| Top 25 Holdings                                      | 40.2                 |

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).



FIXED-INCOME FUND

## RBC \$U.S. HIGH YIELD BOND FUND

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)

### Investment Objective and Strategies

The Fund seeks to provide total returns comprised of interest income and modest capital growth by investing primarily in higher-yielding corporate debt securities issued by U.S. corporations.

To achieve its objectives, the portfolio manager invests primarily in debt securities issued by U.S. corporations that are rated below BBB- by Standard & Poor's or an equivalent rating agency. The portfolio manager employs a value-focused philosophy for corporate bonds, striving to invest in quality companies having stable to improving credit profiles, and which are considered to be undervalued given the current market sentiment.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$114 million as of December 31, 2018, from \$195 million at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series A units lost 4.1%, which underperformed the 2.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. high-yield bonds, which are particularly sensitive to the pace of economic growth, recorded losses in 2018 as concern emerged late in the year about the sustainability of the global expansion, the negative impact of U.S.-China trade tensions and U.S. policymakers' commitment to raising interest rates. The late-2018 swoon in high-yield bonds, stocks and other "risky" assets resulted in their ceding gains built up over the first three quarters of the year. Credit spreads – the premium required by investors to invest in lower-rated debt such as high-yield bonds – narrowed for most of the year to their lowest levels since 2007 in October before widening late in the year.

The lowest-rated corporate bonds, which had outperformed for most of the year, sharply reversed course late in the fourth quarter and were the worst-performing part of the corporate-bond market by year-end. Even so, measures of the health of the corporate-bond market improved slightly, and defaults fell, and remain, at low levels. The Fund's returns were held back on a relative basis by exposure to bonds issued by automotive suppliers, such as Adient, and technology companies, including Western Digital. The Fund benefited from its cash holdings and lower exposure to the telecommunications industry.

### Recent Developments

Valuations of high-yield bonds have improved, as credit spreads widened, although they remain below long-term averages, and the portfolio manager anticipates more volatility if central banks continue tightening monetary policy. While modest returns are expected in the near term, credit defaults remain low and some corporate bonds have fallen to valuations that offer the potential for more attractive returns.

### 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., 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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.70                                   | 0.54                                             | (0.14)            | (0.07)                        | (0.72)                          | (0.39) | (0.44)                                     | —                 | (0.06)                   | —                    | (0.50) | 8.82                                |
| Dec. 31, 2017                 | 9.55                                   | 0.51                                             | (0.14)            | 0.02                          | 0.06                            | 0.45   | (0.33)                                     | —                 | (0.01)                   | —                    | (0.34) | 9.70                                |
| Dec. 31, 2016                 | 8.86                                   | 0.53                                             | (0.13)            | (0.10)                        | 0.95                            | 1.25   | (0.39)                                     | —                 | (0.16)                   | —                    | (0.55) | 9.55                                |
| Dec. 31, 2015                 | 9.83                                   | 0.56                                             | (0.14)            | (0.13)                        | (0.71)                          | (0.42) | (0.43)                                     | —                 | (0.20)                   | —                    | (0.63) | 8.86                                |
| Dec. 31, 2014                 | 10.05                                  | 0.54                                             | (0.14)            | 0.01                          | (0.39)                          | 0.02   | (0.34)                                     | —                 | (0.06)                   | —                    | (0.40) | 9.83                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.72                                   | 0.54                                             | (0.13)            | (0.07)                        | (0.58)                          | (0.24) | (0.44)                                     | —                 | (0.06)                   | —                    | (0.50) | 8.84                                |
| Dec. 31, 2017                 | 9.58                                   | 0.52                                             | (0.14)            | 0.02                          | 0.07                            | 0.47   | (0.33)                                     | —                 | (0.01)                   | —                    | (0.34) | 9.72                                |
| Dec. 31, 2016                 | 8.89                                   | 0.53                                             | (0.14)            | (0.10)                        | 1.08                            | 1.37   | (0.38)                                     | —                 | (0.16)                   | —                    | (0.54) | 9.58                                |
| Dec. 31, 2015                 | 9.86                                   | 0.56                                             | (0.14)            | (0.13)                        | (0.72)                          | (0.43) | (0.42)                                     | (0.01)            | (0.20)                   | —                    | (0.63) | 8.89                                |
| Dec. 31, 2014                 | 10.05                                  | 0.55                                             | (0.15)            | 0.01                          | (0.39)                          | 0.02   | (0.31)                                     | —                 | (0.06)                   | —                    | (0.37) | 9.86                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.67                                   | 0.54                                             | (0.10)            | (0.07)                        | (0.72)                          | (0.35) | (0.47)                                     | —                 | (0.06)                   | —                    | (0.53) | 8.80                                |
| Dec. 31, 2017                 | 9.54                                   | 0.50                                             | (0.10)            | 0.02                          | 0.08                            | 0.50   | (0.37)                                     | —                 | (0.01)                   | —                    | (0.38) | 9.67                                |
| Dec. 31, 2016                 | 8.85                                   | 0.53                                             | (0.10)            | (0.10)                        | 0.83                            | 1.16   | (0.43)                                     | —                 | (0.16)                   | —                    | (0.59) | 9.54                                |
| Dec. 31, 2015                 | 9.81                                   | 0.56                                             | (0.10)            | (0.13)                        | (0.71)                          | (0.38) | (0.46)                                     | —                 | (0.20)                   | —                    | (0.66) | 8.85                                |
| Dec. 31, 2014                 | 10.04                                  | 0.60                                             | (0.11)            | 0.01                          | (0.43)                          | 0.07   | (0.39)                                     | —                 | (0.06)                   | —                    | (0.45) | 9.81                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.77                                   | 0.54                                             | (0.08)            | (0.07)                        | (0.71)                          | (0.32) | (0.49)                                     | —                 | (0.06)                   | —                    | (0.55) | 8.88                                |
| Dec. 31, 2017                 | 9.62                                   | 0.51                                             | (0.09)            | 0.02                          | 0.08                            | 0.52   | (0.38)                                     | —                 | (0.01)                   | —                    | (0.39) | 9.77                                |
| Dec. 31, 2016                 | 8.93                                   | 0.53                                             | (0.09)            | (0.10)                        | 0.97                            | 1.31   | (0.44)                                     | —                 | (0.16)                   | —                    | (0.60) | 9.62                                |
| Dec. 31, 2015                 | 9.90                                   | 0.56                                             | (0.09)            | (0.13)                        | (0.71)                          | (0.37) | (0.48)                                     | —                 | (0.20)                   | —                    | (0.68) | 8.93                                |
| Dec. 31, 2014                 | 10.07                                  | 0.52                                             | (0.09)            | 0.01                          | (0.37)                          | 0.07   | (0.35)                                     | —                 | (0.06)                   | —                    | (0.41) | 9.90                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.68                                   | 0.53                                             | —                 | (0.07)                        | (0.68)                          | (0.22) | (0.57)                                     | —                 | (0.06)                   | —                    | (0.63) | 8.80                                |
| Dec. 31, 2017                 | 9.54                                   | 0.50                                             | —                 | 0.02                          | 0.06                            | 0.58   | (0.47)                                     | —                 | (0.01)                   | —                    | (0.48) | 9.68                                |
| Dec. 31, 2016                 | 8.86                                   | 0.53                                             | —                 | (0.10)                        | 0.94                            | 1.37   | (0.53)                                     | —                 | (0.16)                   | —                    | (0.69) | 9.54                                |
| Dec. 31, 2015                 | 9.82                                   | 0.55                                             | —                 | (0.13)                        | (0.71)                          | (0.29) | (0.56)                                     | —                 | (0.20)                   | —                    | (0.76) | 8.86                                |
| Dec. 31, 2014                 | 10.04                                  | 0.59                                             | —                 | 0.01                          | (0.42)                          | 0.18   | (0.49)                                     | —                 | (0.06)                   | —                    | (0.55) | 9.82                                |

<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.



**FINANCIAL HIGHLIGHTS (in USD) (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.82</b>                      | <b>3 748</b>                | <b>425</b>                            | <b>1.44</b>                                  | <b>1.44</b>                               | <b>42.56</b>                                | —                                         |
| Dec. 31, 2017         | 9.70                             | 4 709                       | 485                                   | 1.46                                         | 1.46                                      | 28.01                                       | —                                         |
| Dec. 31, 2016         | 9.55                             | 3 088                       | 323                                   | 1.42                                         | 1.42                                      | 39.71                                       | —                                         |
| Dec. 31, 2015         | 8.86                             | 3 741                       | 422                                   | 1.41                                         | 1.41                                      | 27.13                                       | —                                         |
| Dec. 31, 2014         | 9.83                             | 3 676                       | 374                                   | 1.41                                         | 1.42                                      | 13.58                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.84</b>                      | <b>89</b>                   | <b>10</b>                             | <b>1.43</b>                                  | <b>1.43</b>                               | <b>42.56</b>                                | —                                         |
| Dec. 31, 2017         | 9.72                             | 308                         | 32                                    | 1.46                                         | 1.46                                      | 28.01                                       | —                                         |
| Dec. 31, 2016         | 9.58                             | 240                         | 25                                    | 1.48                                         | 1.48                                      | 39.71                                       | —                                         |
| Dec. 31, 2015         | 8.89                             | 517                         | 58                                    | 1.47                                         | 1.48                                      | 27.13                                       | —                                         |
| Dec. 31, 2014         | 9.86                             | 595                         | 60                                    | 1.47                                         | 1.48                                      | 13.58                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.80</b>                      | <b>1 505</b>                | <b>171</b>                            | <b>1.04</b>                                  | <b>1.04</b>                               | <b>42.56</b>                                | —                                         |
| Dec. 31, 2017         | 9.67                             | 2 171                       | 224                                   | 1.07                                         | 1.07                                      | 28.01                                       | —                                         |
| Dec. 31, 2016         | 9.54                             | 1 203                       | 126                                   | 1.02                                         | 1.02                                      | 39.71                                       | —                                         |
| Dec. 31, 2015         | 8.85                             | 674                         | 76                                    | 1.03                                         | 1.03                                      | 27.13                                       | —                                         |
| Dec. 31, 2014         | 9.81                             | 644                         | 66                                    | 1.03                                         | 1.04                                      | 13.58                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.88</b>                      | <b>2 516</b>                | <b>283</b>                            | <b>0.89</b>                                  | <b>0.89</b>                               | <b>42.56</b>                                | —                                         |
| Dec. 31, 2017         | 9.77                             | 3 498                       | 358                                   | 0.93                                         | 0.93                                      | 28.01                                       | —                                         |
| Dec. 31, 2016         | 9.62                             | 2 818                       | 293                                   | 0.91                                         | 0.91                                      | 39.71                                       | —                                         |
| Dec. 31, 2015         | 8.93                             | 1 576                       | 177                                   | 0.89                                         | 0.89                                      | 27.13                                       | —                                         |
| Dec. 31, 2014         | 9.90                             | 1 173                       | 119                                   | 0.91                                         | 0.92                                      | 13.58                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.80</b>                      | <b>105 811</b>              | <b>12 024</b>                         | <b>0.03</b>                                  | <b>0.03</b>                               | <b>42.56</b>                                | —                                         |
| Dec. 31, 2017         | 9.68                             | 184 067                     | 19 008                                | 0.06                                         | 0.06                                      | 28.01                                       | —                                         |
| Dec. 31, 2016         | 9.54                             | 91 131                      | 9 550                                 | 0.02                                         | 0.02                                      | 39.71                                       | —                                         |
| Dec. 31, 2015         | 8.86                             | 74 326                      | 8 394                                 | 0.02                                         | 0.03                                      | 27.13                                       | —                                         |
| Dec. 31, 2014         | 9.82                             | 54 653                      | 5 564                                 | 0.02                                         | 0.03                                      | 13.58                                       | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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       | 1.25%           | 40%                   | 60%    |
| Advisor Series | 1.25%           | 40%                   | 60%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

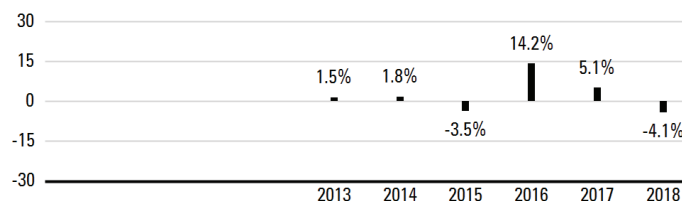
## PAST PERFORMANCE (in USD)

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.

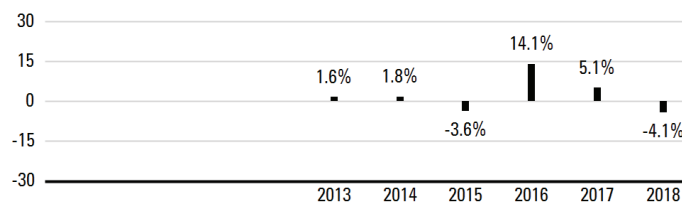
### Year-by-Year Returns (%)

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.

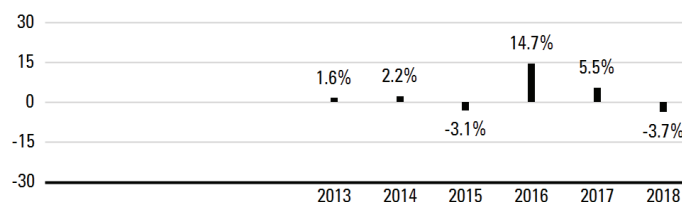
Series A (%)



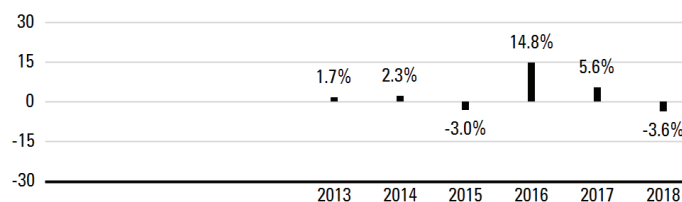
Advisor Series (%)



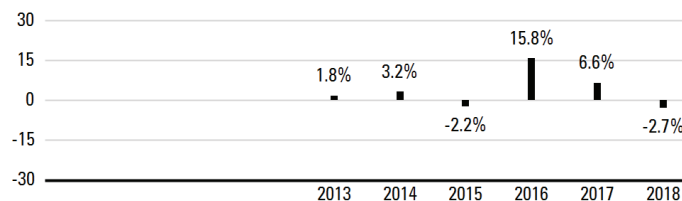
Series D (%)



Series F (%)



Series O (%)







**PAST PERFORMANCE (in USD) (cont.)**

**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

ICE BofAML U.S. High Yield BB-B Index (USD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -4.1         | 4.8             | 2.5             | —                | 2.7                |
| Benchmark      | -2.0         | 6.3             | 3.9             | —                | 4.0                |
| Advisor Series | -4.1         | 4.8             | 2.4             | —                | 2.7                |
| Benchmark      | -2.0         | 6.3             | 3.9             | —                | 4.0                |
| Series D       | -3.7         | 5.2             | 2.9             | —                | 3.1                |
| Benchmark      | -2.0         | 6.3             | 3.9             | —                | 4.0                |
| Series F       | -3.6         | 5.4             | 3.0             | —                | 3.2                |
| Benchmark      | -2.0         | 6.3             | 3.9             | —                | 4.0                |
| Series O       | -2.7         | 6.3             | 3.9             | —                | 4.1                |
| Benchmark      | -2.0         | 6.3             | 3.9             | —                | 4.0                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since October 21, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTION**

**ICE BofAML U.S. High Yield BB-B Index (USD)\*** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is measured in U.S. dollars.

\* ICE BofAML benchmarks were known as the Bank of America Merrill Lynch benchmarks before a name change.

**SUMMARY OF INVESTMENT PORTFOLIO (in USD)**

(after consideration of derivative products, if any)

As at December 31, 2018

**Investment Mix**

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 73.1                 |
| Canada          | 15.9                 |
| Other Countries | 8.2                  |
| Cash/Other      | 2.8                  |

**Top 25 Holdings**

|                                                      | % of Net Asset Value |
|------------------------------------------------------|----------------------|
| Sprint Capital Corp. 6.875% Nov 15 2028              | 2.6                  |
| Lennar Corp. 5.250% Jun 1 2026                       | 2.3                  |
| CCO Holdings LLC 5.750% Feb 15 2026                  | 2.1                  |
| ArcelorMittal USD 8.000% Oct 15 2039                 | 2.1                  |
| American Axle & Manufacturing Inc. 6.500% Apr 1 2027 | 1.8                  |
| CSC Holdings LLC 5.500% Apr 15 2027                  | 1.8                  |
| The Goodyear Tire & Rubber Co. 5.000% May 31 2026    | 1.7                  |
| HCA Inc. 5.875% Feb 15 2026                          | 1.7                  |
| Seven Generations Energy Ltd. USD 5.375% Sep 30 2025 | 1.7                  |
| Adient Global Holdings Ltd. EUR 3.500% Aug 15 2024   | 1.6                  |
| Dana Inc. 5.500% Dec 15 2024                         | 1.5                  |
| Cedar Fair LP 5.375% Apr 15 2027                     | 1.5                  |
| Cinemark USA Inc. 4.875% Jun 1 2023                  | 1.5                  |
| Six Flags Entertainment Corp. 5.500% Apr 15 2027     | 1.5                  |
| Toll Brothers Finance Corp. 4.350% Feb 15 2028       | 1.5                  |
| Alcoa Nederland Holding BV USD 6.750% Sep 30 2024    | 1.4                  |
| Blue Racer Midstream LLC 6.625% Jul 15 2026          | 1.4                  |
| Western Digital Corp. 4.750% Feb 15 2026             | 1.4                  |
| Tenet Healthcare Corp. 4.625% Jul 15 2024            | 1.4                  |
| Avis Budget Car Rental LLC 5.250% Mar 15 2025        | 1.4                  |
| Baytex Energy Corp. USD 5.125% Jun 1 2021            | 1.4                  |
| Diamond 1 Finance Corp. 6.020% Jun 15 2026           | 1.3                  |
| Hanesbrands Inc. 4.875% May 15 2026                  | 1.3                  |
| Unit Corp. 6.625% May 15 2021                        | 1.3                  |
| Rite Aid Corp. 6.125% Apr 1 2023                     | 1.3                  |
| Top 25 Holdings                                      | 40.5                 |

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).



FIXED-INCOME FUND

**RBC GLOBAL HIGH YIELD BOND FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues above-average total returns comprised of interest income and capital growth by investing in higher-yielding corporate or government debt securities available in international markets.

The Fund manages risks by limiting its holdings in any single industry, issuer or country. The Fund may use derivatives to protect against losses from changes in interest rates, credit quality and currency fluctuations.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$3.6 billion as of December 31, 2018, from \$3.7 billion at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series A units lost 4.5%, which underperformed the 4.0% decline in the benchmark. The broad-based index 1 declined 2.9% and the broad-based index 2 declined 5.1%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Emerging-market bonds denominated in U.S. dollars and U.S. high-yield corporate bonds recorded losses in 2018, but U.S. high-yield outperformed for the year as a whole after outperforming for the first three quarters of the year. Rising yields on U.S. Treasury bonds weighed on emerging-market bonds at the beginning of 2018, while solid U.S. economic growth boosted U.S. high-yield bonds. U.S. high-yield bonds stumbled badly in the final quarter of 2018 as protectionism threatened to derail the economic expansion and profit growth. U.S. automotive bonds came under significant pressure in 2019 due to costs related to tariffs imposed by Chinese goods, while Energy-sector bonds were hurt by a fall in oil prices of about 40% from the year's peak.

In emerging markets, the Fund benefited from holding bonds issued by Rwanda and Bahrain. Currency trading also aided relative returns. More generally, the Fund's overweight allocation to emerging-market bonds held back relative returns, although this reversed somewhat

in December, when concern about the sustainability of global economic growth hit corporate fixed income. Security selection in U.S. high yield also weighed on returns, particularly those issued by auto-related companies.

### Recent Developments

Bond yields are coming down as recent signs of a U.S. growth slowdown and the negative impact of protectionism make it likely that the U.S. Federal Reserve will slow its pace of interest-rate increases. Lower oil prices will make it harder for oil companies and oil-producing countries to balance their books.

More generally, investors are uneasy, in the view of the portfolio manager, about attacks on the legitimacy of institutions such as the North Atlantic Treaty Organization and central banks and the continuing appeal of Western-style democracy.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$1,000) or 0% (2017 – 2%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.74                                  | 0.59                                             | (0.18)            | (0.36)                        | (0.53)                          | (0.48) | (0.40)                                     | —                 | —                        | —                    | (0.40) | 9.87                                |
| Dec. 31, 2017                 | 10.50                                  | 0.58                                             | (0.19)            | 0.70                          | (0.46)                          | 0.63   | (0.39)                                     | —                 | —                        | —                    | (0.39) | 10.74                               |
| Dec. 31, 2016                 | 9.84                                   | 0.59                                             | (0.18)            | 0.35                          | 0.31                            | 1.07   | (0.40)                                     | —                 | —                        | —                    | (0.40) | 10.50                               |
| Dec. 31, 2015                 | 10.36                                  | 0.63                                             | (0.18)            | (0.86)                        | 0.24                            | (0.17) | (0.42)                                     | —                 | —                        | —                    | (0.42) | 9.84                                |
| Dec. 31, 2014                 | 10.30                                  | 0.64                                             | (0.19)            | (0.43)                        | 0.38                            | 0.40   | (0.44)                                     | —                 | —                        | —                    | (0.44) | 10.36                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.67                                  | 0.59                                             | (0.18)            | (0.36)                        | (0.52)                          | (0.47) | (0.40)                                     | —                 | —                        | —                    | (0.40) | 9.81                                |
| Dec. 31, 2017                 | 10.43                                  | 0.58                                             | (0.18)            | 0.70                          | (0.45)                          | 0.65   | (0.39)                                     | —                 | —                        | —                    | (0.39) | 10.67                               |
| Dec. 31, 2016                 | 9.78                                   | 0.59                                             | (0.18)            | 0.35                          | 0.31                            | 1.07   | (0.40)                                     | —                 | —                        | —                    | (0.40) | 10.43                               |
| Dec. 31, 2015                 | 10.29                                  | 0.63                                             | (0.18)            | (0.86)                        | 0.24                            | (0.17) | (0.42)                                     | —                 | —                        | —                    | (0.42) | 9.78                                |
| Dec. 31, 2014                 | 10.24                                  | 0.63                                             | (0.18)            | (0.42)                        | 0.38                            | 0.41   | (0.45)                                     | —                 | —                        | —                    | (0.45) | 10.29                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.88                                  | 0.60                                             | (0.11)            | (0.36)                        | (0.54)                          | (0.41) | (0.48)                                     | —                 | —                        | —                    | (0.48) | 10.00                               |
| Dec. 31, 2017                 | 10.64                                  | 0.59                                             | (0.11)            | 0.71                          | (0.49)                          | 0.70   | (0.48)                                     | —                 | —                        | —                    | (0.48) | 10.88                               |
| Dec. 31, 2016                 | 9.98                                   | 0.60                                             | (0.11)            | 0.35                          | 0.29                            | 1.13   | (0.48)                                     | —                 | —                        | —                    | (0.48) | 10.64                               |
| Dec. 31, 2015                 | 10.51                                  | 0.64                                             | (0.11)            | (0.87)                        | 0.24                            | (0.10) | (0.51)                                     | —                 | —                        | —                    | (0.51) | 9.98                                |
| Dec. 31, 2014                 | 10.45                                  | 0.64                                             | (0.11)            | (0.43)                        | 0.38                            | 0.48   | (0.53)                                     | —                 | —                        | —                    | (0.53) | 10.51                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.02                                  | 0.61                                             | (0.09)            | (0.37)                        | (0.54)                          | (0.39) | (0.50)                                     | —                 | —                        | —                    | (0.50) | 10.12                               |
| Dec. 31, 2017                 | 10.77                                  | 0.59                                             | (0.10)            | 0.72                          | (0.49)                          | 0.72   | (0.49)                                     | —                 | —                        | —                    | (0.49) | 11.02                               |
| Dec. 31, 2016                 | 10.10                                  | 0.61                                             | (0.10)            | 0.36                          | 0.29                            | 1.16   | (0.50)                                     | —                 | —                        | —                    | (0.50) | 10.77                               |
| Dec. 31, 2015                 | 10.63                                  | 0.65                                             | (0.10)            | (0.88)                        | 0.25                            | (0.08) | (0.52)                                     | —                 | —                        | —                    | (0.52) | 10.10                               |
| Dec. 31, 2014                 | 10.57                                  | 0.65                                             | (0.10)            | (0.44)                        | 0.39                            | 0.50   | (0.55)                                     | —                 | —                        | —                    | (0.55) | 10.63                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.96                                  | 0.60                                             | —                 | (0.37)                        | (0.52)                          | (0.29) | (0.59)                                     | —                 | —                        | —                    | (0.59) | 10.08                               |
| Dec. 31, 2017                 | 10.72                                  | 0.59                                             | —                 | 0.72                          | (0.49)                          | 0.82   | (0.59)                                     | —                 | —                        | —                    | (0.59) | 10.96                               |
| Dec. 31, 2016                 | 10.05                                  | 0.61                                             | —                 | 0.36                          | 0.27                            | 1.24   | (0.60)                                     | —                 | —                        | —                    | (0.60) | 10.72                               |
| Dec. 31, 2015                 | 10.59                                  | 0.64                                             | —                 | (0.87)                        | 0.24                            | 0.01   | (0.62)                                     | —                 | —                        | —                    | (0.62) | 10.05                               |
| Dec. 31, 2014                 | 10.46                                  | 0.62                                             | —                 | (0.41)                        | 0.37                            | 0.58   | (0.56)                                     | —                 | —                        | —                    | (0.56) | 10.59                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.87</b>                      | <b>107 917</b>              | <b>10 933</b>                         | <b>1.79</b>                                  | <b>1.79</b>                               | <b>43.47</b>                                | —                                         |
| Dec. 31, 2017         | 10.74                            | 142 067                     | 13 228                                | 1.81                                         | 1.81                                      | 42.70                                       | —                                         |
| Dec. 31, 2016         | 10.50                            | 147 388                     | 14 034                                | 1.78                                         | 1.78                                      | 41.72                                       | —                                         |
| Dec. 31, 2015         | 9.84                             | 161 111                     | 16 372                                | 1.78                                         | 1.78                                      | 41.93                                       | —                                         |
| Dec. 31, 2014         | 10.36                            | 200 596                     | 19 365                                | 1.78                                         | 1.78                                      | 43.30                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.81</b>                      | <b>95 813</b>               | <b>9 768</b>                          | <b>1.75</b>                                  | <b>1.75</b>                               | <b>43.47</b>                                | —                                         |
| Dec. 31, 2017         | 10.67                            | 137 040                     | 12 841                                | 1.76                                         | 1.76                                      | 42.70                                       | —                                         |
| Dec. 31, 2016         | 10.43                            | 166 312                     | 15 937                                | 1.74                                         | 1.74                                      | 41.72                                       | —                                         |
| Dec. 31, 2015         | 9.78                             | 184 338                     | 18 852                                | 1.74                                         | 1.74                                      | 41.93                                       | —                                         |
| Dec. 31, 2014         | 10.29                            | 237 055                     | 23 033                                | 1.74                                         | 1.74                                      | 43.30                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.00</b>                     | <b>31 654</b>               | <b>3 166</b>                          | <b>1.06</b>                                  | <b>1.06</b>                               | <b>43.47</b>                                | —                                         |
| Dec. 31, 2017         | 10.88                            | 38 623                      | 3 549                                 | 1.08                                         | 1.08                                      | 42.70                                       | —                                         |
| Dec. 31, 2016         | 10.64                            | 33 066                      | 3 106                                 | 1.05                                         | 1.05                                      | 41.72                                       | —                                         |
| Dec. 31, 2015         | 9.98                             | 30 946                      | 3 101                                 | 1.05                                         | 1.05                                      | 41.93                                       | —                                         |
| Dec. 31, 2014         | 10.51                            | 33 265                      | 3 165                                 | 1.05                                         | 1.05                                      | 43.30                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.12</b>                     | <b>113 729</b>              | <b>11 233</b>                         | <b>0.91</b>                                  | <b>0.91</b>                               | <b>43.47</b>                                | —                                         |
| Dec. 31, 2017         | 11.02                            | 136 398                     | 12 379                                | 0.94                                         | 0.94                                      | 42.70                                       | —                                         |
| Dec. 31, 2016         | 10.77                            | 103 416                     | 9 600                                 | 0.91                                         | 0.91                                      | 41.72                                       | —                                         |
| Dec. 31, 2015         | 10.10                            | 92 447                      | 9 158                                 | 0.91                                         | 0.91                                      | 41.93                                       | —                                         |
| Dec. 31, 2014         | 10.63                            | 98 213                      | 9 241                                 | 0.91                                         | 0.91                                      | 43.30                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.08</b>                     | <b>3 208 537</b>            | <b>318 390</b>                        | <b>0.05</b>                                  | <b>0.05</b>                               | <b>43.47</b>                                | —                                         |
| Dec. 31, 2017         | 10.96                            | 3 207 099                   | 292 485                               | 0.07                                         | 0.07                                      | 42.70                                       | —                                         |
| Dec. 31, 2016         | 10.72                            | 2 760 925                   | 257 486                               | 0.03                                         | 0.03                                      | 41.72                                       | —                                         |
| Dec. 31, 2015         | 10.05                            | 2 181 362                   | 216 983                               | 0.03                                         | 0.03                                      | 41.93                                       | —                                         |
| Dec. 31, 2014         | 10.59                            | 1 562 203                   | 147 542                               | 0.03                                         | 0.03                                      | 43.30                                       | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

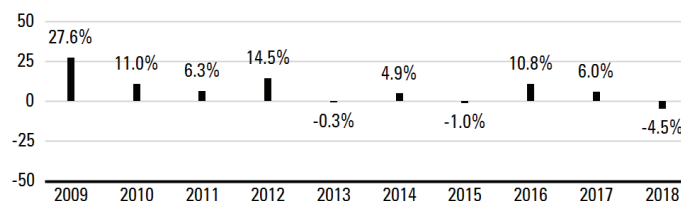
### PAST PERFORMANCE

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.

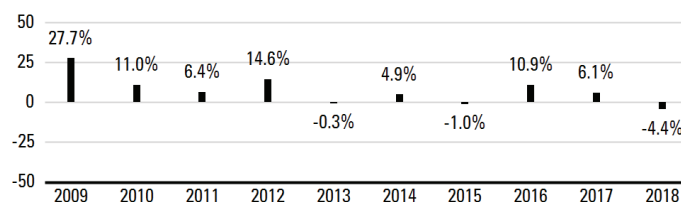
### Year-by-Year Returns (%)

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.

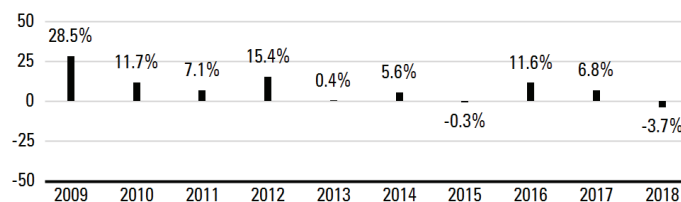
**Series A (%)**



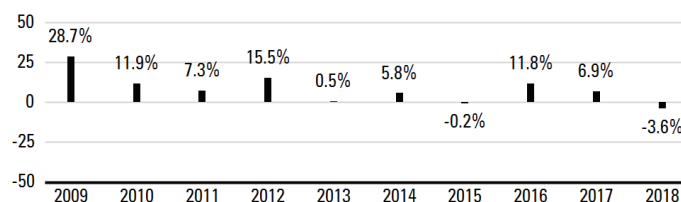
**Advisor Series (%)**



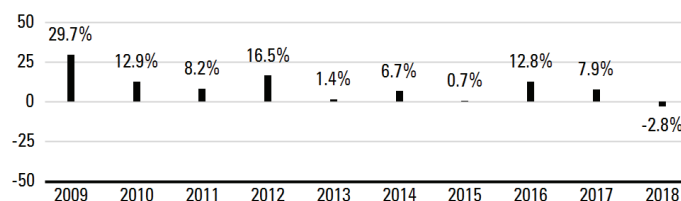
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 50% ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)
- 50% JPMorgan EMBI Global Diversified (hedged to CAD)

The broad-based indexes are as follows:

Broad-based index 1 – ICE BofAML U.S. High Yield BB-B Index  
(hedged to CAD)

Broad-based index 2 – JPMorgan EMBI Global Diversified (hedged  
to CAD)

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -4.5         | 3.9             | 3.1             | 7.2              | —                  |
| Benchmark           | -4.0         | 4.9             | 4.4             | 9.2              | —                  |
| Broad-based index 1 | -2.9         | 5.7             | 3.7             | 9.9              | —                  |
| Broad-based index 2 | -5.1         | 4.5             | 4.6             | 8.1              | —                  |
| Advisor Series      | -4.4         | 4.0             | 3.2             | 7.2              | —                  |
| Benchmark           | -4.0         | 4.9             | 4.4             | 9.2              | —                  |
| Broad-based index 1 | -2.9         | 5.7             | 3.7             | 9.9              | —                  |
| Broad-based index 2 | -5.1         | 4.5             | 4.6             | 8.1              | —                  |
| Series D            | -3.7         | 4.7             | 3.9             | 8.0              | —                  |
| Benchmark           | -4.0         | 4.9             | 4.4             | 9.2              | —                  |
| Broad-based index 1 | -2.9         | 5.7             | 3.7             | 9.9              | —                  |
| Broad-based index 2 | -5.1         | 4.5             | 4.6             | 8.1              | —                  |
| Series F            | -3.6         | 4.8             | 4.0             | 8.1              | —                  |
| Benchmark           | -4.0         | 4.9             | 4.4             | 9.2              | —                  |
| Broad-based index 1 | -2.9         | 5.7             | 3.7             | 9.9              | —                  |
| Broad-based index 2 | -5.1         | 4.5             | 4.6             | 8.1              | —                  |
| Series O            | -2.8         | 5.8             | 4.9             | 9.1              | —                  |
| Benchmark           | -4.0         | 4.9             | 4.4             | 9.2              | —                  |
| Broad-based index 1 | -2.9         | 5.7             | 3.7             | 9.9              | —                  |
| Broad-based index 2 | -5.1         | 4.5             | 4.6             | 8.1              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)\*** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is hedged to Canadian dollars.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

\* ICE BofAML benchmarks were known as the Bank of America Merrill Lynch 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 |
|--------------------|----------------------|
| United States      | 34.4                 |
| Canada             | 6.5                  |
| Income Funds       | 4.7                  |
| Indonesia          | 2.5                  |
| Mexico             | 2.4                  |
| Turkey             | 2.1                  |
| Peru               | 2.0                  |
| Russia             | 1.9                  |
| Luxembourg         | 1.8                  |
| Colombia           | 1.7                  |
| Dominican Republic | 1.5                  |
| Argentina          | 1.5                  |
| Kazakhstan         | 1.3                  |
| Panama             | 1.2                  |
| Brazil             | 0.9                  |
| Philippines        | 0.9                  |
| Hungary            | 0.8                  |
| Croatia            | 0.7                  |
| United Kingdom     | 0.7                  |
| Other Countries    | 30.8                 |
| Cash/Other         | (0.3)                |





## SUMMARY OF INVESTMENT PORTFOLIO (cont.)

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

*As at December 31, 2018*

### Top 25 Holdings

|                                                           | % of Net Asset Value |
|-----------------------------------------------------------|----------------------|
| BlueBay Emerging Markets Corporate Bond Fund              | 3.3                  |
| United States Treasury 2.250% Feb 15 2027                 | 1.7                  |
| Peruvian Government USD 8.750% Nov 21 2033                | 1.6                  |
| CCO Holdings LLC 5.750% Feb 15 2026                       | 1.0                  |
| Sprint Capital Corp. 6.875% Nov 15 2028                   | 0.9                  |
| Republic of Serbia USD 7.250% Sep 28 2021                 | 0.9                  |
| Lennar Corp. 5.250% Jun 1 2026                            | 0.9                  |
| Republic of Colombia USD 6.125% Jan 18 2041               | 0.9                  |
| ArcelorMittal USD 8.000% Oct 15 2039                      | 0.9                  |
| Dominican Republic USD 7.450% Apr 30 2044                 | 0.9                  |
| Republic of Turkey USD 4.875% Apr 16 2043                 | 0.8                  |
| Republic of Vietnam USD 4.800% Nov 19 2024                | 0.8                  |
| Republic of Philippines USD 7.750% Jan 14 2031            | 0.8                  |
| Export Credit Bank of Turkey USD 5.375% Feb 8 2021        | 0.8                  |
| HCA Inc. 5.875% Feb 15 2026                               | 0.8                  |
| Pemex Project Funding Master Trust USD 6.625% Jun 15 2035 | 0.7                  |
| State of Qatar USD 6.400% Jan 20 2040                     | 0.7                  |
| CSC Holdings LLC 5.500% Apr 15 2027                       | 0.7                  |
| Government of Poland USD 3.250% Apr 6 2026                | 0.7                  |
| VanEck Vectors J.P. Morgan EM Local Currency Bond Fund    | 0.7                  |
| Republic of Chile USD 3.860% Jun 21 2047                  | 0.7                  |
| 1MDB Energy Ltd. USD 5.990% May 11 2022                   | 0.7                  |
| Hungary Government USD 5.375% Mar 25 2024                 | 0.7                  |
| Western Digital Corp. 4.750% Feb 15 2026                  | 0.7                  |
| Saudi Government USD 4.500% Apr 17 2030                   | 0.7                  |
| <b>Top 25 Holdings</b>                                    | <b>24.0</b>          |

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).



FIXED-INCOME FUND

**RBC STRATEGIC INCOME  
BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide regular monthly income with a potential for modest capital appreciation by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in higher-yielding fixed-income securities.

To achieve its objective, the Fund selects underlying funds from the RBC Funds family or PH&N Funds family that primarily invest in investment-grade and high-yield corporate and emerging-market sovereign and corporate fixed-income securities for inclusion in the Fund.

The portfolio manager allocates and rebalances the Fund’s assets among underlying funds based on the underlying funds’ ability to help the Fund meet its investment objectives.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value rose to \$935 million as of December 31, 2018, from \$849 million at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund’s Series A units lost 0.5%, which underperformed the 1.4% rise in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 3.20 cents per Series A unit. For the year, the Fund made total distributions of approximately 38 cents per Series A unit, consisting of 33 cents of interest, 3 cents return of capital and 2 cents of capital gains.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Corporate bonds and other non-government fixed-income securities underperformed similar-maturity government bonds in 2018, as investors became concerned about the potential for slowing economic growth; an intensifying trade dispute between the U.S. and China; geopolitical risks linked to Middle East tensions; and the U.K.’s plan to leave the EU. These risks led to an increase in the excess yield earned on corporate bonds over sovereign securities, resulting in smaller relative price gains or outright declines for corporate bonds.

The Fund’s performance was bolstered by allocations to the RBC Emerging Markets Bond Fund, the RBC Emerging Markets Foreign Exchange Fund and the BlueBay Emerging Markets Corporate Bond Fund. Returns were held back by the RBC Global High Yield Bond Fund.

### **Recent Developments**

Lower economic growth suggests that the U.S. Federal Reserve (the “Fed”) will slow its pace of rate increases in 2019, relative to earlier expectations. The European Central Bank has ended its bond-buying program and may begin raising rates this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, as long as central banks seem committed to higher benchmark rates. However, in the view of the portfolio manager, the bulk of the Fed rate increases is likely behind us, and trade tensions and slowing economic growth could keep bond yields within the recent range.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.32                                  | 0.40                                             | (0.17)            | (0.02)                        | (0.28)                          | (0.07) | (0.33)                                     | —                 | (0.02)                   | (0.03)               | (0.38) | 9.88                                |
| Dec. 31, 2017                 | 10.39                                  | 0.57                                             | (0.18)            | 0.15                          | (0.26)                          | 0.28   | (0.39)                                     | —                 | (0.06)                   | —                    | (0.45) | 10.32                               |
| Dec. 31, 2016                 | 10.29                                  | 0.64                                             | (0.18)            | 0.34                          | (0.19)                          | 0.61   | (0.39)                                     | —                 | (0.17)                   | —                    | (0.56) | 10.39                               |
| Dec. 31, 2015                 | 10.33                                  | 0.54                                             | (0.18)            | 0.23                          | (0.23)                          | 0.36   | (0.37)                                     | —                 | (0.16)                   | —                    | (0.53) | 10.29                               |
| Dec. 31, 2014                 | 10.03                                  | 0.50                                             | (0.18)            | 0.17                          | 0.14                            | 0.63   | (0.34)                                     | —                 | (0.13)                   | —                    | (0.47) | 10.33                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.32                                  | 0.40                                             | (0.17)            | (0.02)                        | (0.29)                          | (0.08) | (0.33)                                     | —                 | (0.02)                   | (0.03)               | (0.38) | 9.87                                |
| Dec. 31, 2017                 | 10.40                                  | 0.57                                             | (0.19)            | 0.15                          | (0.26)                          | 0.27   | (0.39)                                     | —                 | (0.06)                   | —                    | (0.45) | 10.32                               |
| Dec. 31, 2016                 | 10.30                                  | 0.52                                             | (0.18)            | 0.27                          | (0.17)                          | 0.44   | (0.39)                                     | —                 | (0.17)                   | —                    | (0.56) | 10.40                               |
| Dec. 31, 2015                 | 10.35                                  | 0.53                                             | (0.19)            | 0.22                          | (0.23)                          | 0.33   | (0.37)                                     | —                 | (0.16)                   | —                    | (0.53) | 10.30                               |
| Dec. 31, 2014                 | 10.04                                  | 0.47                                             | (0.17)            | 0.16                          | 0.14                            | 0.60   | (0.34)                                     | —                 | (0.13)                   | —                    | (0.47) | 10.35                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.65                                  | 0.41                                             | (0.11)            | (0.02)                        | (0.27)                          | 0.01   | (0.34)                                     | —                 | (0.03)                   | (0.03)               | (0.40) | 10.26                               |
| Dec. 31, 2017                 | 10.66                                  | 0.60                                             | (0.11)            | 0.15                          | (0.26)                          | 0.38   | (0.40)                                     | —                 | (0.06)                   | —                    | (0.46) | 10.65                               |
| Dec. 31, 2016                 | 10.48                                  | 0.64                                             | (0.11)            | 0.34                          | (0.20)                          | 0.67   | (0.39)                                     | —                 | (0.18)                   | —                    | (0.57) | 10.66                               |
| Dec. 31, 2015                 | 10.45                                  | 0.54                                             | (0.11)            | 0.23                          | (0.24)                          | 0.42   | (0.38)                                     | —                 | (0.16)                   | —                    | (0.54) | 10.48                               |
| Dec. 31, 2014                 | 10.07                                  | 0.50                                             | (0.11)            | 0.18                          | 0.14                            | 0.71   | (0.34)                                     | —                 | (0.13)                   | —                    | (0.47) | 10.45                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.73                                  | 0.41                                             | (0.09)            | (0.02)                        | (0.33)                          | (0.03) | (0.34)                                     | —                 | (0.03)                   | (0.03)               | (0.40) | 10.35                               |
| Dec. 31, 2017                 | 10.72                                  | 0.55                                             | (0.10)            | 0.14                          | (0.29)                          | 0.30   | (0.40)                                     | —                 | (0.07)                   | —                    | (0.47) | 10.73                               |
| Dec. 31, 2016                 | 10.52                                  | 0.45                                             | (0.09)            | 0.24                          | (0.17)                          | 0.43   | (0.39)                                     | —                 | (0.18)                   | —                    | (0.57) | 10.72                               |
| Dec. 31, 2015                 | 10.48                                  | 0.51                                             | (0.09)            | 0.22                          | (0.22)                          | 0.42   | (0.38)                                     | —                 | (0.17)                   | —                    | (0.55) | 10.52                               |
| Dec. 31, 2014                 | 10.08                                  | 0.55                                             | (0.09)            | 0.19                          | 0.16                            | 0.81   | (0.34)                                     | —                 | (0.13)                   | —                    | (0.47) | 10.48                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.03                                  | 0.42                                             | —                 | (0.02)                        | (0.25)                          | 0.15   | (0.35)                                     | —                 | (0.03)                   | (0.03)               | (0.41) | 10.74                               |
| Dec. 31, 2017                 | 10.91                                  | 0.44                                             | —                 | 0.11                          | (0.24)                          | 0.31   | (0.40)                                     | —                 | (0.07)                   | —                    | (0.47) | 11.03                               |
| Dec. 31, 2016                 | 10.61                                  | 0.36                                             | —                 | 0.19                          | (0.85)                          | (0.30) | (0.39)                                     | —                 | (0.18)                   | —                    | (0.57) | 10.91                               |
| Dec. 31, 2015                 | 10.49                                  | 0.56                                             | —                 | 0.24                          | (0.24)                          | 0.56   | (0.39)                                     | —                 | (0.17)                   | —                    | (0.56) | 10.61                               |
| Dec. 31, 2014                 | 10.00                                  | 0.54                                             | —                 | 0.19                          | 0.16                            | 0.89   | (0.34)                                     | —                 | (0.13)                   | —                    | (0.47) | 10.49                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.88</b>                      | <b>72 111</b>               | <b>7 302</b>                          | <b>1.79</b>                                  | <b>1.79</b>                               | <b>34.76</b>                                | —                                         |
| Dec. 31, 2017         | 10.32                            | 80 360                      | 7 789                                 | 1.79                                         | 1.79                                      | 9.40                                        | —                                         |
| Dec. 31, 2016         | 10.39                            | 42 786                      | 4 117                                 | 1.78                                         | 1.78                                      | 32.55                                       | —                                         |
| Dec. 31, 2015         | 10.29                            | 29 226                      | 2 841                                 | 1.81                                         | 1.81                                      | 6.55                                        | 0.01                                      |
| Dec. 31, 2014         | 10.33                            | 16 050                      | 1 554                                 | 1.82                                         | 1.84                                      | 13.50                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.87</b>                      | <b>55 247</b>               | <b>5 595</b>                          | <b>1.83</b>                                  | <b>1.83</b>                               | <b>34.76</b>                                | —                                         |
| Dec. 31, 2017         | 10.32                            | 63 489                      | 6 153                                 | 1.86                                         | 1.86                                      | 9.40                                        | —                                         |
| Dec. 31, 2016         | 10.40                            | 34 715                      | 3 338                                 | 1.83                                         | 1.83                                      | 32.55                                       | —                                         |
| Dec. 31, 2015         | 10.30                            | 4 755                       | 462                                   | 1.85                                         | 1.86                                      | 6.55                                        | 0.01                                      |
| Dec. 31, 2014         | 10.35                            | 1 699                       | 164                                   | 1.72                                         | 1.74                                      | 13.50                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.26</b>                     | <b>28 264</b>               | <b>2 754</b>                          | <b>1.11</b>                                  | <b>1.11</b>                               | <b>34.76</b>                                | —                                         |
| Dec. 31, 2017         | 10.65                            | 26 688                      | 2 505                                 | 1.12                                         | 1.12                                      | 9.40                                        | —                                         |
| Dec. 31, 2016         | 10.66                            | 16 972                      | 1 593                                 | 1.10                                         | 1.10                                      | 32.55                                       | —                                         |
| Dec. 31, 2015         | 10.48                            | 10 642                      | 1 016                                 | 1.12                                         | 1.13                                      | 6.55                                        | 0.01                                      |
| Dec. 31, 2014         | 10.45                            | 5 556                       | 532                                   | 1.12                                         | 1.14                                      | 13.50                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.35</b>                     | <b>233 331</b>              | <b>22 542</b>                         | <b>0.97</b>                                  | <b>0.97</b>                               | <b>34.76</b>                                | —                                         |
| Dec. 31, 2017         | 10.73                            | 366 326                     | 34 156                                | 0.98                                         | 0.98                                      | 9.40                                        | —                                         |
| Dec. 31, 2016         | 10.72                            | 112 968                     | 10 542                                | 0.95                                         | 0.95                                      | 32.55                                       | —                                         |
| Dec. 31, 2015         | 10.52                            | 2 902                       | 276                                   | 0.96                                         | 0.97                                      | 6.55                                        | 0.01                                      |
| Dec. 31, 2014         | 10.48                            | 145                         | 14                                    | 0.93                                         | 0.95                                      | 13.50                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.74</b>                     | <b>546 154</b>              | <b>50 868</b>                         | <b>0.11</b>                                  | <b>0.11</b>                               | <b>34.76</b>                                | —                                         |
| Dec. 31, 2017         | 11.03                            | 312 483                     | 28 336                                | 0.12                                         | 0.12                                      | 9.40                                        | —                                         |
| Dec. 31, 2016         | 10.91                            | 1                           | —                                     | 0.10                                         | 0.10                                      | 32.55                                       | —                                         |
| Dec. 31, 2015         | 10.61                            | 1                           | —                                     | 0.12                                         | 0.12                                      | 6.55                                        | 0.01                                      |
| Dec. 31, 2014         | 10.49                            | 1                           | —                                     | 0.11                                         | 0.13                                      | 13.50                                       | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

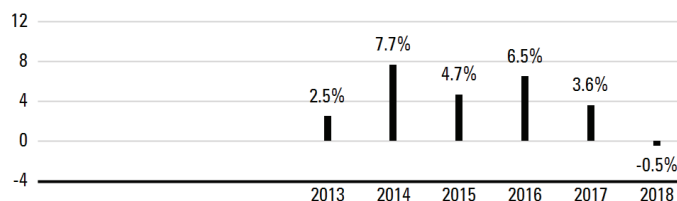
### PAST PERFORMANCE

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.

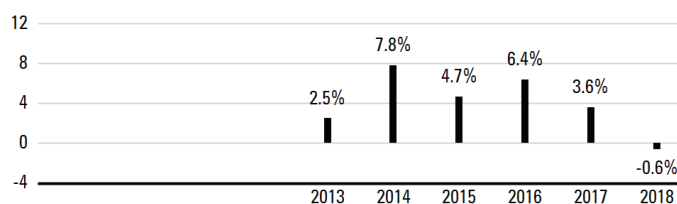
### Year-by-Year Returns (%)

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.

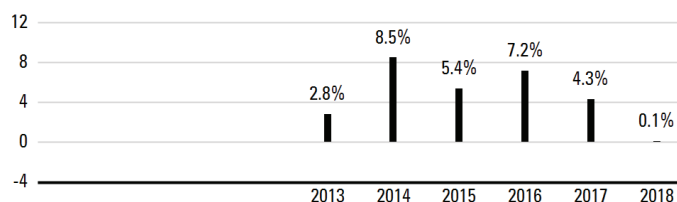
Series A (%)



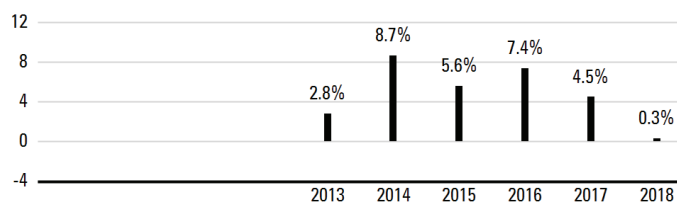
Advisor Series (%)



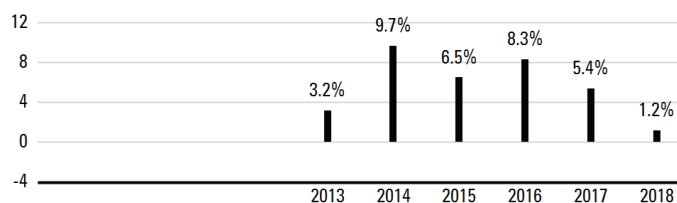
Series D (%)



Series F (%)



Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE Canada Universe Bond Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -0.5         | 3.2             | 4.4             | —                | 4.5                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Advisor Series | -0.6         | 3.1             | 4.3             | —                | 4.5                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Series D       | 0.1          | 3.8             | 5.1             | —                | 5.2                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Series F       | 0.3          | 4.0             | 5.2             | —                | 5.4                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Series O       | 1.2          | 4.9             | 6.2             | —                | 6.3                |
| Benchmark      | 1.4          | 1.9             | 3.5             | —                | 3.4                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since August 12, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**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 |
|--------------|----------------------|
| Income Funds | 99.3                 |
| Cash/Other   | 0.7                  |

### Top 25 Holdings\*

|                                               | % of Net Asset Value |
|-----------------------------------------------|----------------------|
| RBC Global Corporate Bond Fund                | 24.1                 |
| RBC Global High Yield Bond Fund               | 19.0                 |
| RBC Emerging Markets Bond Fund                | 17.1                 |
| RBC Emerging Markets Foreign Exchange Fund    | 11.0                 |
| BlueBay Emerging Markets Corporate Bond Fund  | 10.0                 |
| BlueBay Global Convertible Bond Fund (Canada) | 10.0                 |
| RBC High Yield Bond Fund                      | 8.1                  |
| Cash & Cash Equivalents                       | 0.7                  |
| Total                                         | 100.0                |

\* 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).





FIXED-INCOME FUND

**RBC \$U.S. STRATEGIC  
INCOME BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)

### Investment Objective and Strategies

The Fund seeks to provide regular monthly income with a potential for modest capital appreciation by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in higher-yielding fixed-income securities.

To achieve its objective, the Fund selects underlying funds from the RBC Funds family or the PH&N Funds family that primarily invest in investment-grade and high-yield corporate and emerging-market sovereign and corporate fixed-income securities for inclusion in the Fund.

The portfolio manager allocates and rebalances the Fund’s assets among underlying funds based on the underlying funds’ ability to help the Fund meet its investment objectives.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying fund. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund was launched on January 29, 2018, and its net asset value was \$29 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

Lower economic growth suggests that the U.S. Federal Reserve (the “Fed”) will slow its pace of rate increases in 2019, relative to earlier expectations. The European Central Bank has ended its bond-buying program and may begin raising rates this year. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, as long as central banks seem committed to higher benchmark rates. However, in the view of the portfolio manager, the bulk of the Fed rate increases is likely behind us, and trade tensions and slowing economic growth could keep bond yields within the recent range.

## 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., 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 Investor Services Trust (“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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.42</b>                                      | <b>(0.15)</b>     | <b>0.13</b>                   | <b>(0.65)</b>                   | <b>(0.25)</b> | <b>(0.37)</b>                              | <b>—</b>          | <b>(0.14)</b>            | <b>—</b>             | <b>(0.51)</b> | <b>9.10</b>                         |
| <b>Advisor Series</b>            |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.45</b>                                      | <b>(0.16)</b>     | <b>0.14</b>                   | <b>(0.74)</b>                   | <b>(0.31)</b> | <b>(0.37)</b>                              | <b>—</b>          | <b>(0.14)</b>            | <b>—</b>             | <b>(0.51)</b> | <b>9.09</b>                         |
| <b>Series D</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.71</b>                                      | <b>(0.11)</b>     | <b>0.23</b>                   | <b>(1.09)</b>                   | <b>(0.26)</b> | <b>(0.38)</b>                              | <b>—</b>          | <b>(0.14)</b>            | <b>—</b>             | <b>(0.52)</b> | <b>9.14</b>                         |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.56</b>                                      | <b>(0.08)</b>     | <b>0.18</b>                   | <b>(0.90)</b>                   | <b>(0.24)</b> | <b>(0.38)</b>                              | <b>—</b>          | <b>(0.14)</b>            | <b>—</b>             | <b>(0.52)</b> | <b>9.16</b>                         |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.44</b>                                      | <b>—</b>          | <b>0.14</b>                   | <b>(0.71)</b>                   | <b>(0.13)</b> | <b>(0.39)</b>                              | <b>—</b>          | <b>(0.14)</b>            | <b>—</b>             | <b>(0.53)</b> | <b>9.23</b>                         |

<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 January 17, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.10</b>                      | <b>140</b>                  | <b>15</b>                             | <b>1.77</b>                                  | <b>1.78</b>                               | <b>27.42</b>                                | —                                         |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.09</b>                      | <b>1 645</b>                | <b>181</b>                            | <b>1.87</b>                                  | <b>1.88</b>                               | <b>27.42</b>                                | —                                         |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.14</b>                      | <b>85</b>                   | <b>9</b>                              | <b>1.27</b>                                  | <b>1.28</b>                               | <b>27.42</b>                                | —                                         |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.16</b>                      | <b>393</b>                  | <b>43</b>                             | <b>0.96</b>                                  | <b>0.97</b>                               | <b>27.42</b>                                | —                                         |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.23</b>                      | <b>26 583</b>               | <b>2 880</b>                          | <b>0.11</b>                                  | <b>0.12</b>                               | <b>27.42</b>                                | —                                         |

<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 January 17, 2018.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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 (in USD)

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A, Advisor Series, Series D, Series F and Series O units of this Fund were launched on January 29, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|              | % of Net Asset Value |
|--------------|----------------------|
| Income Funds | 99.3                 |
| Cash/Other   | 0.7                  |

### Top 25 Holdings\*

|                                                      | % of Net Asset Value |
|------------------------------------------------------|----------------------|
| RBC \$U.S. Investment Grade Corporate Bond Fund      | 27.1                 |
| RBC Emerging Markets Bond Fund                       | 25.0                 |
| RBC \$U.S. High Yield Bond Fund                      | 16.0                 |
| BlueBay Emerging Markets Corporate Bond Fund         | 11.0                 |
| RBC Emerging Markets Foreign Exchange Fund           | 10.0                 |
| BlueBay \$U.S. Global Convertible Bond Fund (Canada) | 10.0                 |
| Cash & Cash Equivalents                              | 0.9                  |
| Total                                                | 100.0                |

\* 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).



FIXED-INCOME FUND

**RBC EMERGING MARKETS  
FOREIGN EXCHANGE FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns associated with those of emerging-market currencies and short-term interest rates.

To achieve the objective, the Fund uses derivatives such as foreign-exchange forward contracts that give investors exposure to currencies in emerging market countries including China, Russia, Singapore, Mexico, India, Brazil, Poland, Thailand, Turkey, Indonesia, Malaysia, South Africa, the Philippines, Colombia and Peru. The Fund invests most of its assets in Canadian money-market instruments.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$1.0 billion as of December 31, 2018, from \$765 million at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 3.1%, which underperformed the 5.0% rise in the benchmark. The broad-based index rose 1.4%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Emerging-market currencies declined overall versus the U.S. dollar during the year, as deteriorating economic growth in emerging markets and the increase in U.S.-dollar borrowing costs weighed on their assets. The near-term growth outlook for most emerging economies was negatively affected by a slowdown in the Chinese economy. China is by far the largest emerging-market economy and exerts direct influence over a significant number of other emerging markets. Trade tensions between China and the U.S. also heightened worries that less robust global economic growth would spread to emerging economies.

The increase in U.S.-dollar financing costs resulting from higher U.S. bond yields affected countries with large borrowings in U.S. dollars, such as Argentina and Turkey. However, the decline in emerging-market assets in the first half of 2018 resulted in yields on many currencies becoming more attractive. Rising yields in Turkey, India and Indonesia, in particular, set the stage for a partial recovery in the second half of the year. For 2018 as a whole, the Turkish and Indian currencies declined 28% and 8%, respectively, versus the U.S. dollar,

while the currency of Argentina, whose economic problems are perceived by many investors to be more deep-seated, fell 51%.

Thailand and Mexico were among a small group of countries whose currencies posted only minor losses. Mexico's peso benefited during the first part of the year from a positive view of the new government, although the policies of President Lopez Obrador have since disappointed investors.

Weakness in the Canadian dollar versus the U.S. dollar and emerging-market currencies in recent months aided the Fund's returns significantly. The emerging-market currency index lost 3% versus the U.S. dollar in 2018 but rose 5% versus the Canadian dollar.

Given the more attractive valuations that surfaced after the weakness in emerging-market currencies during the first nine months of the year, the portfolio manager increased exposure to more volatile currencies, such as the Russian ruble, the South African rand and the Brazilian real.

### Recent Developments

The portfolio manager expects emerging-market currencies to continue recovering in the near term, given indications that the U.S. Federal Reserve will start to slow the pace of interest-rate increases from the four hikes recorded in 2018. The portfolio manager expects that growth in most emerging economies will remain subdued in the first half of 2019, and the portfolio manager will continue to favour currencies with faster expected economic growth, lower vulnerability to U.S.-dollar funding and governments willing to enact structural reforms.

The portfolio manager is hopeful that China-U.S. trade relations will improve. However, macroeconomic threats have led the portfolio manager to limit exposure to the riskiest currencies. While the Fund has overweight positions in Turkey and Indonesia, exposure to Argentina is set at neutral.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.35                                   | 0.16                                             | (0.16)            | —                             | 0.22                            | 0.22   | —                                          | —                 | —                        | —                    | —      | 9.65                                |
| Dec. 31, 2017                 | 9.43                                   | 0.50                                             | (0.16)            | 0.08                          | (0.46)                          | (0.04) | (0.33)                                     | —                 | —                        | —                    | (0.33) | 9.35                                |
| Dec. 31, 2016                 | 9.73                                   | 0.58                                             | (0.17)            | (0.04)                        | (1.14)                          | (0.77) | (0.26)                                     | —                 | —                        | —                    | (0.26) | 9.43                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.08)            | —                             | 0.14                            | 0.26   | (0.35)                                     | —                 | —                        | —                    | (0.35) | 9.73                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.36                                   | 0.17                                             | (0.16)            | —                             | 0.15                            | 0.16   | —                                          | —                 | —                        | —                    | —      | 9.65                                |
| Dec. 31, 2017                 | 9.43                                   | 0.50                                             | (0.16)            | 0.08                          | (0.39)                          | 0.03   | (0.33)                                     | —                 | —                        | —                    | (0.33) | 9.36                                |
| Dec. 31, 2016                 | 9.73                                   | 0.48                                             | (0.16)            | (0.03)                        | (0.32)                          | (0.03) | (0.27)                                     | —                 | —                        | —                    | (0.27) | 9.43                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.08)            | —                             | 0.14                            | 0.26   | (0.35)                                     | —                 | —                        | —                    | (0.35) | 9.73                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.39                                   | 0.16                                             | (0.11)            | —                             | (0.16)                          | (0.11) | (0.03)                                     | —                 | —                        | —                    | (0.03) | 9.71                                |
| Dec. 31, 2017                 | 9.44                                   | 0.53                                             | (0.11)            | 0.08                          | (0.47)                          | 0.03   | (0.35)                                     | —                 | —                        | —                    | (0.35) | 9.39                                |
| Dec. 31, 2016                 | 9.73                                   | 0.45                                             | (0.11)            | (0.03)                        | (0.28)                          | 0.03   | (0.31)                                     | —                 | —                        | —                    | (0.31) | 9.44                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.21                                             | (0.05)            | —                             | 0.14                            | 0.30   | (0.37)                                     | —                 | —                        | —                    | (0.37) | 9.73                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.42                                   | 0.16                                             | (0.08)            | —                             | 0.29                            | 0.37   | (0.05)                                     | —                 | —                        | —                    | (0.05) | 9.74                                |
| Dec. 31, 2017                 | 9.45                                   | 0.47                                             | (0.08)            | 0.07                          | (0.57)                          | (0.11) | (0.37)                                     | —                 | —                        | —                    | (0.37) | 9.42                                |
| Dec. 31, 2016                 | 9.74                                   | 0.48                                             | (0.08)            | (0.03)                        | (0.37)                          | —      | (0.33)                                     | —                 | —                        | —                    | (0.33) | 9.45                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.04)            | —                             | 0.14                            | 0.30   | (0.38)                                     | —                 | —                        | —                    | (0.38) | 9.74                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.22                                  | 0.16                                             | —                 | —                             | 0.60                            | 0.76   | (0.12)                                     | —                 | —                        | —                    | (0.12) | 10.60                               |
| Dec. 31, 2017                 | 10.22                                  | 0.51                                             | —                 | 0.08                          | 0.09                            | 0.68   | (0.45)                                     | —                 | —                        | —                    | (0.45) | 10.22                               |
| Dec. 31, 2016                 | 10.51                                  | 0.48                                             | —                 | (0.03)                        | (0.17)                          | 0.28   | (0.42)                                     | —                 | —                        | —                    | (0.42) | 10.22                               |
| Dec. 31, 2015                 | 10.04                                  | 0.56                                             | —                 | —                             | 0.38                            | 0.94   | (0.49)                                     | —                 | —                        | —                    | (0.49) | 10.51                               |
| Dec. 31, 2014                 | 9.95                                   | 0.12                                             | —                 | 0.16                          | (1.05)                          | (0.77) | (0.05)                                     | —                 | —                        | —                    | (0.05) | 10.04                               |

<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 27, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.65</b>                      | <b>751</b>                  | <b>78</b>                             | <b>1.70</b>                                  | <b>1.70</b>                               | <b>n/a</b>                                  | —                                         |
| Dec. 31, 2017              | 9.35                             | 706                         | 75                                    | 1.68                                         | 1.68                                      | n/a                                         | —                                         |
| Dec. 31, 2016              | 9.43                             | 280                         | 30                                    | 1.74                                         | 1.74                                      | n/a                                         | —                                         |
| Dec. 31, 2015 <sup>4</sup> | 9.73                             | 2 315                       | 238                                   | 1.75                                         | 1.75                                      | n/a                                         | —                                         |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.65</b>                      | <b>76</b>                   | <b>8</b>                              | <b>1.66</b>                                  | <b>1.66</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017              | 9.36                             | 208                         | 22                                    | 1.64                                         | 1.64                                      | n/a                                         | —                                         |
| Dec. 31, 2016              | 9.43                             | 81                          | 9                                     | 1.68                                         | 1.68                                      | n/a                                         | —                                         |
| Dec. 31, 2015 <sup>4</sup> | 9.73                             | 168                         | 17                                    | 1.75                                         | 1.75                                      | n/a                                         | —                                         |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.71</b>                      | <b>603</b>                  | <b>62</b>                             | <b>1.16</b>                                  | <b>1.16</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017              | 9.39                             | 443                         | 47                                    | 1.19                                         | 1.19                                      | n/a                                         | —                                         |
| Dec. 31, 2016              | 9.44                             | 225                         | 24                                    | 1.19                                         | 1.19                                      | n/a                                         | —                                         |
| Dec. 31, 2015 <sup>4</sup> | 9.73                             | 111                         | 11                                    | 1.19                                         | 1.19                                      | n/a                                         | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.74</b>                      | <b>14 954</b>               | <b>1 535</b>                          | <b>0.89</b>                                  | <b>0.89</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017              | 9.42                             | 17 731                      | 1 883                                 | 0.85                                         | 0.85                                      | n/a                                         | —                                         |
| Dec. 31, 2016              | 9.45                             | 2 602                       | 275                                   | 0.87                                         | 0.87                                      | n/a                                         | —                                         |
| Dec. 31, 2015 <sup>4</sup> | 9.74                             | 2 794                       | 287                                   | 0.91                                         | 0.91                                      | n/a                                         | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.60</b>                     | <b>1 021 267</b>            | <b>96 367</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>n/a</b>                                  | <b>—</b>                                  |
| Dec. 31, 2017              | 10.22                            | 746 387                     | 73 018                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2016              | 10.22                            | 526 507                     | 51 525                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2015              | 10.51                            | 251 912                     | 23 964                                | 0.02                                         | 0.02                                      | n/a                                         | —                                         |
| Dec. 31, 2014              | 10.04                            | 169 502                     | 16 884                                | 0.02                                         | 0.03                                      | n/a                                         | n/a                                       |

<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 27, 2015.

## 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

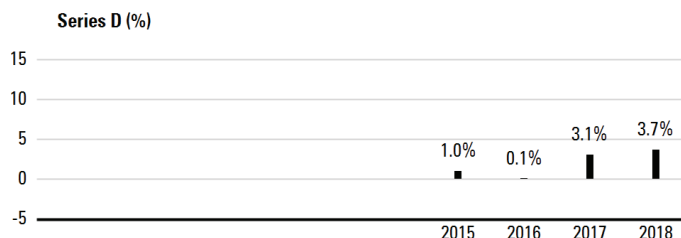
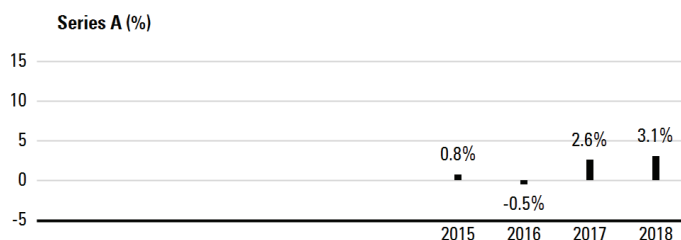


## PAST PERFORMANCE

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 (%)

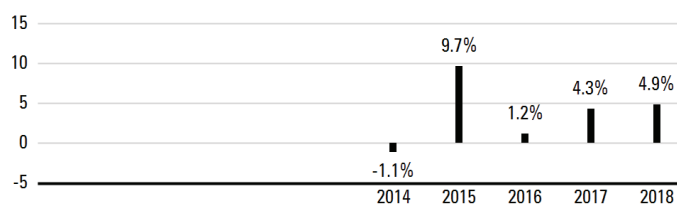
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

JPMorgan Emerging Local Markets Index Plus (CAD)

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

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | 3.1          | 1.7             | —               | —                | 1.8                |
| Benchmark         | 5.0          | 3.3             | —               | —                | 3.3                |
| Broad-based index | 1.4          | 1.9             | —               | —                | 1.5                |
| Advisor Series    | 3.2          | 1.8             | —               | —                | 1.8                |
| Benchmark         | 5.0          | 3.3             | —               | —                | 3.3                |
| Broad-based index | 1.4          | 1.9             | —               | —                | 1.5                |
| Series D          | 3.7          | 2.3             | —               | —                | 2.3                |
| Benchmark         | 5.0          | 3.3             | —               | —                | 3.3                |
| Broad-based index | 1.4          | 1.9             | —               | —                | 1.5                |
| Series F          | 4.0          | 2.6             | —               | —                | 2.6                |
| Benchmark         | 5.0          | 3.3             | —               | —                | 3.3                |
| Broad-based index | 1.4          | 1.9             | —               | —                | 1.5                |
| Series O          | 4.9          | 3.5             | —               | —                | 4.6                |
| Benchmark         | 5.0          | 3.3             | —               | —                | 4.3                |
| Broad-based index | 1.4          | 1.9             | —               | —                | 2.7                |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since July 27, 2015.

Although Series O units of the Fund were created in October 2012, units were not offered for sale under a simplified prospectus until November 17, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**JPMorgan Emerging Local Markets Index Plus (CAD)** The index tracks the local-currency-denominated total returns of money markets in emerging markets.

**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 |
|------------------------------------------|----------------------|
| Commercial Paper                         | 59.4                 |
| Bankers Acceptances and Bank Obligations | 28.2                 |
| Provincial Obligations                   | 5.4                  |
| Federal Obligations                      | 1.5                  |
| Cash/Other                               | 5.5                  |

### Top 25 Holdings

|                    | % of Net Asset Value |
|--------------------|----------------------|
| Mexican peso       | 10.1                 |
| Chinese renminbi   | 9.3                  |
| South Korean won   | 9.3                  |
| Indian rupee       | 8.4                  |
| Singapore dollar   | 7.0                  |
| Russian ruble      | 6.5                  |
| Polish zloty       | 4.9                  |
| Thailand baht      | 4.9                  |
| Turkish new lira   | 4.7                  |
| Brazilian real     | 4.6                  |
| Malaysian ringgit  | 4.4                  |
| Indonesian rupiah  | 4.1                  |
| New Taiwan dollar  | 3.2                  |
| Czech koruna       | 3.1                  |
| Peruvian nuevo sol | 2.5                  |
| South African rand | 2.4                  |
| Chilean peso       | 1.7                  |
| Argentinian peso   | 1.6                  |
| Hungarian forint   | 1.6                  |
| Romanian leu       | 1.4                  |
| Philippine peso    | 1.2                  |
| Israeli new shekel | 1.0                  |
| Colombian peso     | 0.9                  |
| Japanese yen       | 0.6                  |
| Norwegian krone    | 0.3                  |
| Total              | 99.7                 |

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).



FIXED-INCOME FUND

**RBC EMERGING MARKETS BOND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns comprised of interest income and capital growth by investing primarily in government debt securities of emerging market countries. The Fund may also invest in emerging market corporate bonds and government debt securities of developed countries.

To achieve the Fund's objective, the portfolio manager invests mainly in U.S. dollar-denominated bonds issued by the governments of Brazil, Russia, Mexico, Turkey, Philippines, China, Indonesia, Malaysia, Venezuela, Colombia, South Africa, Poland, Panama, Lebanon and Peru. The Fund may also invest in bonds of these countries denominated in another G7 currency or in the local currencies of these countries.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$824 million as of December 31, 2018, from \$826 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series A units gained 3.8%, which underperformed the 4.0% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Emerging-market bonds posted losses in 2018 given rising U.S. government-bond yields and a slowdown in economic growth caused in part by China-U.S. trade tensions. Investors were concerned that U.S. tariffs imposed on Chinese goods would curtail China's growth and reverberate in other emerging markets that supply Chinese manufacturers. Falling oil prices were a boon for energy importers, such as Turkey and South Africa, and a headwind for producers, such as Russia and Mexico. The North American benchmark oil price strengthened above US\$75 in early October before retreating to as low as US\$42 in December on expectations that economic growth would slow and sanctions against Iran would be loosened.

The yield on the 10-year U.S. Treasury bond rose for much of the year and peaked at 3.24% in November, up from 2.41% at the beginning of 2018. The rise in U.S. yields increased loan costs for the many emerging-market countries and companies that borrow in U.S. dollars. The extra income required by investors to invest in emerging-market bonds instead of benchmark U.S. Treasuries also rose, and this was a further negative for emerging-market bonds.

Below-benchmark exposure to Lebanese and Zambian bonds aided the Fund's relative performance, as these markets performed poorly. Enormous declines in Argentina's peso and Bahrain's U.S.-dollar denominated bonds presented the Fund with excellent opportunities to purchase short-term positions in these areas and then sell them at a profit. The portfolio manager built up investments in U.S. Treasuries as rates increased, protecting the portfolio, and an allocation to highly rated Qatar also aided returns as investors sought safe havens in the fourth quarter. The portfolio manager's preference for Venezuelan federal bonds at the expense of bonds issued by the government-backed oil company had a significant positive impact on returns.

### **Recent Developments**

The portfolio manager believes that the fiscal condition of emerging-market oil producers will likely weaken over the next year, given the fall in oil prices. Many forecasters expect a global economic slowdown, most notably in the U.S. and China, as trade tensions continue to simmer. However, the addition of highly rated Persian Gulf states, such as Saudi Arabia and Qatar, to the benchmark index in 2019 will raise the average credit quality of the index while also making it more sensitive to oil-price changes.

The benchmark yield (excluding in-default Venezuela) increased to 6.34% at the end of 2018 from 4.78% at the beginning of 2018, and this increase makes emerging-market bonds more attractive, as long as macroeconomic conditions do not deteriorate significantly.

Effective January 1, 2019, administration fees will be reduced as follows: from 0.10% to 0.05% for Series A, Advisor Series, Series D and Series F units; and from 0.10% to 0.02% for Series O 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.25                                  | 0.62                                             | (0.20)            | (0.02)                        | (0.05)                          | 0.35  | (0.42)                                     | —                 | —                        | —                    | (0.42) | 11.25                               |
| Dec. 31, 2017                 | 11.71                                  | 0.63                                             | (0.21)            | 0.20                          | (0.55)                          | 0.07  | (0.41)                                     | —                 | (0.15)                   | —                    | (0.56) | 11.25                               |
| Dec. 31, 2016                 | 11.88                                  | 0.66                                             | (0.21)            | 0.47                          | (0.44)                          | 0.48  | (0.43)                                     | —                 | (0.27)                   | —                    | (0.70) | 11.71                               |
| Dec. 31, 2015                 | 10.86                                  | 0.68                                             | (0.21)            | 0.61                          | 0.72                            | 1.80  | (0.44)                                     | —                 | (0.42)                   | —                    | (0.86) | 11.88                               |
| Dec. 31, 2014                 | 9.99                                   | 0.58                                             | (0.19)            | 0.37                          | 0.71                            | 1.47  | (0.37)                                     | —                 | (0.21)                   | —                    | (0.58) | 10.86                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.23                                  | 0.62                                             | (0.20)            | (0.02)                        | (0.08)                          | 0.32  | (0.42)                                     | —                 | —                        | —                    | (0.42) | 11.23                               |
| Dec. 31, 2017                 | 11.69                                  | 0.63                                             | (0.21)            | 0.20                          | (0.50)                          | 0.12  | (0.40)                                     | —                 | (0.15)                   | —                    | (0.55) | 11.23                               |
| Dec. 31, 2016                 | 11.86                                  | 0.66                                             | (0.21)            | 0.47                          | (0.40)                          | 0.52  | (0.43)                                     | —                 | (0.27)                   | —                    | (0.70) | 11.69                               |
| Dec. 31, 2015                 | 10.85                                  | 0.68                                             | (0.21)            | 0.61                          | 0.72                            | 1.80  | (0.44)                                     | —                 | (0.42)                   | —                    | (0.86) | 11.86                               |
| Dec. 31, 2014                 | 9.98                                   | 0.58                                             | (0.19)            | 0.37                          | 0.71                            | 1.47  | (0.38)                                     | —                 | (0.21)                   | —                    | (0.59) | 10.85                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.38                                  | 0.63                                             | (0.12)            | (0.02)                        | (0.05)                          | 0.44  | (0.50)                                     | —                 | —                        | —                    | (0.50) | 11.38                               |
| Dec. 31, 2017                 | 11.84                                  | 0.64                                             | (0.13)            | 0.20                          | (0.59)                          | 0.12  | (0.49)                                     | —                 | (0.15)                   | —                    | (0.64) | 11.38                               |
| Dec. 31, 2016                 | 12.01                                  | 0.67                                             | (0.13)            | 0.47                          | (0.48)                          | 0.53  | (0.51)                                     | —                 | (0.27)                   | —                    | (0.78) | 11.84                               |
| Dec. 31, 2015                 | 10.99                                  | 0.68                                             | (0.13)            | 0.62                          | 0.73                            | 1.90  | (0.53)                                     | —                 | (0.42)                   | —                    | (0.95) | 12.01                               |
| Dec. 31, 2014                 | 10.09                                  | 0.58                                             | (0.12)            | 0.38                          | 0.71                            | 1.55  | (0.43)                                     | —                 | (0.21)                   | —                    | (0.64) | 10.99                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.22                                  | 0.62                                             | (0.10)            | (0.02)                        | (0.09)                          | 0.41  | (0.50)                                     | —                 | —                        | —                    | (0.50) | 11.22                               |
| Dec. 31, 2017                 | 11.67                                  | 0.62                                             | (0.11)            | 0.20                          | (0.54)                          | 0.17  | (0.50)                                     | —                 | (0.15)                   | —                    | (0.65) | 11.22                               |
| Dec. 31, 2016                 | 11.85                                  | 0.65                                             | (0.11)            | 0.46                          | (0.39)                          | 0.61  | (0.53)                                     | —                 | (0.27)                   | —                    | (0.80) | 11.67                               |
| Dec. 31, 2015                 | 10.83                                  | 0.68                                             | (0.11)            | 0.61                          | 0.72                            | 1.90  | (0.54)                                     | —                 | (0.42)                   | —                    | (0.96) | 11.85                               |
| Dec. 31, 2014                 | 9.95                                   | 0.57                                             | (0.10)            | 0.37                          | 0.70                            | 1.54  | (0.44)                                     | —                 | (0.21)                   | —                    | (0.65) | 10.83                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.22                                  | 0.62                                             | (0.01)            | (0.02)                        | 0.01                            | 0.60  | (0.60)                                     | —                 | —                        | —                    | (0.60) | 11.23                               |
| Dec. 31, 2017                 | 11.68                                  | 0.62                                             | (0.01)            | 0.20                          | (0.55)                          | 0.26  | (0.60)                                     | —                 | (0.15)                   | —                    | (0.75) | 11.22                               |
| Dec. 31, 2016                 | 11.86                                  | 0.66                                             | (0.01)            | 0.47                          | (0.37)                          | 0.75  | (0.63)                                     | —                 | (0.27)                   | —                    | (0.90) | 11.68                               |
| Dec. 31, 2015                 | 10.86                                  | 0.68                                             | (0.01)            | 0.61                          | 0.72                            | 2.00  | (0.65)                                     | —                 | (0.42)                   | —                    | (1.07) | 11.86                               |
| Dec. 31, 2014                 | 10.00                                  | 0.58                                             | (0.01)            | 0.37                          | 0.71                            | 1.65  | (0.57)                                     | —                 | (0.21)                   | —                    | (0.78) | 10.86                               |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.25</b>                     | <b>34 811</b>               | <b>3 095</b>                          | <b>1.78</b>                                  | <b>1.78</b>                               | <b>33.76</b>                                | —                                         |
| Dec. 31, 2017         | 11.25                            | 44 235                      | 3 931                                 | 1.78                                         | 1.78                                      | 44.95                                       | —                                         |
| Dec. 31, 2016         | 11.71                            | 47 698                      | 4 074                                 | 1.77                                         | 1.77                                      | 43.71                                       | —                                         |
| Dec. 31, 2015         | 11.88                            | 46 273                      | 3 895                                 | 1.77                                         | 1.77                                      | 45.98                                       | —                                         |
| Dec. 31, 2014         | 10.86                            | 33 408                      | 3 075                                 | 1.78                                         | 1.78                                      | 65.47                                       | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.23</b>                     | <b>17 815</b>               | <b>1 587</b>                          | <b>1.79</b>                                  | <b>1.79</b>                               | <b>33.76</b>                                | —                                         |
| Dec. 31, 2017         | 11.23                            | 24 656                      | 2 195                                 | 1.80                                         | 1.80                                      | 44.95                                       | —                                         |
| Dec. 31, 2016         | 11.69                            | 30 789                      | 2 634                                 | 1.79                                         | 1.79                                      | 43.71                                       | —                                         |
| Dec. 31, 2015         | 11.86                            | 35 427                      | 2 987                                 | 1.78                                         | 1.78                                      | 45.98                                       | —                                         |
| Dec. 31, 2014         | 10.85                            | 34 308                      | 3 162                                 | 1.78                                         | 1.78                                      | 65.47                                       | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.38</b>                     | <b>15 773</b>               | <b>1 386</b>                          | <b>1.12</b>                                  | <b>1.12</b>                               | <b>33.76</b>                                | —                                         |
| Dec. 31, 2017         | 11.38                            | 17 858                      | 1 569                                 | 1.12                                         | 1.12                                      | 44.95                                       | —                                         |
| Dec. 31, 2016         | 11.84                            | 18 247                      | 1 541                                 | 1.11                                         | 1.11                                      | 43.71                                       | —                                         |
| Dec. 31, 2015         | 12.01                            | 15 633                      | 1 302                                 | 1.11                                         | 1.11                                      | 45.98                                       | —                                         |
| Dec. 31, 2014         | 10.99                            | 7 945                       | 723                                   | 1.11                                         | 1.11                                      | 65.47                                       | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.22</b>                     | <b>120 529</b>              | <b>10 741</b>                         | <b>0.96</b>                                  | <b>0.96</b>                               | <b>33.76</b>                                | —                                         |
| Dec. 31, 2017         | 11.22                            | 148 733                     | 13 255                                | 0.96                                         | 0.96                                      | 44.95                                       | —                                         |
| Dec. 31, 2016         | 11.67                            | 122 035                     | 10 457                                | 0.94                                         | 0.94                                      | 43.71                                       | —                                         |
| Dec. 31, 2015         | 11.85                            | 95 492                      | 8 061                                 | 0.94                                         | 0.94                                      | 45.98                                       | —                                         |
| Dec. 31, 2014         | 10.83                            | 58 925                      | 5 439                                 | 0.95                                         | 0.95                                      | 65.47                                       | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.23</b>                     | <b>635 440</b>              | <b>56 606</b>                         | <b>0.12</b>                                  | <b>0.12</b>                               | <b>33.76</b>                                | —                                         |
| Dec. 31, 2017         | 11.22                            | 590 639                     | 52 610                                | 0.12                                         | 0.12                                      | 44.95                                       | —                                         |
| Dec. 31, 2016         | 11.68                            | 475 023                     | 40 674                                | 0.11                                         | 0.11                                      | 43.71                                       | —                                         |
| Dec. 31, 2015         | 11.86                            | 398 918                     | 33 642                                | 0.11                                         | 0.11                                      | 45.98                                       | —                                         |
| Dec. 31, 2014         | 10.86                            | 300 631                     | 27 695                                | 0.11                                         | 0.11                                      | 65.47                                       | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

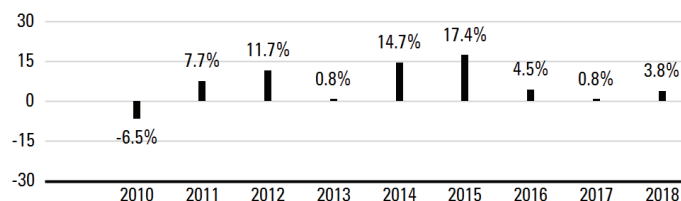
## PAST PERFORMANCE

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.

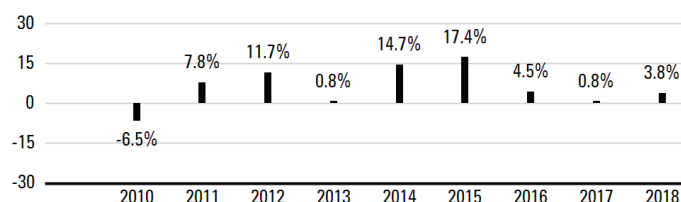
### Year-by-Year Returns (%)

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.

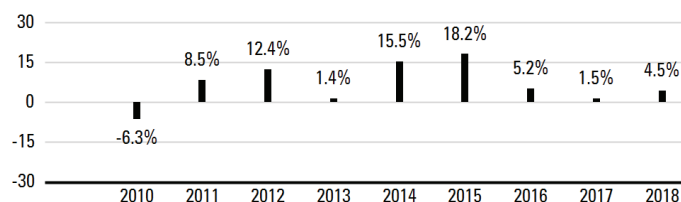
**Series A (%)**



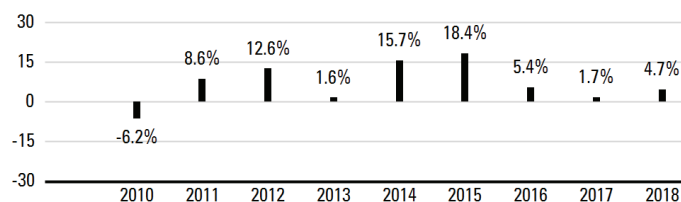
**Advisor Series (%)**



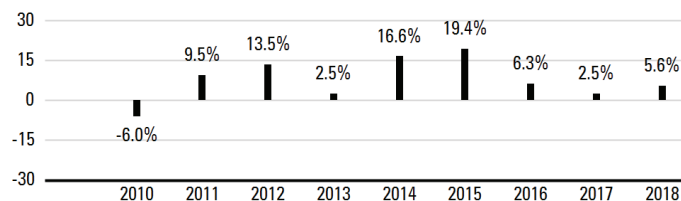
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

JPMorgan EMBI Global Diversified (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 3.8          | 3.0             | 8.1             | —                | 6.3                |
| Benchmark      | 4.0          | 4.7             | 10.2            | —                | 8.2                |
| Advisor Series | 3.8          | 3.0             | 8.1             | —                | 6.3                |
| Benchmark      | 4.0          | 4.7             | 10.2            | —                | 8.2                |
| Series D       | 4.5          | 3.7             | 8.8             | —                | 7.1                |
| Benchmark      | 4.0          | 4.7             | 10.2            | —                | 8.2                |
| Series F       | 4.7          | 3.9             | 9.0             | —                | 7.2                |
| Benchmark      | 4.0          | 4.7             | 10.2            | —                | 8.2                |
| Series O       | 5.6          | 4.8             | 9.9             | —                | 8.1                |
| Benchmark      | 4.0          | 4.7             | 10.2            | —                | 8.2                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since August 23, 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**JPMorgan EMBI Global Diversified (CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                    | % of Net Asset Value |
|--------------------|----------------------|
| Indonesia          | 4.5                  |
| Mexico             | 4.3                  |
| Turkey             | 3.7                  |
| Peru               | 3.6                  |
| South Africa       | 3.6                  |
| Russia             | 3.4                  |
| Underlying Funds   | 3.2                  |
| Colombia           | 3.0                  |
| Argentina          | 2.7                  |
| Dominican Republic | 2.6                  |
| Kazakhstan         | 2.4                  |
| China              | 2.3                  |
| United States      | 2.3                  |
| Uruguay            | 2.2                  |
| Panama             | 2.1                  |
| Malaysia           | 1.9                  |
| Qatar              | 1.9                  |
| Serbia             | 1.7                  |
| Philippines        | 1.6                  |
| Brazil             | 1.5                  |
| Hungary            | 1.5                  |
| Vietnam            | 1.5                  |
| Chile              | 1.2                  |
| Croatia            | 1.2                  |
| Romania            | 1.2                  |
| Venezuela          | 1.0                  |
| Other Countries    | 35.3                 |
| Cash/Other         | 2.6                  |



## SUMMARY OF INVESTMENT PORTFOLIO (cont.)

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

*As at December 31, 2018*

### Top 25 Holdings

|                                                           | % of Net Asset Value |
|-----------------------------------------------------------|----------------------|
| Peruvian Government USD 8.750% Nov 21 2033                | 2.9                  |
| United States Treasury 2.250% Feb 15 2027                 | 2.4                  |
| Republic of Serbia USD 7.250% Sep 28 2021                 | 1.7                  |
| VanEck Vectors J.P. Morgan EM Local Currency Bond Fund    | 1.6                  |
| iShares J.P. Morgan USD Emerging Markets Bond Fund        | 1.6                  |
| Dominican Republic USD 7.450% Apr 30 2044                 | 1.6                  |
| Republic of Colombia USD 6.125% Jan 18 2041               | 1.6                  |
| Republic of Turkey USD 4.875% Apr 16 2043                 | 1.5                  |
| Republic of Philippines USD 7.750% Jan 14 2031            | 1.5                  |
| Republic of Vietnam USD 4.800% Nov 19 2024                | 1.5                  |
| Export Credit Bank of Turkey USD 5.375% Feb 8 2021        | 1.4                  |
| State of Qatar USD 6.400% Jan 20 2040                     | 1.4                  |
| Pemex Project Funding Master Trust USD 6.625% Jun 15 2035 | 1.3                  |
| Cash & Cash Equivalents                                   | 1.3                  |
| 1MDB Energy Ltd. USD 5.990% May 11 2022                   | 1.3                  |
| Government of Poland USD 3.250% Apr 6 2026                | 1.3                  |
| Republic of Chile USD 3.860% Jun 21 2047                  | 1.3                  |
| Hungary Government USD 5.375% Mar 25 2024                 | 1.2                  |
| Saudi Government USD 4.500% Apr 17 2030                   | 1.2                  |
| Ukraine Government USD 7.750% Sep 1 2022                  | 1.2                  |
| Government of Kazakhstan USD 4.875% Oct 14 2044           | 1.1                  |
| Russian Foreign Bond - Eurobond USD 4.875% Sep 16 2023    | 1.1                  |
| Russian Foreign Bond - Eurobond USD 4.750% May 27 2026    | 1.1                  |
| Republic of Uruguay USD 7.625% Mar 21 2036                | 1.1                  |
| Bahamas Government USD 5.750% Jan 16 2024                 | 1.1                  |
| <b>Top 25 Holdings</b>                                    | <b>36.3</b>          |

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).



FIXED-INCOME FUND

**RBC EMERGING MARKETS BOND FUND  
(CAD HEDGED)**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns comprised of interest income and capital growth by investing primarily in government debt securities of emerging-market countries, while minimizing the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The Fund invests up to 100% of its net assets in units of the RBC Emerging Markets Bond Fund (the “underlying fund”). The underlying fund invests mainly in U.S. dollar-denominated bonds issued by the governments of Brazil, Russia, Mexico, Turkey, Philippines, China, Indonesia, Malaysia, Venezuela, Colombia, South Africa, Poland, Panama, Lebanon and Peru. The underlying fund may also invest in bonds of these countries denominated in another G7 currency or in the local currencies of these countries. The Fund uses currency hedges to minimize the impact of fluctuations in foreign currencies versus the Canadian dollar.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying fund. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value rose to \$9 million as of December 31, 2018, from \$5 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 5.1%, which matched the 5.1% decline in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

Emerging-market bonds posted losses in 2018, given rising U.S. government-bond yields and a slowdown in economic growth caused in part by China-U.S. trade tensions. Investors were concerned that U.S. tariffs imposed on Chinese goods would curtail China’s growth and reverberate in other emerging markets that supply Chinese manufacturers. Falling oil prices were a boon for energy importers, such as Turkey and South Africa, and a headwind

for producers, such as Russia and Mexico. The North American benchmark oil price strengthened above US\$75 in early October before retreating to as low as US\$42 in December on expectations that economic growth would slow and sanctions against Iran would be loosened.

The yield on the 10-year U.S. Treasury bond rose for much of the year and peaked at 3.24% in November, up from 2.41% at the beginning of 2018. The rise in U.S. yields increased loan costs for the many emerging-market countries and companies that borrow in U.S. dollars. The extra income required by investors to invest in emerging-market bonds instead of benchmark U.S. Treasuries also rose, and this was a further negative for emerging-market bonds.

Below-benchmark exposure to Lebanese and Zambian bonds aided the Fund’s relative performance, as these markets performed poorly. Enormous declines in Argentina’s peso and Bahrain’s U.S.-dollar denominated bonds presented the Fund with excellent opportunities to purchase short-term positions in these areas and then sell them at a profit. The portfolio manager built up investments in U.S. Treasuries as rates increased, protecting the portfolio, and an allocation to highly rated Qatar also aided returns as investors sought safe havens in the fourth quarter. The portfolio manager’s preference for Venezuelan federal bonds at the expense of bonds issued by the government-backed oil company had a significant positive impact on returns.

Unitholders did not benefit from the Fund’s currency-hedging policy in the first half of 2018, given the rise in the U.S. dollar versus the Canadian dollar.

### **Recent Developments**

The portfolio manager believes that the fiscal condition of emerging-market oil producers will likely weaken over the next year, given the fall in oil prices. Many forecasters expect a global economic slowdown, most notably in the U.S. and China, as trade tensions continue to simmer. However, the addition of highly rated Persian Gulf states, such as Saudi Arabia and Qatar, to the benchmark index in 2019 will raise the average credit quality of the index while also making it more sensitive to oil-price changes.

The benchmark yield (excluding in-default Venezuela) increased to 6.34% at the end of 2018 from 4.78% at the beginning of 2018, and this increase makes emerging-market bonds more attractive, as long as macroeconomic conditions do not deteriorate significantly.



## **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., 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 Investor Services Trust ("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 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.



**RBC EMERGING MARKETS BOND FUND  
(CAD HEDGED)**

**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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

**Change in Net Assets Per Unit (\$)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |             |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|-------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |             |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Dec. 31, 2018</b>          | <b>9.41</b>                            | <b>0.50</b>                                      | <b>(0.15)</b>     | <b>(0.45)</b>                 | <b>(0.30)</b>                   | <b>(0.40)</b> | <b>(0.34)</b>                              | —                 | —                        | —                    | <b>(0.34)</b>                       | <b>8.59</b> |
| Dec. 31, 2017                 | 9.31                                   | 0.40                                             | (0.18)            | 0.18                          | (0.05)                          | 0.35          | (0.30)                                     | —                 | (0.23)                   | —                    | (0.53)                              | 9.41        |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.29                                             | (0.09)            | 0.33                          | (1.05)                          | (0.52)        | (0.12)                                     | —                 | (0.18)                   | —                    | (0.30)                              | 9.31        |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Dec. 31, 2018</b>          | <b>9.40</b>                            | <b>0.52</b>                                      | <b>(0.16)</b>     | <b>(0.46)</b>                 | <b>(0.33)</b>                   | <b>(0.43)</b> | <b>(0.34)</b>                              | —                 | —                        | —                    | <b>(0.34)</b>                       | <b>8.58</b> |
| Dec. 31, 2017                 | 9.32                                   | 0.49                                             | (0.17)            | 0.21                          | (0.13)                          | 0.40          | (0.31)                                     | —                 | (0.25)                   | —                    | (0.56)                              | 9.40        |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.34                                             | (0.09)            | 0.39                          | (1.03)                          | (0.39)        | (0.12)                                     | —                 | (0.18)                   | —                    | (0.30)                              | 9.32        |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Dec. 31, 2018</b>          | <b>9.39</b>                            | <b>0.51</b>                                      | <b>(0.09)</b>     | <b>(0.45)</b>                 | <b>(0.36)</b>                   | <b>(0.39)</b> | <b>(0.40)</b>                              | —                 | —                        | —                    | <b>(0.40)</b>                       | <b>8.57</b> |
| Dec. 31, 2017                 | 9.31                                   | 0.46                                             | (0.10)            | 0.20                          | (0.13)                          | 0.43          | (0.38)                                     | —                 | (0.25)                   | —                    | (0.63)                              | 9.39        |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.34                                             | (0.07)            | 0.39                          | (1.03)                          | (0.37)        | (0.14)                                     | —                 | (0.18)                   | —                    | (0.32)                              | 9.31        |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Dec. 31, 2018</b>          | <b>9.39</b>                            | <b>0.51</b>                                      | <b>(0.08)</b>     | <b>(0.45)</b>                 | <b>(0.31)</b>                   | <b>(0.33)</b> | <b>(0.41)</b>                              | —                 | —                        | —                    | <b>(0.41)</b>                       | <b>8.58</b> |
| Dec. 31, 2017                 | 9.31                                   | 0.52                                             | (0.09)            | 0.23                          | (0.19)                          | 0.47          | (0.38)                                     | —                 | (0.25)                   | —                    | (0.63)                              | 9.39        |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.22                                             | (0.06)            | 0.25                          | (0.39)                          | 0.02          | (0.14)                                     | —                 | (0.18)                   | —                    | (0.32)                              | 9.31        |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Dec. 31, 2018</b>          | <b>9.44</b>                            | <b>0.52</b>                                      | <b>(0.01)</b>     | <b>(0.46)</b>                 | <b>(0.32)</b>                   | <b>(0.27)</b> | <b>(0.49)</b>                              | —                 | —                        | —                    | <b>(0.49)</b>                       | <b>8.62</b> |
| Dec. 31, 2017                 | 9.31                                   | 0.70                                             | (0.02)            | 0.31                          | (0.24)                          | 0.75          | (0.47)                                     | —                 | (0.19)                   | —                    | (0.66)                              | 9.44        |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.31                                             | (0.05)            | 0.36                          | (0.87)                          | (0.25)        | (0.16)                                     | —                 | (0.18)                   | —                    | (0.34)                              | 9.31        |

<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 June 27, 2016.

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.59</b>                      | <b>1 297</b>                | <b>151</b>                            | <b>1.83</b>                                  | <b>1.85</b>                               | <b>25.88</b>                                | —                                         |
| Dec. 31, 2017              | 9.41                             | 574                         | 61                                    | 1.89                                         | 1.97                                      | 87.18                                       | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.31                             | 19                          | 2                                     | 1.86                                         | 2.31                                      | 19.87                                       | —                                         |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.58</b>                      | <b>42</b>                   | <b>5</b>                              | <b>1.89</b>                                  | <b>1.91</b>                               | <b>25.88</b>                                | —                                         |
| Dec. 31, 2017              | 9.40                             | 26                          | 3                                     | 1.76                                         | 1.84                                      | 87.18                                       | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.32                             | 1                           | —                                     | 1.71                                         | 2.16                                      | 19.87                                       | —                                         |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.57</b>                      | <b>177</b>                  | <b>21</b>                             | <b>1.15</b>                                  | <b>1.17</b>                               | <b>25.88</b>                                | —                                         |
| Dec. 31, 2017              | 9.39                             | 95                          | 10                                    | 1.13                                         | 1.21                                      | 87.18                                       | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.31                             | 1                           | —                                     | 1.18                                         | 1.63                                      | 19.87                                       | —                                         |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.58</b>                      | <b>6 958</b>                | <b>811</b>                            | <b>1.03</b>                                  | <b>1.05</b>                               | <b>25.88</b>                                | —                                         |
| Dec. 31, 2017              | 9.39                             | 3 722                       | 396                                   | 1.01                                         | 1.09                                      | 87.18                                       | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.31                             | 179                         | 19                                    | 1.01                                         | 1.46                                      | 19.87                                       | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.62</b>                      | <b>962</b>                  | <b>112</b>                            | <b>0.17</b>                                  | <b>0.19</b>                               | <b>25.88</b>                                | —                                         |
| Dec. 31, 2017              | 9.44                             | 630                         | 67                                    | 0.18                                         | 0.26                                      | 87.18                                       | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.31                             | 248                         | 27                                    | 0.17                                         | 0.62                                      | 19.87                                       | —                                         |

<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 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.



**RBC EMERGING MARKETS BOND FUND  
(CAD HEDGED)**

**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

**JPMorgan EMBI Global Diversified (hedged to CAD)**

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -5.1         | —               | —               | —                | -1.2               |
| Benchmark      | -5.1         | —               | —               | —                | 0.0                |
| Advisor Series | -5.2         | —               | —               | —                | -1.1               |
| Benchmark      | -5.1         | —               | —               | —                | 0.0                |
| Series D       | -4.4         | —               | —               | —                | -0.4               |
| Benchmark      | -5.1         | —               | —               | —                | 0.0                |
| Series F       | -4.3         | —               | —               | —                | -0.3               |
| Benchmark      | -5.1         | —               | —               | —                | 0.0                |
| Series O       | -3.5         | —               | —               | —                | 0.5                |
| Benchmark      | -5.1         | —               | —               | —                | 0.0                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since September 26, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTION**

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|              | % of Net Asset Value |
|--------------|----------------------|
| Income Funds | 103.7                |
| Cash/Other   | (3.7)                |

### Top 25 Holdings\*

|                                                           | % of Net Asset Value |
|-----------------------------------------------------------|----------------------|
| Peruvian Government USD 8.750% Nov 21 2033                | 2.9                  |
| United States Treasury 2.250% Feb 15 2027                 | 2.4                  |
| Republic of Serbia USD 7.250% Sep 28 2021                 | 1.7                  |
| VanEck Vectors J.P. Morgan EM Local Currency Bond Fund    | 1.6                  |
| iShares J.P. Morgan USD Emerging Markets Bond Fund        | 1.6                  |
| Dominican Republic USD 7.450% Apr 30 2044                 | 1.6                  |
| Republic of Colombia USD 6.125% Jan 18 2041               | 1.6                  |
| Republic of Turkey USD 4.875% Apr 16 2043                 | 1.5                  |
| Republic of Philippines USD 7.750% Jan 14 2031            | 1.5                  |
| Republic of Vietnam USD 4.800% Nov 19 2024                | 1.5                  |
| Export Credit Bank of Turkey USD 5.375% Feb 8 2021        | 1.4                  |
| State of Qatar USD 6.400% Jan 20 2040                     | 1.4                  |
| Pemex Project Funding Master Trust USD 6.625% Jun 15 2035 | 1.3                  |
| Cash & Cash Equivalents                                   | 1.3                  |
| 1MDB Energy Ltd. USD 5.990% May 11 2022                   | 1.3                  |
| Government of Poland USD 3.250% Apr 6 2026                | 1.3                  |
| Republic of Chile USD 3.860% Jun 21 2047                  | 1.3                  |
| Hungary Government USD 5.375% Mar 25 2024                 | 1.2                  |
| Saudi Government USD 4.500% Apr 17 2030                   | 1.2                  |
| Ukraine Government USD 7.750% Sep 1 2022                  | 1.2                  |
| Government of Kazakhstan USD 4.875% Oct 14 2044           | 1.1                  |
| Russian Foreign Bond - Eurobond USD 4.875% Sep 16 2023    | 1.1                  |
| Russian Foreign Bond - Eurobond USD 4.750% May 27 2026    | 1.1                  |
| Republic of Uruguay USD 7.625% Mar 21 2036                | 1.1                  |
| Bahamas Government USD 5.750% Jan 16 2024                 | 1.1                  |
| <b>Top 25 Holdings</b>                                    | <b>36.3</b>          |

\* The Fund invests substantially all of its assets directly in the RBC Emerging Markets Bond Fund.  
The above are the Top 25 holdings of the RBC Emerging Markets Bond Fund.

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).



FIXED-INCOME FUND

## BLUEBAY GLOBAL MONTHLY INCOME BOND FUND

December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide high regular monthly income and total returns comprised of interest income and modest capital appreciation. To achieve the Fund's objectives, the sub-advisor invests primarily in global high-yield debt securities, emerging market government and corporate debt securities, and global convertible bonds either directly or indirectly through investments in other mutual funds managed by RBC GAM or an affiliate.

Global high-yield debt includes securities of companies rated below investment grade, which can be domiciled or carry out business anywhere in the world. Emerging market debt includes bonds issued by emerging market issuers or entities domiciled in an emerging market country, and which can be denominated in U.S. dollars, the currency of another G7 country or in the local currency of an emerging market country. Global convertible bonds include securities issued by entities that can be domiciled or carry out business anywhere in the world.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$1.7 billion as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series A units lost 3.3%, which underperformed the 2.6% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 3.35 cents per Series A unit. For the year, the Fund made total distributions of approximately 40 cents per Series A unit, consisting of 37 cents per unit of interest and 3 cents of return of capital.

Non-government bonds and equities generated losses in 2018 amid trade disputes between the U.S. and its major trade partners; weakening economic growth in many parts of the world; and generally higher interest rates for much of the year. Central banks, led by the U.S. Federal Reserve (the "Fed"), tightened monetary policies or took steps in that direction, culminating in the Fed's fourth rate hike of the year in December.

In Canadian-dollar terms, the high-yield market posted a loss of 2.8%; the financial-capital bond market lost 3.5%; the convertible bond market lost 3.6%; the emerging-market sovereign hard-currency debt market lost 5.1%; the emerging-market sovereign local-currency debt market gained 2.2%; the emerging-market corporate market lost 2.5%; and the emerging-market corporate local-currency market gained 6.9%.

Emerging markets had an overall negative impact on the Fund's performance; emerging-market local-currency bonds in both the sovereign and corporate areas held back returns during the period. The allocation to convertible bonds contributed to returns.

Overall, asset allocation aided relative returns over the period, with the underweight position in emerging markets proving the correct positioning as these assets declined. Security selection was negative overall, primarily because of underperformance in the emerging-market local-currency segment. Security selection was positive in high-yield and convertible bonds, as both areas outperformed.

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

### Recent Developments

The financial-market calm of recent years is gradually giving way to a more volatile era in which investors may need to place a greater emphasis on asset diversification and capital preservation. However, in the sub-advisor's view, healthy global economic growth, relatively low inflation and broadly accommodative monetary policies should support assets such as corporate bonds.

As of December 31, 2018, 33% of the Fund was invested in high-yield fixed income; 18% in emerging-market securities denominated in developed-market currencies; 13% in emerging-market local currency; 9% in emerging-market local-currency corporate fixed income; 11% in convertible bonds; 9% in financial-capital bonds; and 7% elsewhere.

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 and Series I 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.48                                   | 0.51                                             | (0.17)            | (0.24)                        | (0.40)                          | (0.30) | (0.37)                                     | —                 | —                        | (0.03)               | (0.40) | 8.77                                |
| Dec. 31, 2017                 | 9.36                                   | 0.49                                             | (0.19)            | 0.18                          | 0.05                            | 0.53   | (0.34)                                     | —                 | —                        | (0.06)               | (0.40) | 9.48                                |
| Dec. 31, 2016                 | 9.23                                   | 0.46                                             | (0.19)            | 0.12                          | 0.14                            | 0.53   | (0.35)                                     | —                 | —                        | (0.05)               | (0.40) | 9.36                                |
| Dec. 31, 2015                 | 9.89                                   | 0.48                                             | (0.20)            | (0.45)                        | (0.10)                          | (0.27) | (0.33)                                     | —                 | —                        | (0.07)               | (0.40) | 9.23                                |
| Dec. 31, 2014                 | 9.98                                   | 0.52                                             | (0.21)            | (0.21)                        | 0.01                            | 0.11   | (0.32)                                     | —                 | —                        | (0.08)               | (0.40) | 9.89                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.48                                   | 0.51                                             | (0.17)            | (0.24)                        | (0.39)                          | (0.29) | (0.37)                                     | —                 | —                        | (0.03)               | (0.40) | 8.77                                |
| Dec. 31, 2017                 | 9.36                                   | 0.49                                             | (0.20)            | 0.18                          | 0.07                            | 0.54   | (0.34)                                     | —                 | —                        | (0.06)               | (0.40) | 9.48                                |
| Dec. 31, 2016                 | 9.23                                   | 0.46                                             | (0.19)            | 0.12                          | 0.15                            | 0.54   | (0.35)                                     | —                 | —                        | (0.05)               | (0.40) | 9.36                                |
| Dec. 31, 2015                 | 9.89                                   | 0.48                                             | (0.20)            | (0.45)                        | (0.10)                          | (0.27) | (0.33)                                     | —                 | —                        | (0.07)               | (0.40) | 9.23                                |
| Dec. 31, 2014                 | 9.99                                   | 0.52                                             | (0.21)            | (0.22)                        | 0.01                            | 0.10   | (0.32)                                     | —                 | —                        | (0.08)               | (0.40) | 9.89                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.98                                   | 0.54                                             | (0.11)            | (0.25)                        | (0.46)                          | (0.28) | (0.40)                                     | —                 | —                        | (0.03)               | (0.43) | 9.30                                |
| Dec. 31, 2017                 | 9.77                                   | 0.51                                             | (0.13)            | 0.18                          | 0.06                            | 0.62   | (0.34)                                     | —                 | —                        | (0.06)               | (0.40) | 9.98                                |
| Dec. 31, 2016                 | 9.55                                   | 0.48                                             | (0.13)            | 0.13                          | 0.14                            | 0.62   | (0.35)                                     | —                 | —                        | (0.05)               | (0.40) | 9.77                                |
| Dec. 31, 2015                 | 10.14                                  | 0.49                                             | (0.13)            | (0.46)                        | (0.11)                          | (0.21) | (0.33)                                     | —                 | —                        | (0.07)               | (0.40) | 9.55                                |
| Dec. 31, 2014                 | 10.16                                  | 0.53                                             | (0.14)            | (0.22)                        | 0.01                            | 0.18   | (0.32)                                     | —                 | —                        | (0.08)               | (0.40) | 10.14                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.08                                  | 0.54                                             | (0.10)            | (0.25)                        | (0.45)                          | (0.26) | (0.40)                                     | —                 | —                        | (0.03)               | (0.43) | 9.40                                |
| Dec. 31, 2017                 | 9.85                                   | 0.52                                             | (0.12)            | 0.19                          | 0.06                            | 0.65   | (0.34)                                     | —                 | —                        | (0.06)               | (0.40) | 10.08                               |
| Dec. 31, 2016                 | 9.61                                   | 0.48                                             | (0.12)            | 0.13                          | 0.15                            | 0.64   | (0.35)                                     | —                 | —                        | (0.05)               | (0.40) | 9.85                                |
| Dec. 31, 2015                 | 10.20                                  | 0.50                                             | (0.12)            | (0.47)                        | (0.11)                          | (0.20) | (0.33)                                     | —                 | —                        | (0.07)               | (0.40) | 9.61                                |
| Dec. 31, 2014                 | 10.20                                  | 0.53                                             | (0.13)            | (0.22)                        | 0.01                            | 0.19   | (0.32)                                     | —                 | —                        | (0.08)               | (0.40) | 10.20                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.14                                  | 0.55                                             | (0.10)            | (0.25)                        | (0.46)                          | (0.26) | (0.40)                                     | —                 | —                        | (0.03)               | (0.43) | 9.46                                |
| Dec. 31, 2017                 | 9.89                                   | 0.53                                             | (0.11)            | 0.19                          | 0.12                            | 0.73   | (0.34)                                     | —                 | —                        | (0.06)               | (0.40) | 10.14                               |
| Dec. 31, 2016                 | 9.65                                   | 0.48                                             | (0.11)            | 0.13                          | 0.17                            | 0.67   | (0.35)                                     | —                 | —                        | (0.05)               | (0.40) | 9.89                                |
| Dec. 31, 2015                 | 10.22                                  | 0.50                                             | (0.11)            | (0.47)                        | (0.11)                          | (0.19) | (0.33)                                     | —                 | —                        | (0.07)               | (0.40) | 9.65                                |
| Dec. 31, 2014                 | 10.22                                  | 0.55                                             | (0.12)            | (0.23)                        | 0.01                            | 0.21   | (0.32)                                     | —                 | —                        | (0.08)               | (0.40) | 10.22                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.33                                  | 0.55                                             | (0.02)            | (0.26)                        | (0.46)                          | (0.19) | (0.53)                                     | —                 | —                        | —                    | (0.53) | 9.64                                |
| Dec. 31, 2017                 | 10.08                                  | 0.53                                             | (0.02)            | 0.19                          | 0.02                            | 0.72   | (0.49)                                     | —                 | —                        | —                    | (0.49) | 10.33                               |
| Dec. 31, 2016                 | 9.80                                   | 0.49                                             | (0.02)            | 0.13                          | 0.15                            | 0.75   | (0.47)                                     | —                 | —                        | —                    | (0.47) | 10.08                               |
| Dec. 31, 2015                 | 10.35                                  | 0.50                                             | (0.02)            | (0.47)                        | (0.11)                          | (0.10) | (0.47)                                     | —                 | —                        | —                    | (0.47) | 9.80                                |
| Dec. 31, 2014                 | 10.34                                  | 0.48                                             | (0.02)            | (0.20)                        | 0.01                            | 0.27   | (0.39)                                     | —                 | —                        | (0.10)               | (0.49) | 10.35                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.77</b>                      | <b>25 911</b>               | <b>2 955</b>                          | <b>1.87</b>                                  | <b>1.87</b>                               | <b>132.92</b>                               | —                                         |
| Dec. 31, 2017         | 9.48                             | 34 078                      | 3 595                                 | 2.03                                         | 2.03                                      | 143.02                                      | —                                         |
| Dec. 31, 2016         | 9.36                             | 38 983                      | 4 165                                 | 2.04                                         | 2.04                                      | 198.75                                      | —                                         |
| Dec. 31, 2015         | 9.23                             | 48 861                      | 5 294                                 | 2.04                                         | 2.04                                      | 204.73                                      | 0.01                                      |
| Dec. 31, 2014         | 9.89                             | 67 539                      | 6 833                                 | 2.04                                         | 2.04                                      | 200.88                                      | —                                         |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.77</b>                      | <b>17 821</b>               | <b>2 033</b>                          | <b>1.89</b>                                  | <b>1.89</b>                               | <b>132.92</b>                               | —                                         |
| Dec. 31, 2017         | 9.48                             | 27 156                      | 2 865                                 | 2.06                                         | 2.06                                      | 143.02                                      | —                                         |
| Dec. 31, 2016         | 9.36                             | 33 648                      | 3 594                                 | 2.05                                         | 2.05                                      | 198.75                                      | —                                         |
| Dec. 31, 2015         | 9.23                             | 45 365                      | 4 913                                 | 2.05                                         | 2.05                                      | 204.73                                      | 0.01                                      |
| Dec. 31, 2014         | 9.89                             | 67 207                      | 6 797                                 | 2.05                                         | 2.05                                      | 200.88                                      | —                                         |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.30</b>                      | <b>7 992</b>                | <b>860</b>                            | <b>1.17</b>                                  | <b>1.17</b>                               | <b>132.92</b>                               | —                                         |
| Dec. 31, 2017         | 9.98                             | 8 890                       | 891                                   | 1.33                                         | 1.33                                      | 143.02                                      | —                                         |
| Dec. 31, 2016         | 9.77                             | 9 154                       | 937                                   | 1.33                                         | 1.33                                      | 198.75                                      | —                                         |
| Dec. 31, 2015         | 9.55                             | 9 750                       | 1 021                                 | 1.33                                         | 1.33                                      | 204.73                                      | 0.01                                      |
| Dec. 31, 2014         | 10.14                            | 11 567                      | 1 141                                 | 1.33                                         | 1.33                                      | 200.88                                      | —                                         |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.40</b>                      | <b>42 094</b>               | <b>4 476</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>132.92</b>                               | —                                         |
| Dec. 31, 2017         | 10.08                            | 50 458                      | 5 006                                 | 1.21                                         | 1.21                                      | 143.02                                      | —                                         |
| Dec. 31, 2016         | 9.85                             | 60 566                      | 6 150                                 | 1.22                                         | 1.22                                      | 198.75                                      | —                                         |
| Dec. 31, 2015         | 9.61                             | 80 104                      | 8 331                                 | 1.22                                         | 1.22                                      | 204.73                                      | 0.01                                      |
| Dec. 31, 2014         | 10.20                            | 99 663                      | 9 775                                 | 1.22                                         | 1.22                                      | 200.88                                      | —                                         |
| <b>Series I</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.46</b>                      | <b>3 840</b>                | <b>406</b>                            | <b>1.04</b>                                  | <b>1.04</b>                               | <b>132.92</b>                               | —                                         |
| Dec. 31, 2017         | 10.14                            | 5 751                       | 567                                   | 1.11                                         | 1.11                                      | 143.02                                      | —                                         |
| Dec. 31, 2016         | 9.89                             | 11 163                      | 1 128                                 | 1.12                                         | 1.12                                      | 198.75                                      | —                                         |
| Dec. 31, 2015         | 9.65                             | 10 743                      | 1 113                                 | 1.12                                         | 1.12                                      | 204.73                                      | 0.01                                      |
| Dec. 31, 2014         | 10.22                            | 13 805                      | 1 351                                 | 1.12                                         | 1.12                                      | 200.88                                      | —                                         |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.64</b>                      | <b>1 642 430</b>            | <b>170 360</b>                        | <b>0.22</b>                                  | <b>0.22</b>                               | <b>132.92</b>                               | —                                         |
| Dec. 31, 2017         | 10.33                            | 1 560 487                   | 150 967                               | 0.22                                         | 0.22                                      | 143.02                                      | —                                         |
| Dec. 31, 2016         | 10.08                            | 1 230 568                   | 122 099                               | 0.22                                         | 0.22                                      | 198.75                                      | —                                         |
| Dec. 31, 2015         | 9.80                             | 1 079 818                   | 110 227                               | 0.22                                         | 0.22                                      | 204.73                                      | 0.01                                      |
| Dec. 31, 2014         | 10.35                            | 956 918                     | 92 437                                | 0.22                                         | 0.22                                      | 200.88                                      | —                                         |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series I       | 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.

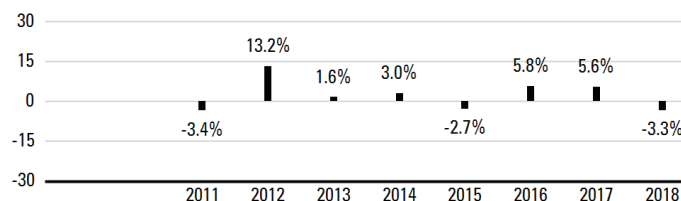
### PAST PERFORMANCE

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.

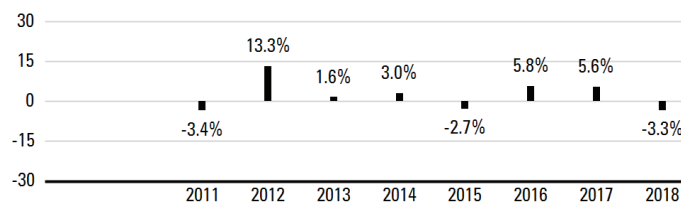
### Year-by-Year Returns (%)

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.

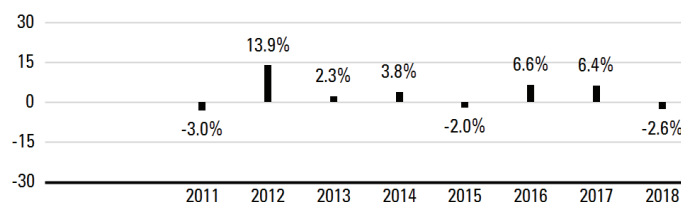
Series A (%)



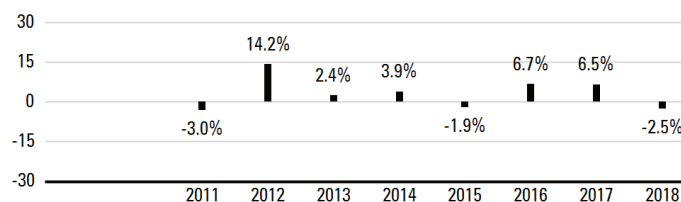
Advisor Series (%)



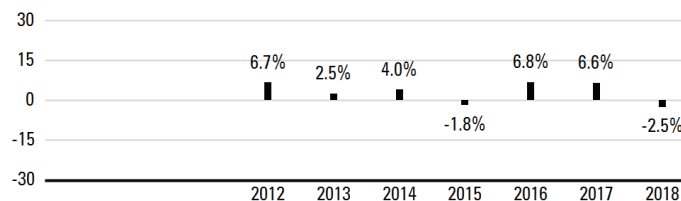
Series D (%)



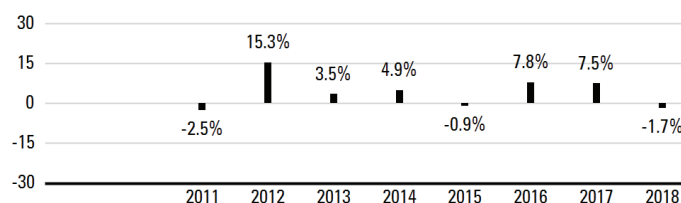
Series F (%)



Series I (%)



Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 42.5% ICE BofAML Global High Yield Constrained Index (hedged to CAD)
- 21.25% JPMorgan GBI-EM Broad Diversified (hedged to CAD)
- 21.25% JPMorgan EMBI Global Diversified (hedged to CAD)
- 15% Thomson Reuters Convertible Global Focus Index (hedged to CAD)

The old benchmark (the “Old benchmark”) is the FTSE Canada Universe Bond Index.

The change in benchmark better reflects the composition of the Fund.

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.3         | 2.6             | 1.6             | —                | 2.5                |
| New benchmark  | -2.6         | 4.5             | 3.7             | —                | 4.8                |
| Old benchmark  | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Advisor Series | -3.3         | 2.6             | 1.6             | —                | 2.5                |
| New benchmark  | -2.6         | 4.5             | 3.7             | —                | 4.8                |
| Old benchmark  | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series D       | -2.6         | 3.3             | 2.3             | —                | 3.2                |
| New benchmark  | -2.6         | 4.5             | 3.7             | —                | 4.8                |
| Old benchmark  | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series F       | -2.5         | 3.5             | 2.5             | —                | 3.4                |
| New benchmark  | -2.6         | 4.5             | 3.7             | —                | 4.8                |
| Old benchmark  | 1.4          | 1.9             | 3.5             | —                | 3.5                |
| Series I       | -2.5         | 3.5             | 2.5             | —                | 3.4                |
| New benchmark  | -2.6         | 4.5             | 3.7             | —                | 4.5                |
| Old benchmark  | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Series O       | -1.7         | 4.4             | 3.4             | —                | 4.4                |
| New benchmark  | -2.6         | 4.5             | 3.7             | —                | 4.8                |
| Old benchmark  | 1.4          | 1.9             | 3.5             | —                | 3.5                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Series I units have been available for sale to unitholders since July 9, 2012, and Series A, Advisor Series, Series D, Series F and Series O units since July 11, 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

## INDEX DESCRIPTIONS

**ICE BofAML Global High Yield Constrained Index (hedged to CAD)** This index tracks the performance of below-investment-grade bonds issued by companies located in countries that had an investment-grade rating at the time of issue. The index includes bonds denominated in U.S. dollars, Canadian dollars, sterling and euros, and no single issuer can account for more than 2% of the index. The index is hedged to Canadian dollars.

**JPMorgan GBI-EM Broad Diversified (hedged to CAD)** This index is a broad measure of the local-currency-dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**Thomson Reuters Convertible Global Focus Index (hedged to CAD)** This index is designed to measure the performance of global convertible bonds and focuses on larger convertible securities, with the number of constituents being limited to ensure breadth and manageability. The index is hedged to Canadian dollars.

**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 |
|-----------------|----------------------|
| United States   | 24.5                 |
| Italy           | 8.0                  |
| United Kingdom  | 5.0                  |
| South Africa    | 3.8                  |
| Brazil          | 3.1                  |
| Mexico          | 2.9                  |
| China           | 2.8                  |
| Netherlands     | 2.7                  |
| Spain           | 2.4                  |
| Turkey          | 2.4                  |
| Colombia        | 2.2                  |
| Indonesia       | 2.2                  |
| Germany         | 2.1                  |
| France          | 1.7                  |
| Japan           | 1.7                  |
| Canada          | 1.6                  |
| Malaysia        | 1.6                  |
| Russia          | 1.6                  |
| India           | 1.3                  |
| Nigeria         | 1.2                  |
| Argentina       | 1.1                  |
| Peru            | 1.0                  |
| Chile           | 0.6                  |
| Other Countries | 20.8                 |
| Cash/Other      | 1.7                  |



## SUMMARY OF INVESTMENT PORTFOLIO (cont.)

(after consideration of derivative products, if any)

As at December 31, 2018

### Top 25 Holdings

|                                                                 | % of Net Asset Value |
|-----------------------------------------------------------------|----------------------|
| Buoni Poliennali Del Tesoro EUR 2.800% Dec 1 2028               | 4.7                  |
| Intesa Sanpaolo S.p.A. EUR 7.750% Perpetual                     | 1.3                  |
| Brazil Notas do Tesouro Nacional Serie F BRL 10.000% Jan 1 2023 | 1.2                  |
| CaixaBank S.A. EUR 6.750% Perpetual                             | 1.2                  |
| Hellenic Republic Government EUR 4.000% Jan 30 2037             | 0.9                  |
| Hellenic Republic Government EUR 4.200% Jan 30 2042             | 0.9                  |
| Republic of South Africa ZAR 8.750% Feb 28 2048                 | 0.8                  |
| Citgo Holding Inc. 10.750% Feb 15 2020                          | 0.8                  |
| Mexican Bonos MXN 7.500% Jun 3 2027                             | 0.8                  |
| Colombian TES COP 10.000% Jul 24 2024                           | 0.8                  |
| Momentive Performance Materials Inc. 3.880% Oct 24 2021         | 0.8                  |
| Republic of South Africa ZAR 10.500% Dec 21 2026                | 0.8                  |
| Barclays Plc. GBP 7.250% Perpetual                              | 0.8                  |
| United States Treasury 1.375% Dec 15 2019                       | 0.7                  |
| Hellenic Republic Government EUR 3.750% Jan 30 2028             | 0.7                  |
| Deutsche Bank AG USD 2.700% Jul 13 2020                         | 0.6                  |
| Credit Suisse Group AG USD 7.250% Perpetual                     | 0.6                  |
| Czech Republic Government CZK 0.450% Oct 25 2023                | 0.6                  |
| Société Générale S.A. USD 6.750% Perpetual                      | 0.6                  |
| Rockies Express Pipeline LLC 5.625% Apr 15 2020                 | 0.5                  |
| Eldorado Intl. Finance GmbH USD 8.625% Jun 16 2021              | 0.5                  |
| WMG Acquisition Corp. 4.647% Nov 1 2023                         | 0.5                  |
| Jasa Marga Persero Tbk PT IDR 7.500% Dec 11 2020                | 0.5                  |
| Solera LLC 10.500% Mar 1 2024                                   | 0.5                  |
| Euro - Bobl Future, March 2019                                  | (0.6)                |
| <b>Top 25 Holdings</b>                                          | <b>21.5</b>          |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



FIXED-INCOME FUND

**BLUEBAY GLOBAL SOVEREIGN  
BOND FUND (CANADA)**

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns comprised of interest income and modest capital appreciation by investing primarily in fixed-income securities issued by sovereign governments and entities (including emerging-market countries) anywhere in the world. The Fund may also invest in corporate debt securities globally.

To achieve the Fund's objectives, the sub-advisor conducts detailed analysis examining economic growth, inflation, and the fiscal and monetary policy of each country to identify investment opportunities offering higher probabilities of superior rates of return while minimizing the prospect of default.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$1.4 billion as of December 31, 2018, from \$1.2 billion at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units gained 0.6%, which underperformed the 1.9% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Global government bonds were mixed in 2018, with short-maturity U.S. Treasuries recording losses while German bonds rose and Japanese bonds were generally flat. The U.S. Treasury market underperformed other developed markets on central-bank monetary tightening attributable to higher relative economic growth and inflation. The U.S. Federal Reserve (the "Fed") raised short-term interest rates four times during the period and scaled back bond purchases aimed at holding down longer-term rates, in line with a strengthening economy. Short-term interest rates climbed relative to longer-term rates in most major markets, a sign that investors are expecting less generous central banks going forward.

In Europe, exposure to Italian government bonds was the primary contributor to returns, as the Fund took advantage of what the sub-advisor considered to be attractive valuations. Allocations to Portugal and France also added to outperformance. The Fund's returns were also helped by positions in short-term U.S. Treasuries,

as well as trading in German government bonds. On the negative side, exposure to Chile held back performance, as emerging-market assets came under pressure during the period, and exposure to Netherlands was also a negative.

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

### Recent Developments

The sub-advisor expects the U.S. economy to continue expanding in 2019, with consumers in particular driving the growth. The Fed is likely to continue raising short-term interest rates in 2019, although at a slower pace than in 2018. In Europe, the sub-advisor expects the European Central Bank (the "ECB") to lower its economic-growth forecasts and extend monetary measures to facilitate borrowing. The failure of economic growth to strengthen this year will likely mean that ECB President Mario Draghi won't raise interest rates. He hasn't raised them once in his eight-year tenure, which expires in October 2019.

In Italy, the coalition government is starting to realize that it must be prudent about boosting fiscal spending, given that higher Italian borrowing costs are starting to curtail economic growth. The sub-advisor expects Italian bonds to offer the potential for attractive returns once Italy and the EU work out their differences.

### 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |             | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total       | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.08</b>                           | <b>0.17</b>                                      | <b>(0.16)</b>     | <b>0.08</b>                   | <b>(0.06)</b>                   | <b>0.03</b> | <b>(0.05)</b>                              | —                 | <b>(0.06)</b>            | —                    | <b>(0.11)</b> | <b>10.04</b>                        |
| Dec. 31, 2017                 | 10.03                                  | 0.22                                             | (0.15)            | 0.11                          | 0.07                            | 0.25        | (0.04)                                     | —                 | (0.11)                   | —                    | (0.15)        | 10.08                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.01)            | (0.02)                        | 0.05                            | 0.03        | —                                          | —                 | —                        | —                    | —             | 10.03                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.09</b>                           | <b>0.17</b>                                      | <b>(0.15)</b>     | <b>0.08</b>                   | <b>(0.04)</b>                   | <b>0.06</b> | <b>(0.05)</b>                              | —                 | <b>(0.06)</b>            | —                    | <b>(0.11)</b> | <b>10.05</b>                        |
| Dec. 31, 2017                 | 10.03                                  | 0.20                                             | (0.15)            | 0.10                          | 0.19                            | 0.34        | (0.04)                                     | —                 | (0.11)                   | —                    | (0.15)        | 10.09                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.01)            | (0.02)                        | 0.05                            | 0.03        | —                                          | —                 | —                        | —                    | —             | 10.03                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.11</b>                           | <b>0.17</b>                                      | <b>(0.10)</b>     | <b>0.09</b>                   | <b>(0.05)</b>                   | <b>0.11</b> | <b>(0.09)</b>                              | —                 | <b>(0.06)</b>            | —                    | <b>(0.15)</b> | <b>10.07</b>                        |
| Dec. 31, 2017                 | 10.04                                  | 0.22                                             | (0.10)            | 0.11                          | 0.08                            | 0.31        | (0.08)                                     | —                 | (0.11)                   | —                    | (0.19)        | 10.11                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.01)            | (0.02)                        | 0.06                            | 0.04        | —                                          | —                 | —                        | —                    | —             | 10.04                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.10</b>                           | <b>0.16</b>                                      | <b>(0.07)</b>     | <b>0.08</b>                   | <b>0.10</b>                     | <b>0.27</b> | <b>(0.12)</b>                              | —                 | <b>(0.06)</b>            | —                    | <b>(0.18)</b> | <b>10.07</b>                        |
| Dec. 31, 2017                 | 10.04                                  | 0.20                                             | (0.07)            | 0.10                          | 0.09                            | 0.32        | (0.10)                                     | —                 | (0.12)                   | —                    | (0.22)        | 10.10                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.01)            | (0.02)                        | 0.06                            | 0.04        | —                                          | —                 | —                        | —                    | —             | 10.04                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.10</b>                           | <b>0.17</b>                                      | <b>(0.01)</b>     | <b>0.09</b>                   | <b>(0.03)</b>                   | <b>0.22</b> | <b>(0.19)</b>                              | —                 | <b>(0.06)</b>            | —                    | <b>(0.25)</b> | <b>10.07</b>                        |
| Dec. 31, 2017                 | 10.03                                  | 0.25                                             | (0.01)            | 0.13                          | 0.02                            | 0.39        | (0.17)                                     | —                 | (0.11)                   | —                    | (0.28)        | 10.10                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | —                 | (0.02)                        | 0.06                            | 0.05        | (0.02)                                     | —                 | —                        | —                    | (0.02)        | 10.03                               |

<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 November 1, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.04</b>                     | <b>156</b>                  | <b>16</b>                             | <b>1.57</b>                                  | <b>1.57</b>                               | <b>221.76</b>                               | —                                         |
| Dec. 31, 2017              | 10.08                            | 15                          | 1                                     | 1.47                                         | 1.47                                      | 136.99                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.03                            | 1                           | —                                     | 1.58                                         | 1.58                                      | 14.25                                       | —                                         |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.05</b>                     | <b>263</b>                  | <b>26</b>                             | <b>1.48</b>                                  | <b>1.48</b>                               | <b>221.76</b>                               | —                                         |
| Dec. 31, 2017              | 10.09                            | 80                          | 8                                     | 1.47                                         | 1.47                                      | 136.99                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.03                            | 1                           | —                                     | 1.58                                         | 1.58                                      | 14.25                                       | —                                         |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.07</b>                     | <b>220</b>                  | <b>22</b>                             | <b>1.00</b>                                  | <b>1.00</b>                               | <b>221.76</b>                               | —                                         |
| Dec. 31, 2017              | 10.11                            | 133                         | 13                                    | 1.02                                         | 1.02                                      | 136.99                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.04                            | 1                           | —                                     | 1.02                                         | 1.02                                      | 14.25                                       | —                                         |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.07</b>                     | <b>8 418</b>                | <b>836</b>                            | <b>0.72</b>                                  | <b>0.72</b>                               | <b>221.76</b>                               | —                                         |
| Dec. 31, 2017              | 10.10                            | 566                         | 56                                    | 0.69                                         | 0.69                                      | 136.99                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.04                            | 1                           | —                                     | 0.73                                         | 0.74                                      | 14.25                                       | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.07</b>                     | <b>1 433 710</b>            | <b>142 415</b>                        | <b>0.06</b>                                  | <b>0.06</b>                               | <b>221.76</b>                               | —                                         |
| Dec. 31, 2017              | 10.10                            | 1 248 474                   | 123 616                               | 0.06                                         | 0.06                                      | 136.99                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.03                            | 119 306                     | 11 896                                | 0.06                                         | 0.06                                      | 14.25                                       | —                                         |

<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 November 1, 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       | 1.35%           | 56%                   | 44%    |
| Advisor Series | 1.35%           | 56%                   | 44%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

FTSE World Government Bond Index (hedged to CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | 0.6       | —            | —            | —             | 1.4             |
| Benchmark      | 1.9       | —            | —            | —             | 2.0             |
| Advisor Series | 0.7       | —            | —            | —             | 1.5             |
| Benchmark      | 1.9       | —            | —            | —             | 2.0             |
| Series D       | 1.2       | —            | —            | —             | 2.0             |
| Benchmark      | 1.9       | —            | —            | —             | 2.0             |
| Series F       | 1.5       | —            | —            | —             | 2.3             |
| Benchmark      | 1.9       | —            | —            | —             | 2.0             |
| Series O       | 2.1       | —            | —            | —             | 2.9             |
| Benchmark      | 1.9       | —            | —            | —             | 2.0             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since December 1, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**FTSE World Government Bond Index (hedged to CAD)\*** This index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index includes sovereign debt from about 20 countries and is hedged to Canadian dollars.

\* The FTSE World Government Bond Index (hedged to CAD) was known as the Citi World Government Bond Index (Currency-Hedged in CAD) 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 |
|-----------------|----------------------|
| United States   | 17.9                 |
| Japan           | 11.3                 |
| Italy           | 9.4                  |
| Mexico          | 5.6                  |
| Spain           | 5.6                  |
| Supranational   | 3.8                  |
| Germany         | 3.0                  |
| Australia       | 1.4                  |
| New Zealand     | 1.1                  |
| Other Countries | 33.7                 |
| Cash/Other      | 7.2                  |

### Top 25 Holdings

|                                                             | % of Net Asset Value |
|-------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                     | 7.0                  |
| United States Treasury 2.875% May 15 2028                   | 5.6                  |
| United States Treasury Inflation Indexed 0.625% Apr 15 2023 | 4.9                  |
| Buoni Poliennali Del Tesoro EUR 2.000% Feb 1 2028           | 4.8                  |
| Japan Government Thirty Year JPY 0.600% Dec 20 2046         | 4.2                  |
| Government of Canada 2.000% Nov 1 2020                      | 4.2                  |
| United States Treasury 2.875% Aug 15 2028                   | 3.9                  |
| Buoni Poliennali Del Tesoro EUR 2.450% Sep 1 2033           | 3.6                  |
| France O.A.T. EUR 0.000% May 25 2022                        | 3.3                  |
| Government of Canada 2.250% Jun 1 2025                      | 2.8                  |
| Japan Government Twenty Year JPY 0.500% Sep 20 2036         | 2.8                  |
| Government of Indonesia JPY 0.670% May 31 2021              | 2.6                  |
| Japanese Government CPI Linked JPY 0.100% Mar 10 2026       | 2.5                  |
| Spain Government EUR 1.400% Jul 30 2028                     | 2.3                  |
| CPPIB Capital Inc. USD 2.302% Dec 27 2019                   | 2.2                  |
| Province of Quebec EUR 0.875% Jul 5 2028                    | 2.2                  |
| United Kingdom Gilt GBP 3.500% Jan 22 2045                  | 2.1                  |
| United Kingdom Gilt GBP 0.500% Jul 22 2022                  | 2.0                  |
| France O.A.T. EUR 1.000% May 25 2027                        | 1.9                  |
| Slovakia Government EUR 3.375% Nov 15 2024                  | 1.9                  |
| Autonomous Community of Catalonia EUR 4.950% Feb 11 2020    | 1.9                  |
| United States Treasury 2.875% Nov 15 2046                   | 1.9                  |
| United States 10-Year Note Future, March 2019               | (2.2)                |
| United Kingdom Long Gilt Future, March 2019                 | (3.1)                |
| United States 2-Year Note Future, March 2019                | (9.7)                |
| Top 25 Holdings                                             | 55.6                 |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



FIXED-INCOME FUND

**BLUEBAY GLOBAL INVESTMENT GRADE  
CORPORATE BOND FUND (CANADA)**

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns comprised of interest income and modest capital appreciation by investing primarily in investment-grade corporate debt securities from anywhere in the world. It may also invest in high-yield debt securities and emerging-market sovereign and corporate bonds globally.

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

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$2.1 billion as of December 31, 2018, from \$1.8 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 3.4%, which underperformed the 1.8% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Most corporate-bond markets underperformed government fixed income in 2018, as a worsening macroeconomic and geopolitical backdrop prompted many investors to seek safe-haven investments. The risks included heightened U.S.-China trade tensions, worries about Brexit and efforts by Italy's coalition government to skirt European Union (the "EU") budgetary rules. Widening current-account deficits in Turkey and Argentina were also on investors' radar. As a result, the extra yield required by investors to invest in corporate bonds instead of "risk-free" government bonds increased, especially in the fourth quarter of the year.

The Fund's returns were hurt by an overall preference for bonds issued by European corporations. At the sector level, Financials accounted for the bulk of the underperformance, with banks such as Santander, Intesa Sanpaolo and HSBC sustaining losses. The sub-advisor reduced the Fund's exposure in this area during the

latter part of the period, especially in low-ranking debt. The Energy sector also held back the Fund's performance, with positions in Cenovus Energy and Petrobras hurting returns. Telecom Italia underperformed considerably amid the departure of the chief executive and a worsening financial outlook.

On the positive side, the Fund benefited from bond holdings in the automaker Ford Motor and sandwich chain Jimmy John's. Also aiding performance was a position in futures contracts that bet on an increase in U.S. interest rates.

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

### Recent Developments

Financial-market volatility is on the rise across the world. While corporate earnings remain robust and the U.S. economy shows little sign of slowing, cracks are appearing. U.S.-China trade tensions and EU fiscal and political conflicts are two of the factors complicating the economic outlook, compounded by tighter monetary policy and higher borrowing costs. While the backdrop for corporate bonds remains positive, the sub-advisor has concerns about the impact of increased hedging costs on returns.

The sub-advisor remains somewhat optimistic about the outlook for European corporations but believes that returns will likely be limited as long as political uncertainty persists about Brexit and Italy's coalition government.

### 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 Investor Services Trust ("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 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.



**BLUEBAY GLOBAL INVESTMENT GRADE  
CORPORATE BOND FUND (CANADA)**

**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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

**Change in Net Assets Per Unit (\$)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.40</b>                           | <b>0.37</b>                                      | <b>(0.15)</b>     | <b>(0.21)</b>                 | <b>(0.26)</b>                   | <b>(0.25)</b> | <b>(0.23)</b>                              | —                 | —                        | —                    | <b>(0.23)</b> | <b>9.83</b>                         |
| Dec. 31, 2017                 | 10.11                                  | 0.26                                             | (0.16)            | 0.17                          | 0.16                            | 0.43          | (0.09)                                     | —                 | (0.16)                   | —                    | (0.25)        | 10.40                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | (0.01)            | (0.01)                        | 0.11                            | 0.11          | —                                          | —                 | —                        | —                    | —             | 10.11                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.40</b>                           | <b>0.36</b>                                      | <b>(0.15)</b>     | <b>(0.21)</b>                 | <b>(0.30)</b>                   | <b>(0.30)</b> | <b>(0.23)</b>                              | —                 | —                        | —                    | <b>(0.23)</b> | <b>9.84</b>                         |
| Dec. 31, 2017                 | 10.11                                  | 0.29                                             | (0.16)            | 0.18                          | 0.08                            | 0.39          | (0.09)                                     | —                 | (0.16)                   | —                    | (0.25)        | 10.40                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | (0.01)            | (0.01)                        | 0.11                            | 0.11          | —                                          | —                 | —                        | —                    | —             | 10.11                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.41</b>                           | <b>0.39</b>                                      | <b>(0.10)</b>     | <b>(0.22)</b>                 | <b>(0.45)</b>                   | <b>(0.38)</b> | <b>(0.28)</b>                              | —                 | —                        | —                    | <b>(0.28)</b> | <b>9.84</b>                         |
| Dec. 31, 2017                 | 10.11                                  | 0.32                                             | (0.11)            | 0.20                          | 0.12                            | 0.53          | (0.13)                                     | —                 | (0.16)                   | —                    | (0.29)        | 10.41                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | (0.01)            | (0.01)                        | 0.11                            | 0.11          | (0.01)                                     | —                 | —                        | —                    | (0.01)        | 10.11                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.40</b>                           | <b>0.37</b>                                      | <b>(0.07)</b>     | <b>(0.21)</b>                 | <b>(0.31)</b>                   | <b>(0.22)</b> | <b>(0.31)</b>                              | —                 | —                        | —                    | <b>(0.31)</b> | <b>9.83</b>                         |
| Dec. 31, 2017                 | 10.11                                  | 0.25                                             | (0.08)            | 0.16                          | 0.55                            | 0.88          | (0.16)                                     | —                 | (0.17)                   | —                    | (0.33)        | 10.40                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | (0.01)            | (0.01)                        | 0.11                            | 0.11          | (0.01)                                     | —                 | —                        | —                    | (0.01)        | 10.11                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.39</b>                           | <b>0.38</b>                                      | <b>(0.01)</b>     | <b>(0.22)</b>                 | <b>(0.34)</b>                   | <b>(0.19)</b> | <b>(0.38)</b>                              | —                 | —                        | —                    | <b>(0.38)</b> | <b>9.82</b>                         |
| Dec. 31, 2017                 | 10.09                                  | 0.33                                             | (0.01)            | 0.21                          | 0.15                            | 0.68          | (0.23)                                     | —                 | (0.16)                   | —                    | (0.39)        | 10.39                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | —                 | (0.01)                        | 0.11                            | 0.12          | (0.03)                                     | —                 | —                        | —                    | (0.03)        | 10.09                               |

<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 November 1, 2016.

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.83</b>                      | <b>2 422</b>                | <b>246</b>                            | <b>1.51</b>                                  | <b>1.51</b>                               | <b>113.88</b>                               | —                                         |
| Dec. 31, 2017              | 10.40                            | 167                         | 16                                    | 1.49                                         | 1.49                                      | 127.79                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.11                            | 1                           | —                                     | 1.58                                         | 1.58                                      | 8.21                                        | —                                         |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.84</b>                      | <b>694</b>                  | <b>71</b>                             | <b>1.48</b>                                  | <b>1.48</b>                               | <b>113.88</b>                               | —                                         |
| Dec. 31, 2017              | 10.40                            | 23                          | 2                                     | 1.47                                         | 1.47                                      | 127.79                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.11                            | 1                           | —                                     | 1.58                                         | 1.58                                      | 8.21                                        | —                                         |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.84</b>                      | <b>110</b>                  | <b>11</b>                             | <b>1.00</b>                                  | <b>1.00</b>                               | <b>113.88</b>                               | —                                         |
| Dec. 31, 2017              | 10.41                            | 368                         | 35                                    | 1.03                                         | 1.03                                      | 127.79                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.11                            | 1                           | —                                     | 1.02                                         | 1.02                                      | 8.21                                        | —                                         |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.83</b>                      | <b>13 065</b>               | <b>1 329</b>                          | <b>0.70</b>                                  | <b>0.70</b>                               | <b>113.88</b>                               | —                                         |
| Dec. 31, 2017              | 10.40                            | 3 929                       | 378                                   | 0.68                                         | 0.68                                      | 127.79                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.11                            | 1                           | —                                     | 0.74                                         | 0.74                                      | 8.21                                        | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.82</b>                      | <b>2 100 721</b>            | <b>214 003</b>                        | <b>0.06</b>                                  | <b>0.06</b>                               | <b>113.88</b>                               | —                                         |
| Dec. 31, 2017              | 10.39                            | 1 830 171                   | 176 072                               | 0.06                                         | 0.06                                      | 127.79                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.09                            | 158 522                     | 15 709                                | 0.06                                         | 0.06                                      | 8.21                                        | —                                         |

<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 November 1, 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       | 1.35%           | 56%                   | 44%    |
| Advisor Series | 1.35%           | 56%                   | 44%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.



**BLUEBAY GLOBAL INVESTMENT GRADE  
CORPORATE BOND FUND (CANADA)**

**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

**Bloomberg Barclays Global Aggregate Corporate Bond Index (hedged to CAD)**

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -3.4      | —            | —            | —             | 1.4             |
| Benchmark      | -1.8      | —            | —            | —             | 2.1             |
| Advisor Series | -3.2      | —            | —            | —             | 1.5             |
| Benchmark      | -1.8      | —            | —            | —             | 2.1             |
| Series D       | -2.9      | —            | —            | —             | 1.9             |
| Benchmark      | -1.8      | —            | —            | —             | 2.1             |
| Series F       | -2.6      | —            | —            | —             | 2.2             |
| Benchmark      | -1.8      | —            | —            | —             | 2.1             |
| Series O       | -1.9      | —            | —            | —             | 2.9             |
| Benchmark      | -1.8      | —            | —            | —             | 2.1             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since December 1, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTION**

**Bloomberg Barclays Global Aggregate Corporate Bond Index (hedged to CAD)\*** This index is a broad measure of the performance of corporate fixed-income securities around the world. The index is hedged to Canadian dollars.

\* Bloomberg Barclays benchmarks were known as the Barclays Capital 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 |
|-----------------|----------------------|
| United States   | 43.1                 |
| Canada          | 17.2                 |
| Germany         | 15.0                 |
| United Kingdom  | 6.3                  |
| Switzerland     | 2.4                  |
| France          | 1.1                  |
| Australia       | 0.6                  |
| Other Countries | 10.1                 |
| Cash/Other      | 4.2                  |

### Top 25 Holdings

|                                                                      | % of Net Asset Value |
|----------------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                              | 3.4                  |
| United States Treasury 3.000% Feb 15 2048                            | 2.7                  |
| Bundesrepublik Deutschland Bundesanleihe EUR 0.250% Aug 15 2028      | 2.7                  |
| Deutsche Bank AG USD 2.500% Feb 13 2019                              | 2.7                  |
| Barclays Plc. USD 2.875% Jun 8 2020                                  | 2.2                  |
| General Motors Financial Co. Inc. 3.100% Jan 15 2019                 | 2.2                  |
| United States Treasury 2.875% May 15 2028                            | 1.9                  |
| Ford Credit Canada Co. 3.140% Jun 14 2019                            | 1.9                  |
| Barclays Plc. USD 2.750% Nov 8 2019                                  | 1.7                  |
| Powszechna Kasa Oszczednosci Bank Polski S.A. EUR 2.324% Jan 23 2019 | 1.6                  |
| Rogers Communications Inc. 2.800% Mar 13 2019                        | 1.6                  |
| Ford Credit Canada Co. 2.580% May 10 2021                            | 1.6                  |
| Nissan Canada Financial Services Inc. 2.606% Mar 5 2021              | 1.4                  |
| Credit Suisse Group Funding Guernsey Ltd. USD 3.125% Dec 10 2020     | 1.4                  |
| SNC-Lavalin Group Inc. 2.689% Nov 24 2020                            | 1.4                  |
| EQT Corp. 2.500% Oct 1 2020                                          | 1.3                  |
| Deutsche Bank AG USD 2.850% May 10 2019                              | 1.2                  |
| Mitsubishi UFJ Trust & Banking Corp. USD 2.650% Oct 19 2020          | 1.2                  |
| Canadian Natural Resources Ltd. 3.050% Jun 19 2019                   | 1.2                  |
| Bayer US Finance II LLC 3.500% Jun 25 2021                           | 1.1                  |
| United States Treasury 3.000% Aug 15 2048                            | 1.1                  |
| DowDuPont Inc. 3.766% Nov 15 2020                                    | 1.1                  |
| VW Credit Canada Inc. 2.900% Mar 29 2021                             | 1.0                  |
| Citrix Systems Inc. 4.500% Dec 1 2027                                | 1.0                  |
| Metropolitan Life Global Funding I CAD 2.682% Apr 16 2019            | 1.0                  |
| Top 25 Holdings                                                      | 41.6                 |

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).



FIXED-INCOME FUND

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

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 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 higher probabilities of superior rates of return while minimizing the prospect of default.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$578 million as of December 31, 2018, from \$569 million at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units lost 1.3%, which outperformed the 1.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

European high-yield bonds recorded modest losses in 2018 as rising U.S. interest rates and political stress in Europe offset the positive impact of strong corporate earnings. Toward the end of 2018, a clear loss of momentum in economic growth led to a doubling in the extra yield required to own European high-yield bonds relative to benchmarks.

The Fund's relative performance benefited from security selection. The sub-advisor avoided companies involved in credit restructurings, as well as the worst-performing companies in the benchmark. Exposure to Telecom Italia had a positive impact on relative performance. From a sector perspective, underweight allocations to auto-related companies and other businesses sensitive to the pace of economic expansion aided relative returns as growth began to waver late in the year.

Relative returns were also hampered by exposure to the banking industry, which was one of the Fund's favoured areas of investment in early 2018. Italy's banking industry was hard-hit by concern that

the Italian government would increase government spending to levels inconsistent with the country's already high debt levels. As a result, holdings in the Italian bank Monte De Paschi held back the Fund's performance.

Exposure to European high-yield bank loans helped shelter the portfolio from market stress, as this area of Europe's credit market significantly outperformed the high-yield bond market. Regionally, U.K. bonds in 2018 offered good returns, as they benefited from yields that more than compensated for the risks represented by the U.K.'s plan to leave the European Union.

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 sub-advisor believes that high-yield bonds continue to offer attractive returns after the sell-off that occurred in the latter stages of 2018. The likelihood of a recessionary environment in 2019 is low, in the view of the sub-advisor, given that earnings are still rising. In the high-yield market, leverage levels continue to decline and credit quality remains healthy. However, the recent investor pessimism clearly cannot be ignored, and the sub-advisor realizes that issues such as slowing Chinese economic growth, trade conflicts and European politics could destabilize financial markets.

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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.39</b>                           | <b>0.47</b>                                      | <b>(0.18)</b>     | <b>0.41</b>                   | <b>(0.88)</b>                   | <b>(0.18)</b> | <b>(0.29)</b>                              | —                 | <b>(0.39)</b>            | —                    | <b>(0.68)</b> | <b>9.58</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.49                                             | (0.20)            | (0.01)                        | 0.20                            | 0.48          | (0.30)                                     | —                 | —                        | —                    | (0.30)        | 10.39                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 12.10                                            | (0.05)            | 16.80                         | (28.69)                         | 0.16          | (0.03)                                     | —                 | (0.12)                   | —                    | (0.15)        | 10.01                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.40</b>                           | <b>0.48</b>                                      | <b>(0.18)</b>     | <b>0.42</b>                   | <b>(0.71)</b>                   | <b>0.01</b>   | <b>(0.29)</b>                              | —                 | <b>(0.39)</b>            | —                    | <b>(0.68)</b> | <b>9.59</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.49                                             | (0.20)            | (0.01)                        | (0.02)                          | 0.26          | (0.30)                                     | —                 | —                        | —                    | (0.30)        | 10.40                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 12.10                                            | (0.05)            | 16.80                         | (28.69)                         | 0.16          | (0.03)                                     | —                 | (0.12)                   | —                    | (0.15)        | 10.01                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.38</b>                           | <b>0.47</b>                                      | <b>(0.12)</b>     | <b>0.42</b>                   | <b>(0.87)</b>                   | <b>(0.10)</b> | <b>(0.35)</b>                              | —                 | <b>(0.39)</b>            | —                    | <b>(0.74)</b> | <b>9.57</b>                         |
| Dec. 31, 2017                 | 10.00                                  | 0.49                                             | (0.13)            | (0.01)                        | 0.18                            | 0.53          | (0.38)                                     | —                 | —                        | —                    | (0.38)        | 10.38                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 12.10                                            | (0.03)            | 16.80                         | (28.69)                         | 0.18          | (0.05)                                     | —                 | (0.13)                   | —                    | (0.18)        | 10.00                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.43</b>                           | <b>0.48</b>                                      | <b>(0.10)</b>     | <b>0.42</b>                   | <b>(0.82)</b>                   | <b>(0.02)</b> | <b>(0.37)</b>                              | —                 | <b>(0.39)</b>            | —                    | <b>(0.76)</b> | <b>9.61</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.49                                             | (0.12)            | (0.01)                        | 0.29                            | 0.65          | (0.38)                                     | —                 | —                        | —                    | (0.38)        | 10.43                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 12.10                                            | (0.03)            | 16.80                         | (28.68)                         | 0.19          | (0.05)                                     | —                 | (0.13)                   | —                    | (0.18)        | 10.01                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.37</b>                           | <b>0.47</b>                                      | <b>(0.02)</b>     | <b>0.42</b>                   | <b>(0.84)</b>                   | <b>0.03</b>   | <b>(0.45)</b>                              | —                 | <b>(0.39)</b>            | —                    | <b>(0.84)</b> | <b>9.56</b>                         |
| Dec. 31, 2017                 | 9.99                                   | 0.50                                             | (0.02)            | (0.01)                        | 0.38                            | 0.85          | (0.48)                                     | —                 | —                        | —                    | (0.48)        | 10.37                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | —                 | 0.14                          | —                               | 0.24          | (0.09)                                     | —                 | (0.12)                   | —                    | (0.21)        | 9.99                                |

<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 June 27, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.58</b>                      | <b>218</b>                  | <b>23</b>                             | <b>1.74</b>                                  | <b>1.74</b>                               | <b>99.29</b>                                | —                                         |
| Dec. 31, 2017              | 10.39                            | 94                          | 9                                     | 1.89                                         | 1.89                                      | 100.97                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 1                           | —                                     | 2.03                                         | 2.03                                      | 12.58                                       | —                                         |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.59</b>                      | <b>1</b>                    | —                                     | <b>1.74</b>                                  | <b>1.74</b>                               | <b>99.29</b>                                | —                                         |
| Dec. 31, 2017              | 10.40                            | 55                          | 5                                     | 1.89                                         | 1.89                                      | 100.97                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 1                           | —                                     | 2.03                                         | 2.03                                      | 12.58                                       | —                                         |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.57</b>                      | <b>129</b>                  | <b>14</b>                             | <b>1.17</b>                                  | <b>1.17</b>                               | <b>99.29</b>                                | —                                         |
| Dec. 31, 2017              | 10.38                            | 80                          | 8                                     | 1.27                                         | 1.27                                      | 100.97                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.00                            | 1                           | —                                     | 1.36                                         | 1.36                                      | 12.58                                       | —                                         |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.61</b>                      | <b>60</b>                   | <b>6</b>                              | <b>0.95</b>                                  | <b>0.95</b>                               | <b>99.29</b>                                | —                                         |
| Dec. 31, 2017              | 10.43                            | 53                          | 5                                     | 1.10                                         | 1.10                                      | 100.97                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 1                           | —                                     | 1.19                                         | 1.19                                      | 12.58                                       | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.56</b>                      | <b>577 271</b>              | <b>60 399</b>                         | <b>0.17</b>                                  | <b>0.17</b>                               | <b>99.29</b>                                | —                                         |
| Dec. 31, 2017              | 10.37                            | 568 900                     | 54 869                                | 0.17                                         | 0.17                                      | 100.97                                      | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 9.99                             | 460 672                     | 46 091                                | 0.16                                         | 0.16                                      | 12.58                                       | —                                         |

<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 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

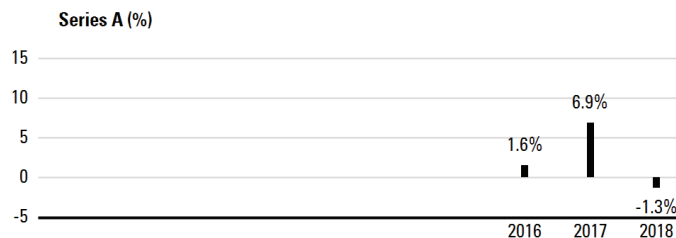
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

ICE BofAML European Currency High Yield Constrained Index (hedged to CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -1.3      | —            | —            | —             | 3.2             |
| Benchmark      | -1.5      | —            | —            | —             | 3.9             |
| Advisor Series | -1.3      | —            | —            | —             | 3.2             |
| Benchmark      | -1.5      | —            | —            | —             | 3.9             |
| Series D       | -0.7      | —            | —            | —             | 3.8             |
| Benchmark      | -1.5      | —            | —            | —             | 3.9             |
| Series F       | -0.5      | —            | —            | —             | 4.2             |
| Benchmark      | -1.5      | —            | —            | —             | 3.9             |
| Series O       | 0.3       | —            | —            | —             | 4.9             |
| Benchmark      | -1.5      | —            | —            | —             | 3.9             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

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.

## INDEX DESCRIPTION

**ICE BofAML European Currency High Yield Constrained Index (hedged to CAD)\*** This index is a broad measure of non-investment-grade debt denominated in euros and British pounds. The index is hedged to Canadian dollars.

\* ICE BofAML benchmarks were known as the Bank of America Merrill Lynch 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 |
|-----------------|----------------------|
| United Kingdom  | 19.9                 |
| United States   | 10.0                 |
| France          | 9.5                  |
| Luxembourg      | 9.3                  |
| Italy           | 8.2                  |
| Germany         | 7.0                  |
| Netherlands     | 6.8                  |
| Spain           | 6.3                  |
| Ireland         | 2.6                  |
| Other Countries | 14.0                 |
| Cash/Other      | 6.4                  |

### Top 25 Holdings

|                                                                       | % of Net Asset Value |
|-----------------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                               | 5.3                  |
| iShares iBoxx \$ High Yield Corporate Bond Fund                       | 3.1                  |
| Teva Pharmaceutical Finance Netherlands II BV EUR 0.375% Jul 25 2020  | 2.7                  |
| Unitymedia GmbH EUR 3.750% Jan 15 2027                                | 2.4                  |
| Virgin Media Receivables Financing Notes I DAC GBP 5.500% Sep 15 2024 | 2.0                  |
| Heathrow Finance Plc. GBP 4.750% Mar 1 2024                           | 1.8                  |
| Federal-Mogul LLC EUR 5.000% Jul 15 2024                              | 1.6                  |
| Wind Tre S.p.A. EUR 3.125% Jan 20 2025                                | 1.5                  |
| Amigo Luxembourg S.A. GBP 7.625% Jan 15 2024                          | 1.5                  |
| Rossini Srl EUR 6.750% Oct 30 2025                                    | 1.4                  |
| Mulhacen Pte Ltd. EUR 6.500% Aug 1 2023                               | 1.3                  |
| AMC Entertainment Holdings Inc. GBP 6.375% Nov 15 2024                | 1.3                  |
| Newco SAB Bidco SASU EUR 3.000% Mar 21 2024                           | 1.3                  |
| Voyage Care Bondco Plc. GBP 5.875% May 1 2023                         | 1.3                  |
| Eagle Intermediate Global Holding BV EUR 5.375% May 1 2023            | 1.2                  |
| Hercule Debtco Srl EUR 6.750% Jun 30 2024                             | 1.1                  |
| Telefonica Europe BV EUR 3.875% Perpetual                             | 1.1                  |
| Equinix Inc. EUR 2.875% Mar 15 2024                                   | 1.1                  |
| UGI International LLC EUR 3.250% Nov 1 2025                           | 1.1                  |
| Credit Agricole S.A. USD 8.375% Nov 24 2048                           | 1.1                  |
| LHMC Finco Srl EUR 6.250% Dec 20 2023                                 | 1.1                  |
| InterXion Holding N.V. EUR 4.750% Jun 15 2025                         | 1.1                  |
| James Hardie International Finance DAC EUR 3.625% Oct 1 2026          | 1.0                  |
| SPIE S.A. EUR 3.125% Mar 22 2024                                      | 1.0                  |
| International Game Technology Plc. EUR 3.500% Jul 15 2024             | 1.0                  |
| Top 25 Holdings                                                       | 40.4                 |

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





FIXED-INCOME FUND

**BLUEBAY EMERGING MARKETS  
BOND FUND (CANADA)**

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide total returns comprised of interest income and modest capital appreciation.

To achieve its objective, the Fund invests primarily in sovereign and quasi-sovereign fixed-income securities in emerging-market countries. The Fund may also invest in fixed-income securities issued by corporations based in emerging market countries. The sub-advisor conducts a detailed analysis of each relevant country's economic growth, inflation and fiscal and monetary policies and, for corporate bonds, a detailed company credit and industry analysis to identify opportunities offering higher probabilities of superior rates of return while minimizing the prospect of default.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund was launched on September 24, 2018, and its net asset value was \$32 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### **Recent Developments**

The sub-advisor believes that financial-market volatility could increase in 2019, given that many investors expect central banks to continue raising short-term interest rates, albeit gradually, while reducing the asset purchases that have been used to keep long-term interest rates in check. Such an environment is likely to present investors with opportunities to find undervalued assets, in the view of the sub-advisor, as some would decline to more attractive levels.

Recent comments from the U.S. Federal Reserve suggest a slower path of interest-rate hikes in 2019 than had been expected in 2018. This backdrop is likely to reinvigorate interest in emerging-market assets, in the view of the sub-advisor. Among the market risks that appear to be receding is the U.S.-China trade dispute, which has reached a point where negotiations can begin. A reduction in trade tensions would provide some respite to the market.

The sub-advisor remains optimistic regarding the prospects for emerging-market corporate bonds in the near term, although volatility is to be expected. As things stand, the sub-advisor is inclined to increase exposure to riskier assets.

## **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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |             |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|-------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |             |
|                                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Series 0</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |                                     |             |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.14</b>                                      | <b>—</b>          | <b>(0.06)</b>                 | <b>(0.13)</b>                   | <b>(0.05)</b> | <b>(0.06)</b>                              | <b>—</b>          | <b>—</b>                 | <b>—</b>             | <b>(0.06)</b>                       | <b>9.87</b> |

<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 June 26, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.87</b>                      | <b>32 176</b>               | <b>3 259</b>                          | <b>0.11</b>                                  | <b>0.11</b>                               | <b>70.55</b>                                | <b>—</b>                                  |

<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 June 26, 2018.

### Management Fees

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

### PAST PERFORMANCE (in USD)

Investment performance in respect of a fund that has been available for less than one year is not provided. Series O units of this Fund were launched on September 24, 2018.



## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                      | % of Net Asset Value |
|----------------------|----------------------|
| Turkey               | 6.5                  |
| Argentina            | 5.3                  |
| Brazil               | 5.1                  |
| Indonesia            | 4.5                  |
| South Africa         | 3.9                  |
| Ukraine              | 3.1                  |
| Kazakhstan           | 2.5                  |
| Mexico               | 2.5                  |
| Chile                | 2.1                  |
| Colombia             | 1.4                  |
| Hong Kong            | 1.3                  |
| United Arab Emirates | 1.3                  |
| China                | 1.2                  |
| Kuwait               | 1.2                  |
| Thailand             | 0.6                  |
| Other Countries      | 52.2                 |
| Cash/Other           | 5.3                  |

### Top 25 Holdings

|                                                                     | % of Net Asset Value |
|---------------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                             | 3.7                  |
| United States Treasury 1.375% Dec 15 2019                           | 3.2                  |
| Republic of Belarus USD 6.875% Feb 28 2023                          | 2.3                  |
| State of Qatar USD 2.375% Jun 2 2021                                | 1.9                  |
| Republic of Argentina USD 6.875% Jan 11 2048                        | 1.9                  |
| Hungary Government USD 6.250% Jan 29 2020                           | 1.8                  |
| Republic of Brazil USD 5.000% Jan 27 2045                           | 1.7                  |
| Republic of Turkey USD 5.750% May 11 2047                           | 1.6                  |
| Republic of Iraq USD 5.800% Jan 15 2028                             | 1.5                  |
| Republic of Argentina USD 2.500% Dec 31 2038                        | 1.5                  |
| Ecopetrol S.A. USD 5.875% May 28 2045                               | 1.4                  |
| Dominican Republic USD 7.500% May 6 2021                            | 1.4                  |
| Republic of Argentina USD 7.500% Apr 22 2026 CDS Contra Dec 20 2020 | 1.4                  |
| United States Treasury 1.500% Oct 31 2019                           | 1.3                  |
| Bahamas Government USD 6.000% Nov 21 2028                           | 1.3                  |
| Nigeria Government USD 6.750% Jan 28 2021                           | 1.3                  |
| Republic of Philippines USD 4.000% Jan 15 2021                      | 1.3                  |
| KazMunayGas National Co. JSC USD 6.375% Oct 24 2048                 | 1.3                  |
| Emirates NBD Tier 1 Ltd. USD 5.750% Perpetual                       | 1.3                  |
| Kuwait International Government USD 2.750% Mar 20 2022              | 1.3                  |
| Arab Republic of Egypt USD 5.577% Feb 21 2023                       | 1.2                  |
| Government of Ecuador USD 7.875% Jan 23 2028                        | 1.2                  |
| Petroleos Mexicanos USD 5.625% Jan 23 2046                          | 1.2                  |
| Eskom Holdings SOC Ltd. USD 6.350% Aug 10 2028                      | 1.2                  |
| Republic of Argentina USD 7.500% Apr 22 2026 CDS Dec 20 2020        | (1.3)                |
| Top 25 Holdings                                                     | 37.9                 |

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).



FIXED-INCOME FUND

**BLUEBAY EMERGING MARKETS  
LOCAL CURRENCY BOND FUND  
(CANADA)**

*December 31, 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 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 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.

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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 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide total returns comprised of interest income and modest capital appreciation.

To achieve its objective, the Fund invests primarily in sovereign and quasi-sovereign fixed-income securities in emerging-market countries in local currencies. The Fund may also invest in fixed-income securities issued by corporations based in emerging market countries in local currencies. The sub-advisor conducts a detailed analysis of each relevant country's economic growth, inflation and fiscal and monetary policies and, for corporate bonds, a detailed company credit and industry analysis to identify opportunities offering higher probabilities of superior rates of return while minimizing the prospect of default.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund was launched on December 6, 2018, and its net asset value was \$23 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### **Recent Developments**

The sub-advisor believes that financial-market volatility could increase in 2019, given that many investors expect central banks to continue raising short-term interest rates, albeit gradually, while reducing the asset purchases that have been used to keep long-term interest rates in check. Such an environment is likely to present investors with opportunities to find undervalued assets, in the view of the sub-advisor, as some would decline to more attractive levels.

Recent comments from the U.S. Federal Reserve suggest a slower path of interest-rate hikes in 2019 than had been expected in 2018. This backdrop is likely to reinvigorate interest in emerging-market assets, in the view of the sub-advisor. Among the market risks that appear to be receding is the U.S.-China trade dispute, which has reached a point where negotiations can begin. A reduction in trade tensions would provide some respite to the market.

The sub-advisor remains optimistic regarding the prospects for emerging-market corporate bonds in the near term, although volatility is to be expected. As things stand, the sub-advisor is inclined to increase exposure to riskier assets.

## **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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

|                                                  |                                        |                            |                   |                               |                                 |             | Annual Distributions <sup>2</sup>  |                   |                  |                      |               |                       |
|--------------------------------------------------|----------------------------------------|----------------------------|-------------------|-------------------------------|---------------------------------|-------------|------------------------------------|-------------------|------------------|----------------------|---------------|-----------------------|
| Increase (Decrease) from Operations <sup>1</sup> |                                        |                            |                   |                               |                                 |             | From                               |                   | From             |                      |               | Net Assets            |
| For the Year/<br>Period Ended                    | Net Assets<br>Beginning of Year/Period | Total<br>Revenue<br>(Loss) | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total       | Income<br>(Excluding<br>Dividends) | From<br>Dividends | Capital<br>Gains | Return<br>of Capital | Total         | End of<br>Year/Period |
| <b>Series O</b>                                  |                                        |                            |                   |                               |                                 |             |                                    |                   |                  |                      |               |                       |
| <b>Dec. 31, 2018<sup>3</sup></b>                 | <b>10.00<sup>†</sup></b>               | <b>0.08</b>                | <b>—</b>          | <b>(0.01)</b>                 | <b>0.07</b>                     | <b>0.14</b> | <b>(0.17)</b>                      | <b>—</b>          | <b>—</b>         | <b>—</b>             | <b>(0.17)</b> | <b>9.97</b>           |

<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 June 26, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.97</b>                      | <b>23 484</b>               | <b>2 356</b>                          | <b>0.11</b>                                  | <b>0.11</b>                               | <b>38.90</b>                                | <b>–</b>                                  |

<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 June 26, 2018.

### Management Fees

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

### PAST PERFORMANCE (in USD)

Investment performance in respect of a fund that has been available for less than one year is not provided. Series O units of this Fund were launched on December 6, 2018.



## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| Mexico         | 9.4                  |
| South Africa   | 8.8                  |
| Brazil         | 8.2                  |
| Colombia       | 8.2                  |
| Turkey         | 6.7                  |
| Indonesia      | 6.0                  |
| Russia         | 6.0                  |
| Malaysia       | 5.3                  |
| Thailand       | 5.1                  |
| Peru           | 4.7                  |
| Poland         | 4.3                  |
| Hungary        | 3.3                  |
| Czech Republic | 2.9                  |
| Chile          | 2.3                  |
| United States  | 1.6                  |
| Romania        | 1.5                  |
| Philippines    | 0.8                  |
| Argentina      | 0.5                  |
| Uruguay        | 0.1                  |
| Cash/Other     | 14.3                 |

### Top 25 Holdings

|                                                                      | % of Net Asset Value |
|----------------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                              | 13.0                 |
| Mexican Bonos MXN 7.500% Jun 3 2027                                  | 9.5                  |
| Republic of South Africa ZAR 8.750% Feb 28 2048                      | 8.9                  |
| Brazil Notas do Tesouro Nacional Serie F BRL 10.000% Jan 1 2023      | 8.3                  |
| Colombian TES COP 10.000% Jul 24 2024                                | 5.4                  |
| Malaysia Government MYR 3.882% Mar 14 2025                           | 5.3                  |
| Government of Poland PLN 2.750% Apr 25 2028                          | 4.4                  |
| Republic of Turkey TRY 11.000% Mar 2 2022                            | 3.5                  |
| Russian Federal Bond - OFZ RUB 7.100% Oct 16 2024                    | 3.3                  |
| Czech Republic Government CZK 0.450% Oct 25 2023                     | 3.0                  |
| Thailand Government THB 3.625% Jun 16 2023                           | 2.7                  |
| Indonesia Treasury IDR 8.250% May 15 2036                            | 2.5                  |
| Peruvian Government PEN 8.200% Aug 12 2026                           | 2.3                  |
| Republic of Turkey TRY 10.500% Aug 11 2027                           | 2.3                  |
| Colombian TES COP 7.000% Jun 30 2032                                 | 2.1                  |
| Russian Federal Bond - OFZ RUB 7.750% Sep 16 2026                    | 2.0                  |
| Hungary Government HUF 3.000% Oct 27 2027                            | 1.9                  |
| Indonesia Treasury IDR 7.500% May 15 2038                            | 1.8                  |
| Goldman Sachs International EGP 0.000% May 30 2019                   | 1.6                  |
| Bonos de la Tesoreria de la Republica en Pesos CLP 4.500% Mar 1 2026 | 1.5                  |
| Peruvian Government PEN 5.940% Feb 12 2029                           | 1.5                  |
| Thailand Government THB 2.125% Dec 17 2026                           | 1.5                  |
| Hungary Government HUF 1.750% Oct 26 2022                            | 1.5                  |
| Romanian Government RON 5.800% Jul 26 2027                           | 1.2                  |
| Republic of Turkey TRY 10.500% Jan 15 2020                           | 1.0                  |
| Top 25 Holdings                                                      | 92.0                 |

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).



FIXED-INCOME FUND

**BLUEBAY EMERGING MARKETS  
CORPORATE BOND FUND**

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)

### Investment Objective and Strategies

The Fund seeks to provide total returns comprised of interest income and modest capital appreciation.

To achieve its objective, the Fund invests primarily in U.S. dollar denominated debt securities of corporations based in emerging market countries. The Fund may also invest in government debt securities of emerging market and developed countries, as well as emerging market sovereign bonds and government debt securities of developed countries in local currencies or in another G7 currency. The sub-advisor conducts detailed company credit and industry analysis to identify opportunities offering a higher probabilities of superior rates of return, while minimizing the prospect of default.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$706 million as of December 31, 2018, from \$717 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series A units lost 5.6%, which underperformed the 1.7% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Emerging-market bonds and other "risk" assets got off to a strong start in 2018, although much of the gains were ceded in February and March as market volatility increased. Equity markets, in particular, felt the brunt of the turn in sentiment. The big news on the first quarter for emerging markets was the deterioration of relations between Russia and the West, culminating in the poisoning of an ex-Russian spy on U.K. soil.

The market environment turned even more difficult in the second quarter as a combination of U.S.-dollar strength, a move higher in U.S. interest rates and heightened U.S.-China trade tensions led to negative investor sentiment towards emerging markets. The sell-off manifested itself most severely in countries with budget and trade deficits, and where investor positioning was heaviest. Although Turkey and Argentina were the two countries in the eye of the storm, the negative sentiment spilled over into other markets.

The big change affecting emerging markets towards the end of the year was the pullback in oil prices, which was a notable negative for emerging-market oil exporters and fuelled investor concerns regarding global growth and the potential for too-low inflation. Turkey and Argentina were the worst-performing emerging markets, and the Fund's overweight position in Argentina had a negative impact on relative returns. In Turkey, escalating tensions in the U.S. and continued unorthodox policymaking led to weakness in the lira, which put pressure on even the highest-quality, systemically important banks held in the portfolio.

Holdings in China, Brazil and Ecuador also had a negative impact on performance, while India, Qatar and Russia aided returns. Security selection had an overall negative impact on portfolio performance.

The Fund's avoidance of Rusal, a troubled Russian aluminum miner, and a holding in Samarco, a Brazilian mining company, aided the Fund's relative performance. Exposure to the distressed Brazilian telecommunications company Oi had a negative impact on returns, as did exposure to Turkey's Akbank. Holdings in paper companies aided returns, as did oil and gas, which benefited from rising oil prices during the first three quarters of the year.

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

### Recent Developments

The sub-advisor believes that financial-market volatility could increase in 2019, given that many investors expect central banks to continue raising short-term interest rates, albeit gradually, while reducing the asset purchases that have been used to keep long-term interest rates in check. Such an environment is likely to present investors with opportunities to find undervalued assets, in the view of the sub-advisor, as some would decline to more attractive levels.

Recent comments from the U.S. Federal Reserve suggest a slower path of interest-rate hikes in 2019 than had been expected in 2018. This backdrop is likely to reinvigorate interest in emerging-market assets, in the view of the sub-advisor. Among the market risks that appear to be receding is the U.S.-China trade dispute, which has reached a point where negotiations can begin. A reduction in trade tensions would provide some respite to the market.

The sub-advisor remains optimistic regarding the prospects for emerging-market corporate bonds in the near term, although volatility is to be expected. As things stand, the sub-advisor is inclined to increase exposure to riskier assets.

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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.32                                   | 0.42                                             | (0.15)            | (0.34)                        | (0.43)                          | (0.50) | (0.31)                                     | —                 | —                        | —                    | (0.31) | 7.54                                |
| Dec. 31, 2017                 | 8.03                                   | 0.51                                             | (0.17)            | 0.31                          | 0.09                            | 0.74   | (0.33)                                     | —                 | (0.17)                   | —                    | (0.50) | 8.32                                |
| Dec. 31, 2016                 | 8.20                                   | 0.46                                             | (0.18)            | 0.15                          | 0.27                            | 0.70   | (0.28)                                     | —                 | (0.62)                   | —                    | (0.90) | 8.03                                |
| Dec. 31, 2015                 | 9.35                                   | 0.50                                             | (0.19)            | (0.45)                        | (0.15)                          | (0.29) | (0.33)                                     | —                 | (0.53)                   | —                    | (0.86) | 8.20                                |
| Dec. 31, 2014                 | 9.70                                   | 0.54                                             | (0.21)            | 0.03                          | (0.06)                          | 0.30   | (0.35)                                     | —                 | (0.37)                   | —                    | (0.72) | 9.35                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.31                                   | 0.42                                             | (0.15)            | (0.34)                        | (0.41)                          | (0.48) | (0.31)                                     | —                 | —                        | —                    | (0.31) | 7.54                                |
| Dec. 31, 2017                 | 8.02                                   | 0.51                                             | (0.17)            | 0.31                          | 0.14                            | 0.79   | (0.33)                                     | —                 | (0.17)                   | —                    | (0.50) | 8.31                                |
| Dec. 31, 2016                 | 8.18                                   | 0.46                                             | (0.18)            | 0.15                          | 0.37                            | 0.80   | (0.28)                                     | —                 | (0.61)                   | —                    | (0.89) | 8.02                                |
| Dec. 31, 2015                 | 9.34                                   | 0.50                                             | (0.19)            | (0.44)                        | (0.15)                          | (0.28) | (0.33)                                     | —                 | (0.53)                   | —                    | (0.86) | 8.18                                |
| Dec. 31, 2014                 | 9.71                                   | 0.54                                             | (0.21)            | 0.03                          | (0.06)                          | 0.30   | (0.36)                                     | —                 | (0.37)                   | —                    | (0.73) | 9.34                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.34                                   | 0.42                                             | (0.09)            | (0.34)                        | (0.41)                          | (0.42) | (0.37)                                     | —                 | —                        | —                    | (0.37) | 7.56                                |
| Dec. 31, 2017                 | 8.06                                   | 0.51                                             | (0.11)            | 0.31                          | 0.13                            | 0.84   | (0.39)                                     | —                 | (0.17)                   | —                    | (0.56) | 8.34                                |
| Dec. 31, 2016                 | 8.23                                   | 0.46                                             | (0.12)            | 0.15                          | 0.29                            | 0.78   | (0.34)                                     | —                 | (0.62)                   | —                    | (0.96) | 8.06                                |
| Dec. 31, 2015                 | 9.38                                   | 0.50                                             | (0.13)            | (0.45)                        | (0.15)                          | (0.23) | (0.40)                                     | —                 | (0.53)                   | —                    | (0.93) | 8.23                                |
| Dec. 31, 2014                 | 9.72                                   | 0.54                                             | (0.14)            | 0.03                          | (0.06)                          | 0.37   | (0.40)                                     | —                 | (0.37)                   | —                    | (0.77) | 9.38                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.35                                   | 0.42                                             | (0.08)            | (0.34)                        | (0.41)                          | (0.41) | (0.38)                                     | —                 | —                        | —                    | (0.38) | 7.57                                |
| Dec. 31, 2017                 | 8.06                                   | 0.51                                             | (0.10)            | 0.31                          | 0.05                            | 0.77   | (0.40)                                     | —                 | (0.17)                   | —                    | (0.57) | 8.35                                |
| Dec. 31, 2016                 | 8.25                                   | 0.46                                             | (0.10)            | 0.16                          | 0.29                            | 0.81   | (0.35)                                     | —                 | (0.64)                   | —                    | (0.99) | 8.06                                |
| Dec. 31, 2015                 | 9.41                                   | 0.50                                             | (0.12)            | (0.45)                        | (0.15)                          | (0.22) | (0.42)                                     | —                 | (0.53)                   | —                    | (0.95) | 8.25                                |
| Dec. 31, 2014                 | 9.75                                   | 0.54                                             | (0.13)            | 0.03                          | (0.06)                          | 0.38   | (0.41)                                     | —                 | (0.37)                   | —                    | (0.78) | 9.41                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.36                                   | 0.42                                             | (0.02)            | (0.34)                        | (0.39)                          | (0.33) | (0.45)                                     | —                 | —                        | —                    | (0.45) | 7.58                                |
| Dec. 31, 2017                 | 8.07                                   | 0.51                                             | (0.02)            | 0.31                          | 0.13                            | 0.93   | (0.48)                                     | —                 | (0.17)                   | —                    | (0.65) | 8.36                                |
| Dec. 31, 2016                 | 8.25                                   | 0.46                                             | (0.02)            | 0.16                          | 0.28                            | 0.88   | (0.44)                                     | —                 | (0.64)                   | —                    | (1.08) | 8.07                                |
| Dec. 31, 2015                 | 9.41                                   | 0.50                                             | (0.02)            | (0.45)                        | (0.15)                          | (0.12) | (0.51)                                     | —                 | (0.53)                   | —                    | (1.04) | 8.25                                |
| Dec. 31, 2014                 | 9.72                                   | 0.53                                             | (0.02)            | 0.03                          | (0.06)                          | 0.48   | (0.49)                                     | —                 | (0.37)                   | —                    | (0.86) | 9.41                                |

<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.



**FINANCIAL HIGHLIGHTS (in USD) (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.54</b>                      | <b>2 669</b>                | <b>354</b>                            | <b>1.86</b>                                  | <b>1.86</b>                               | <b>201.84</b>                               | —                                         |
| Dec. 31, 2017         | 8.32                             | 4 877                       | 586                                   | 2.02                                         | 2.02                                      | 219.93                                      | —                                         |
| Dec. 31, 2016         | 8.03                             | 2 729                       | 340                                   | 2.05                                         | 2.05                                      | 265.09                                      | —                                         |
| Dec. 31, 2015         | 8.20                             | 2 477                       | 302                                   | 2.09                                         | 2.09                                      | 179.16                                      | —                                         |
| Dec. 31, 2014         | 9.35                             | 3 746                       | 401                                   | 2.10                                         | 2.10                                      | 149.67                                      | 0.01                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.54</b>                      | <b>731</b>                  | <b>97</b>                             | <b>1.88</b>                                  | <b>1.88</b>                               | <b>201.84</b>                               | —                                         |
| Dec. 31, 2017         | 8.31                             | 1 034                       | 124                                   | 2.04                                         | 2.04                                      | 219.93                                      | —                                         |
| Dec. 31, 2016         | 8.02                             | 1 096                       | 137                                   | 2.07                                         | 2.07                                      | 265.09                                      | —                                         |
| Dec. 31, 2015         | 8.18                             | 1 579                       | 193                                   | 2.08                                         | 2.08                                      | 179.16                                      | —                                         |
| Dec. 31, 2014         | 9.34                             | 2 613                       | 280                                   | 2.10                                         | 2.10                                      | 149.67                                      | 0.01                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.56</b>                      | <b>1 740</b>                | <b>230</b>                            | <b>1.17</b>                                  | <b>1.17</b>                               | <b>201.84</b>                               | —                                         |
| Dec. 31, 2017         | 8.34                             | 2 260                       | 271                                   | 1.33                                         | 1.33                                      | 219.93                                      | —                                         |
| Dec. 31, 2016         | 8.06                             | 1 824                       | 226                                   | 1.35                                         | 1.35                                      | 265.09                                      | —                                         |
| Dec. 31, 2015         | 8.23                             | 1 848                       | 225                                   | 1.38                                         | 1.38                                      | 179.16                                      | —                                         |
| Dec. 31, 2014         | 9.38                             | 2 231                       | 238                                   | 1.38                                         | 1.38                                      | 149.67                                      | 0.01                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.57</b>                      | <b>9 489</b>                | <b>1 254</b>                          | <b>1.03</b>                                  | <b>1.03</b>                               | <b>201.84</b>                               | —                                         |
| Dec. 31, 2017         | 8.35                             | 11 653                      | 1 396                                 | 1.19                                         | 1.19                                      | 219.93                                      | —                                         |
| Dec. 31, 2016         | 8.06                             | 5 611                       | 696                                   | 1.21                                         | 1.21                                      | 265.09                                      | —                                         |
| Dec. 31, 2015         | 8.25                             | 5 800                       | 703                                   | 1.24                                         | 1.24                                      | 179.16                                      | —                                         |
| Dec. 31, 2014         | 9.41                             | 7 936                       | 843                                   | 1.27                                         | 1.27                                      | 149.67                                      | 0.01                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.58</b>                      | <b>691 390</b>              | <b>91 202</b>                         | <b>0.22</b>                                  | <b>0.22</b>                               | <b>201.84</b>                               | —                                         |
| Dec. 31, 2017         | 8.36                             | 697 426                     | 83 436                                | 0.22                                         | 0.22                                      | 219.93                                      | —                                         |
| Dec. 31, 2016         | 8.07                             | 578 752                     | 71 705                                | 0.23                                         | 0.23                                      | 265.09                                      | —                                         |
| Dec. 31, 2015         | 8.25                             | 493 018                     | 59 740                                | 0.23                                         | 0.23                                      | 179.16                                      | —                                         |
| Dec. 31, 2014         | 9.41                             | 501 991                     | 53 325                                | 0.22                                         | 0.22                                      | 149.67                                      | 0.01                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.02%, Advisor Series – 2.04%, Series D – 1.33% and Series F – 1.19%.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 0.90%           | 17%                   | 83%    |
| 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.

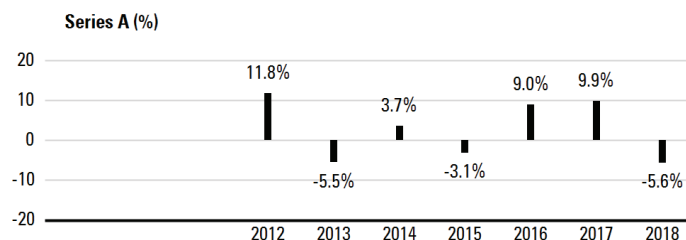
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE (in USD)

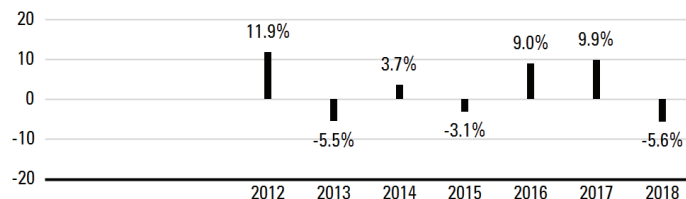
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

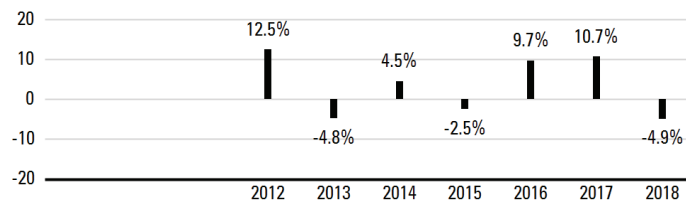
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



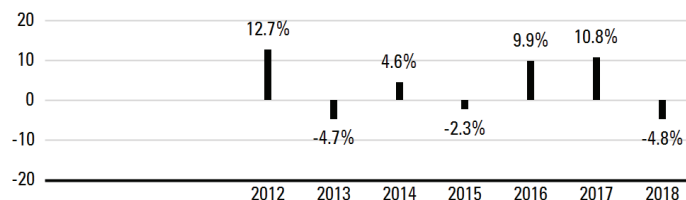
**Advisor Series (%)**



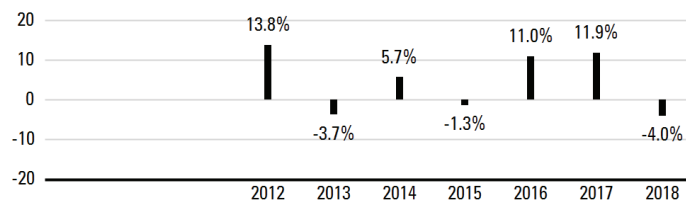
**Series D (%)**



**Series F (%)**



**Series O (%)**







## PAST PERFORMANCE (in USD) (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### JPMorgan Corporate Emerging Markets Bond Diversified Index (USD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -5.6         | 4.2             | 2.6             | —                | 2.7                |
| Benchmark      | -1.7         | 5.4             | 4.6             | —                | 5.0                |
| Advisor Series | -5.6         | 4.2             | 2.6             | —                | 2.7                |
| Benchmark      | -1.7         | 5.4             | 4.6             | —                | 5.0                |
| Series D       | -4.9         | 4.9             | 3.3             | —                | 3.4                |
| Benchmark      | -1.7         | 5.4             | 4.6             | —                | 5.0                |
| Series F       | -4.8         | 5.1             | 3.4             | —                | 3.5                |
| Benchmark      | -1.7         | 5.4             | 4.6             | —                | 5.0                |
| Series O       | -4.0         | 6.0             | 4.4             | —                | 4.6                |
| Benchmark      | -1.7         | 5.4             | 4.6             | —                | 5.0                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since January 30, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**JPMorgan Corporate Emerging Markets Bond Diversified Index (USD)** This index tracks the performance of U.S. dollar-denominated bonds issued by companies in emerging markets. The index comprises a readily tradable basket of corporate issues.

## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                      | % of Net Asset Value |
|----------------------|----------------------|
| Brazil               | 11.1                 |
| China                | 8.6                  |
| United Arab Emirates | 5.5                  |
| South Africa         | 4.7                  |
| Turkey               | 4.7                  |
| Chile                | 4.3                  |
| Colombia             | 3.7                  |
| Mexico               | 3.6                  |
| Argentina            | 3.5                  |
| Hong Kong            | 2.9                  |
| Indonesia            | 2.5                  |
| Israel               | 2.3                  |
| India                | 1.9                  |
| Thailand             | 1.8                  |
| Ukraine              | 1.7                  |
| Malaysia             | 1.6                  |
| Luxembourg           | 1.3                  |
| Kazakhstan           | 1.2                  |
| Kuwait               | 0.7                  |
| Russia               | 0.3                  |
| Other Countries      | 25.1                 |
| Cash/Other           | 7.0                  |



## SUMMARY OF INVESTMENT PORTFOLIO (in USD) (cont.)

(after consideration of derivative products, if any)

As at December 31, 2018

### Top 25 Holdings

|                                                                       | % of Net Asset Value |
|-----------------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                               | 5.4                  |
| Republic of Argentina USD 7.500% Apr 22 2026 CDS Contra Dec 20 2020   | 2.9                  |
| Corp Nacional del Cobre de Chile USD 4.500% Aug 13 2023               | 2.1                  |
| State Grid Overseas Investment 2016 Ltd. USD 3.750% May 2 2023        | 1.9                  |
| Republic of Turkey USD 3.250% Mar 23 2023                             | 1.9                  |
| Gold Fields Orogen Holdings BVI Ltd. USD 4.875% Oct 7 2020            | 1.8                  |
| Minejesa Capital BV USD 5.625% Aug 10 2037                            | 1.7                  |
| 1MDB Energy Ltd. USD 5.990% May 11 2022                               | 1.6                  |
| DP World Crescent Ltd. USD 4.848% Sep 26 2028                         | 1.5                  |
| CNAC HK Finbridge Co. Ltd. USD 4.125% Mar 14 2021                     | 1.4                  |
| VTR Finance BV USD 6.875% Jan 15 2024                                 | 1.3                  |
| Access Bank Plc. USD 10.500% Oct 19 2021                              | 1.3                  |
| Liquid Telecommunications Financing Plc USD 8.500% Jul 13 2022        | 1.1                  |
| Emirates NBD PJSC USD 3.155% Feb 12 2020                              | 1.1                  |
| Oman Government USD 4.125% Jan 17 2023                                | 1.1                  |
| Republic of South Africa USD 5.500% Mar 9 2020 CDS Contra Dec 20 2020 | 1.0                  |
| Republic of Brazil USD 4.250% Jan 7 2025 CDS Contra Dec 20 2020       | 1.0                  |
| Banco Mercantil del Norte S.A. USD 6.875% Perpetual                   | 1.0                  |
| Republic of Argentina USD 2.500% Dec 31 2038                          | 1.0                  |
| Melco Resorts Finance Ltd. USD 4.875% Jun 6 2025                      | 1.0                  |
| Emirates NBD Tier 1 Ltd. USD 5.750% Perpetual                         | 1.0                  |
| Pemex Project Funding Master Trust USD 6.625% Jun 15 2035             |                      |
| CDS Contra Dec 20 2020                                                | —                    |
| Republic of South Africa USD 5.500% Mar 9 2020 CDS Dec 20 2020        | (1.0)                |
| Republic of Brazil USD 4.250% Jan 7 2025 CDS Dec 20 2020              | (1.0)                |
| Republic of Argentina USD 7.500% Apr 22 2026 CDS Dec 20 2020          | (2.7)                |
| <b>Top 25 Holdings</b>                                                | <b>29.4</b>          |

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).



FIXED-INCOME FUND

**BLUEBAY GLOBAL CONVERTIBLE  
BOND FUND (CANADA)**

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide total returns consisting of interest income and modest capital appreciation by investing primarily in global convertible bonds issued by entities domiciled or carrying out business activities anywhere in the world.

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

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$831 million as of December 31, 2018, from \$1.1 billion at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series A units lost 4.0%, which underperformed the 3.6% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets and other "risk" assets, such as convertible bonds, got off to a strong start in 2018, with the S&P 500 Index setting records in January on investor optimism that U.S. tax cuts would boost corporate profitability. The U.S. Federal Reserve, in Jerome Powell's first meeting as chairman, raised interest rates by 25 basis points in March. Emerging markets came into focus in August amid currency plunges in Argentina and Turkey, and the outlook worsened as a trade dispute between the U.S. and China led to market declines.

Italian politics were a big concern for investors in 2018, especially in the second half of the year, after the formation of a ruling coalition committed to higher government spending by a country that is already debt-laden. As a result, tension increased between Italy and the European Union (the "EU"), leading to a plunge in Italian bonds as the gap between yields on Italian bonds widened relative to the benchmark.

As the year drew towards a close, falling crude-oil prices put pressure on emerging-market and high-yield debt, much of which is issued by energy producers. In the U.K., Brexit negotiations continued with the U.K. and the EU struggling to find common ground as Prime Minister Theresa May's EU withdrawal agreement had failed to make it through Parliament as of year-end.

Holdings that had a positive impact on the Fund's performance included Sarepta Therapeutics, which rose to a record after initial results of the company's experimental gene-therapy treatment surpassed investors' expectations; Herbalife, whose shares benefited from U.S. tax reform; and U.K. oil explorer Premier Oil, which rallied given its sensitivity to rising oil prices earlier in the year.

Holdings that had a negative impact on the Fund's performance included Dish Network, which reported disappointing revenues and earnings due to costs associated with reactivating hurricane-hit regions; chipmaker Microchip, whose shares plunged after the semiconductor company predicted lower-than-expected results given an industry slowdown; and telecommunications contractor Dycom, whose stock fell due primarily to permitting delays.

### **Recent Developments**

The recent financial-market weakness has resulted in lower valuations and created some attractive investment opportunities. However, the sub-advisor believes that equity markets are likely to remain volatile, which could lead to price declines in securities that are sensitive to macroeconomic uncertainty. Convertible bonds can offer attractive, risk-adjusted returns against this backdrop.

### **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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.81                                  | 0.09                                             | (0.24)            | 0.47                          | (0.71)                          | (0.39) | —                                          | —                 | (0.92)                   | —                    | (0.92) | 10.42                               |
| Dec. 31, 2017                 | 11.73                                  | 0.12                                             | (0.25)            | 0.49                          | 0.08                            | 0.44   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 11.81                               |
| Dec. 31, 2016                 | 11.98                                  | 0.12                                             | (0.24)            | 0.38                          | (0.39)                          | (0.13) | —                                          | —                 | (0.19)                   | —                    | (0.19) | 11.73                               |
| Dec. 31, 2015                 | 11.66                                  | 0.14                                             | (0.25)            | (0.09)                        | 0.46                            | 0.26   | (0.02)                                     | —                 | —                        | —                    | (0.02) | 11.98                               |
| Dec. 31, 2014                 | 11.27                                  | 0.20                                             | (0.24)            | 0.21                          | 0.26                            | 0.43   | —                                          | —                 | (0.14)                   | —                    | (0.14) | 11.66                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.80                                  | 0.09                                             | (0.24)            | 0.47                          | (0.69)                          | (0.37) | —                                          | —                 | (0.92)                   | —                    | (0.92) | 10.40                               |
| Dec. 31, 2017                 | 11.72                                  | 0.12                                             | (0.25)            | 0.49                          | 0.09                            | 0.45   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 11.80                               |
| Dec. 31, 2016                 | 11.98                                  | 0.12                                             | (0.24)            | 0.38                          | (0.47)                          | (0.21) | —                                          | —                 | (0.19)                   | —                    | (0.19) | 11.72                               |
| Dec. 31, 2015                 | 11.66                                  | 0.14                                             | (0.26)            | (0.09)                        | 0.46                            | 0.25   | (0.02)                                     | —                 | —                        | —                    | (0.02) | 11.98                               |
| Dec. 31, 2014                 | 11.27                                  | 0.21                                             | (0.24)            | 0.21                          | 0.27                            | 0.45   | —                                          | —                 | (0.14)                   | —                    | (0.14) | 11.66                               |
| Advisor T5 Series             |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.32                                  | 0.09                                             | (0.24)            | 0.47                          | (0.66)                          | (0.34) | (0.04)                                     | —                 | (0.53)                   | —                    | (0.57) | 9.37                                |
| Dec. 31, 2017                 | 10.50                                  | 0.12                                             | (0.25)            | 0.49                          | —                               | 0.36   | —                                          | —                 | (0.24)                   | (0.28)               | (0.52) | 10.32                               |
| Dec. 31, 2016                 | 11.13                                  | 0.12                                             | (0.24)            | 0.38                          | (0.30)                          | (0.04) | —                                          | —                 | (0.16)                   | (0.40)               | (0.56) | 10.50                               |
| Dec. 31, 2015                 | 11.36                                  | 0.14                                             | (0.26)            | (0.09)                        | 0.46                            | 0.25   | —                                          | —                 | —                        | (0.57)               | (0.57) | 11.13                               |
| Dec. 31, 2014 <sup>3</sup>    | 11.50 <sup>†</sup>                     | 0.21                                             | (0.24)            | 0.21                          | 0.27                            | 0.45   | —                                          | —                 | —                        | (0.43)               | (0.43) | 11.36                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.32                                  | 0.08                                             | (0.20)            | 0.40                          | (0.65)                          | (0.37) | (0.04)                                     | —                 | (0.54)                   | —                    | (0.58) | 9.35                                |
| Dec. 31, 2017                 | 10.49                                  | 0.10                                             | (0.21)            | 0.43                          | 0.15                            | 0.47   | —                                          | —                 | (0.18)                   | (0.34)               | (0.52) | 10.32                               |
| Dec. 31, 2016                 | 11.12                                  | 0.11                                             | (0.22)            | 0.35                          | (0.76)                          | (0.52) | —                                          | —                 | (0.14)                   | (0.42)               | (0.56) | 10.49                               |
| Dec. 31, 2015                 | 11.36                                  | 0.14                                             | (0.25)            | (0.09)                        | 0.43                            | 0.23   | —                                          | —                 | —                        | (0.57)               | (0.57) | 11.12                               |
| Dec. 31, 2014 <sup>3</sup>    | 11.50 <sup>†</sup>                     | 0.12                                             | (0.17)            | 0.12                          | 0.16                            | 0.23   | —                                          | —                 | —                        | (0.43)               | (0.43) | 11.36                               |
| Series H                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.93                                  | 0.09                                             | (0.21)            | 0.47                          | (0.56)                          | (0.21) | —                                          | —                 | (0.93)                   | —                    | (0.93) | 10.55                               |
| Dec. 31, 2017                 | 11.83                                  | 0.12                                             | (0.22)            | 0.50                          | 0.18                            | 0.58   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 11.93                               |
| Dec. 31, 2016                 | 12.05                                  | 0.12                                             | (0.21)            | 0.39                          | (0.34)                          | (0.04) | —                                          | —                 | (0.19)                   | —                    | (0.19) | 11.83                               |
| Dec. 31, 2015                 | 11.70                                  | 0.15                                             | (0.22)            | (0.09)                        | 0.46                            | 0.30   | (0.02)                                     | —                 | —                        | —                    | (0.02) | 12.05                               |
| Dec. 31, 2014                 | 11.29                                  | 0.21                                             | (0.21)            | 0.21                          | 0.27                            | 0.48   | (0.01)                                     | —                 | (0.14)                   | —                    | (0.15) | 11.70                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.10                                  | 0.09                                             | (0.16)            | 0.48                          | (0.77)                          | (0.36) | —                                          | —                 | (0.95)                   | —                    | (0.95) | 10.75                               |
| Dec. 31, 2017                 | 11.94                                  | 0.12                                             | (0.17)            | 0.50                          | 0.03                            | 0.48   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 12.10                               |
| Dec. 31, 2016                 | 12.11                                  | 0.12                                             | (0.16)            | 0.39                          | (0.45)                          | (0.10) | —                                          | —                 | (0.19)                   | —                    | (0.19) | 11.94                               |
| Dec. 31, 2015                 | 11.72                                  | 0.14                                             | (0.17)            | (0.09)                        | 0.46                            | 0.34   | (0.04)                                     | —                 | —                        | —                    | (0.04) | 12.11                               |
| Dec. 31, 2014                 | 11.29                                  | 0.21                                             | (0.16)            | 0.21                          | 0.27                            | 0.53   | (0.04)                                     | —                 | (0.14)                   | —                    | (0.18) | 11.72                               |



## FINANCIAL HIGHLIGHTS (cont.)

### Change in Net Assets Per Unit (\$) (cont.)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.18</b>                           | <b>0.09</b>                                      | <b>(0.15)</b>     | <b>0.49</b>                   | <b>(0.76)</b>                   | <b>(0.33)</b> | —                                          | —                 | <b>(0.96)</b>            | —                    | <b>(0.96)</b> | <b>10.83</b>                        |
| Dec. 31, 2017                 | 12.00                                  | 0.12                                             | (0.15)            | 0.51                          | 0.06                            | 0.54          | —                                          | —                 | (0.31)                   | —                    | (0.31)        | 12.18                               |
| Dec. 31, 2016                 | 12.15                                  | 0.12                                             | (0.15)            | 0.39                          | (0.42)                          | (0.06)        | —                                          | —                 | (0.19)                   | —                    | (0.19)        | 12.00                               |
| Dec. 31, 2015                 | 11.75                                  | 0.14                                             | (0.16)            | (0.09)                        | 0.46                            | 0.35          | (0.04)                                     | —                 | —                        | —                    | (0.04)        | 12.15                               |
| Dec. 31, 2014                 | 11.31                                  | 0.21                                             | (0.15)            | 0.21                          | 0.27                            | 0.54          | (0.05)                                     | —                 | (0.14)                   | —                    | (0.19)        | 11.75                               |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.72</b>                           | <b>0.08</b>                                      | <b>(0.13)</b>     | <b>0.42</b>                   | <b>(0.63)</b>                   | <b>(0.26)</b> | —                                          | —                 | <b>(0.50)</b>            | <b>(0.03)</b>        | <b>(0.53)</b> | <b>9.86</b>                         |
| Dec. 31, 2017                 | 10.81                                  | 0.11                                             | (0.13)            | 0.45                          | —                               | 0.43          | —                                          | —                 | (0.24)                   | (0.30)               | (0.54)        | 10.72                               |
| Dec. 31, 2016                 | 11.36                                  | 0.11                                             | (0.13)            | 0.36                          | (0.29)                          | 0.05          | —                                          | —                 | (0.16)                   | (0.41)               | (0.57)        | 10.81                               |
| Dec. 31, 2015                 | 11.49                                  | 0.13                                             | (0.14)            | (0.09)                        | 0.43                            | 0.33          | —                                          | —                 | —                        | (0.58)               | (0.58)        | 11.36                               |
| Dec. 31, 2014 <sup>3</sup>    | 11.56 <sup>†</sup>                     | 0.12                                             | (0.10)            | 0.12                          | 0.16                            | 0.30          | (0.03)                                     | —                 | —                        | (0.40)               | (0.43)        | 11.49                               |
| <b>Series I</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.28</b>                           | <b>0.09</b>                                      | <b>(0.12)</b>     | <b>0.49</b>                   | <b>(0.83)</b>                   | <b>(0.37)</b> | —                                          | —                 | <b>(0.98)</b>            | —                    | <b>(0.98)</b> | <b>10.93</b>                        |
| Dec. 31, 2017                 | 12.07                                  | 0.12                                             | (0.12)            | 0.51                          | 0.09                            | 0.60          | (0.01)                                     | —                 | (0.31)                   | —                    | (0.32)        | 12.28                               |
| Dec. 31, 2016                 | 12.20                                  | 0.12                                             | (0.12)            | 0.39                          | (0.38)                          | 0.01          | —                                          | —                 | (0.19)                   | —                    | (0.19)        | 12.07                               |
| Dec. 31, 2015                 | 11.77                                  | 0.15                                             | (0.12)            | (0.09)                        | 0.46                            | 0.40          | (0.05)                                     | —                 | —                        | —                    | (0.05)        | 12.20                               |
| Dec. 31, 2014                 | 11.33                                  | 0.21                                             | (0.12)            | 0.21                          | 0.27                            | 0.57          | (0.08)                                     | —                 | (0.14)                   | —                    | (0.22)        | 11.77                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.53</b>                           | <b>0.09</b>                                      | <b>(0.03)</b>     | <b>0.50</b>                   | <b>(0.82)</b>                   | <b>(0.26)</b> | <b>(0.01)</b>                              | <b>(0.01)</b>     | <b>(1.00)</b>            | —                    | <b>(1.02)</b> | <b>11.23</b>                        |
| Dec. 31, 2017                 | 12.27                                  | 0.12                                             | (0.03)            | 0.52                          | (0.03)                          | 0.58          | (0.04)                                     | (0.01)            | (0.32)                   | —                    | (0.37)        | 12.53                               |
| Dec. 31, 2016                 | 12.30                                  | 0.12                                             | (0.03)            | 0.40                          | (0.36)                          | 0.13          | —                                          | —                 | (0.19)                   | —                    | (0.19)        | 12.27                               |
| Dec. 31, 2015                 | 11.80                                  | 0.15                                             | (0.03)            | (0.10)                        | 0.47                            | 0.49          | (0.08)                                     | —                 | —                        | —                    | (0.08)        | 12.30                               |
| Dec. 31, 2014                 | 11.33                                  | 0.21                                             | (0.03)            | 0.21                          | 0.27                            | 0.66          | (0.15)                                     | —                 | (0.14)                   | —                    | (0.29)        | 11.80                               |

<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 April 21, 2014.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.42</b>                     | <b>28 622</b>               | <b>2 748</b>                          | <b>2.03</b>                                  | <b>2.03</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 11.81                            | 42 758                      | 3 621                                 | 2.02                                         | 2.02                                      | 76.71                                       | —                                         |
| Dec. 31, 2016         | 11.73                            | 54 395                      | 4 637                                 | 2.06                                         | 2.06                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015         | 11.98                            | 75 067                      | 6 264                                 | 2.09                                         | 2.09                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014         | 11.66                            | 62 201                      | 5 335                                 | 2.10                                         | 2.10                                      | 126.60                                      | 0.02                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.40</b>                     | <b>51 759</b>               | <b>4 975</b>                          | <b>2.05</b>                                  | <b>2.05</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 11.80                            | 81 492                      | 6 907                                 | 2.05                                         | 2.05                                      | 76.71                                       | —                                         |
| Dec. 31, 2016         | 11.72                            | 112 654                     | 9 610                                 | 2.08                                         | 2.08                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015         | 11.98                            | 179 667                     | 14 999                                | 2.10                                         | 2.10                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014         | 11.66                            | 180 624                     | 15 497                                | 2.11                                         | 2.11                                      | 126.60                                      | 0.02                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.37</b>                      | <b>1 669</b>                | <b>178</b>                            | <b>2.00</b>                                  | <b>2.00</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 10.32                            | 2 215                       | 215                                   | 2.00                                         | 2.00                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 10.50                            | 2 421                       | 231                                   | 2.04                                         | 2.04                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 11.13                            | 2 609                       | 235                                   | 2.09                                         | 2.09                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.36                            | 1 028                       | 91                                    | 2.09                                         | 2.09                                      | 126.60                                      | 0.02                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.35</b>                      | <b>224</b>                  | <b>24</b>                             | <b>1.96</b>                                  | <b>1.96</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 10.32                            | 276                         | 27                                    | 1.97                                         | 1.97                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 10.49                            | 491                         | 47                                    | 2.09                                         | 2.09                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 11.12                            | 1 069                       | 96                                    | 2.15                                         | 2.15                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.36                            | 708                         | 62                                    | 2.16                                         | 2.16                                      | 126.60                                      | 0.02                                      |
| <b>Series H</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.55</b>                     | <b>873</b>                  | <b>83</b>                             | <b>1.77</b>                                  | <b>1.77</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.93                            | 2 977                       | 249                                   | 1.77                                         | 1.77                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 11.83                            | 10 849                      | 917                                   | 1.83                                         | 1.83                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 12.05                            | 13 836                      | 1 148                                 | 1.82                                         | 1.82                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014              | 11.70                            | 15 991                      | 1 366                                 | 1.84                                         | 1.84                                      | 126.60                                      | 0.02                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.75</b>                     | <b>4 475</b>                | <b>416</b>                            | <b>1.34</b>                                  | <b>1.34</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.10                            | 5 659                       | 468                                   | 1.35                                         | 1.35                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 11.94                            | 4 802                       | 402                                   | 1.38                                         | 1.38                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 12.11                            | 6 412                       | 529                                   | 1.41                                         | 1.41                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014              | 11.72                            | 5 075                       | 433                                   | 1.41                                         | 1.41                                      | 126.60                                      | 0.02                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.83</b>                     | <b>123 798</b>              | <b>11 435</b>                         | <b>1.21</b>                                  | <b>1.21</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.18                            | 203 368                     | 16 701                                | 1.21                                         | 1.21                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 12.00                            | 258 593                     | 21 553                                | 1.25                                         | 1.25                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 12.15                            | 345 899                     | 28 460                                | 1.28                                         | 1.28                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014              | 11.75                            | 245 520                     | 20 891                                | 1.28                                         | 1.28                                      | 126.60                                      | 0.02                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.86</b>                      | <b>3 310</b>                | <b>336</b>                            | <b>1.19</b>                                  | <b>1.19</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 10.72                            | 5 543                       | 517                                   | 1.20                                         | 1.20                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 10.81                            | 6 263                       | 579                                   | 1.24                                         | 1.24                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 11.36                            | 6 573                       | 579                                   | 1.22                                         | 1.22                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.49                            | 1 277                       | 111                                   | 1.24                                         | 1.24                                      | 126.60                                      | 0.02                                      |
| <b>Series I</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.93</b>                     | <b>15 866</b>               | <b>1 451</b>                          | <b>0.98</b>                                  | <b>0.98</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.28                            | 36 027                      | 2 934                                 | 0.99                                         | 0.99                                      | 76.71                                       | —                                         |
| Dec. 31, 2016              | 12.07                            | 57 679                      | 4 777                                 | 0.99                                         | 0.99                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015              | 12.20                            | 79 878                      | 6 548                                 | 1.00                                         | 1.00                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014              | 11.77                            | 63 395                      | 5 385                                 | 1.01                                         | 1.01                                      | 126.60                                      | 0.02                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.23</b>                     | <b>600 378</b>              | <b>53 474</b>                         | <b>0.22</b>                                  | <b>0.22</b>                               | <b>84.83</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017        | 12.53                            | 706 189                     | 56 374                                | 0.22                                         | 0.22                                      | 76.71                                       | —                                         |
| Dec. 31, 2016        | 12.27                            | 580 047                     | 47 293                                | 0.22                                         | 0.22                                      | 83.94                                       | 0.01                                      |
| Dec. 31, 2015        | 12.30                            | 651 563                     | 52 987                                | 0.22                                         | 0.22                                      | 108.75                                      | 0.06                                      |
| Dec. 31, 2014        | 11.80                            | 495 425                     | 41 995                                | 0.22                                         | 0.22                                      | 126.60                                      | 0.02                                      |

<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 April 21, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Advisor T5 Series, Series T5, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.03%, Advisor Series – 2.05%, Advisor T5 Series – 2.02%, Series T5 – 2.06%, Series D – 1.35%, Series F – 1.22% and Series FT5 – 1.21%.

### 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          | 1.65%           | 45%                   | 55%    |
| Advisor Series    | 1.65%           | 45%                   | 55%    |
| Advisor T5 Series | 1.65%           | 45%                   | 55%    |
| Series T5         | 1.65%           | 45%                   | 55%    |
| Series H          | 1.45%           | 52%                   | 48%    |
| Series D          | 1.05%           | 14%                   | 86%    |
| Series F          | 0.90%           | —                     | 100%   |
| Series FT5        | 0.90%           | —                     | 100%   |
| Series I          | 0.70%           | —                     | 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.

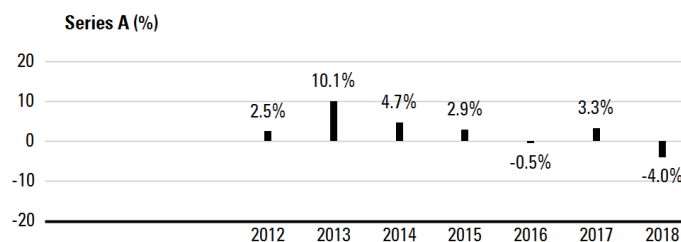
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

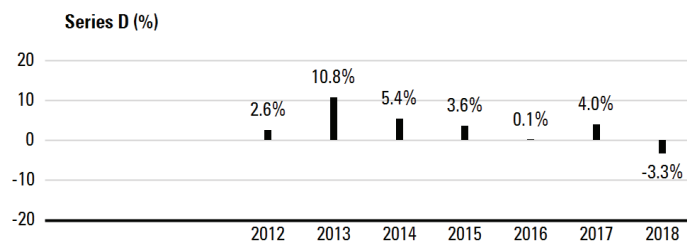
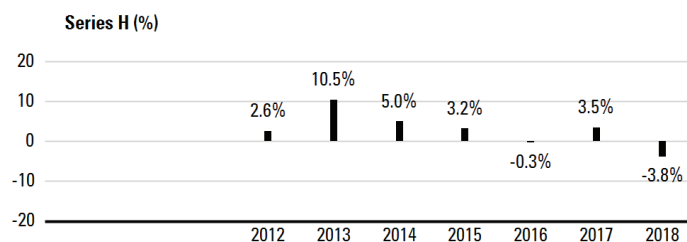
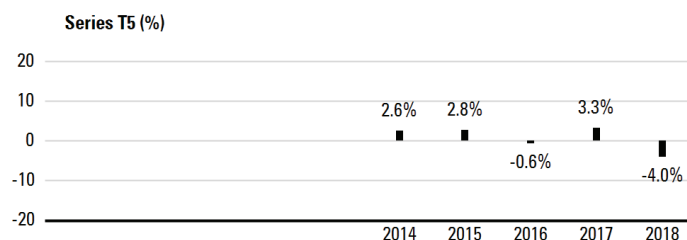
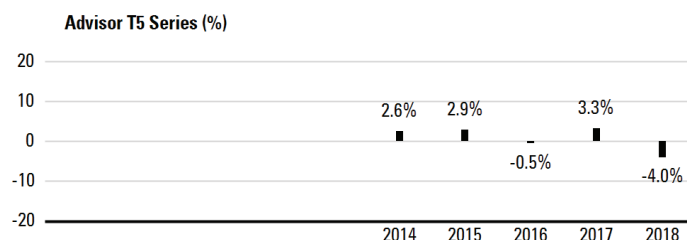
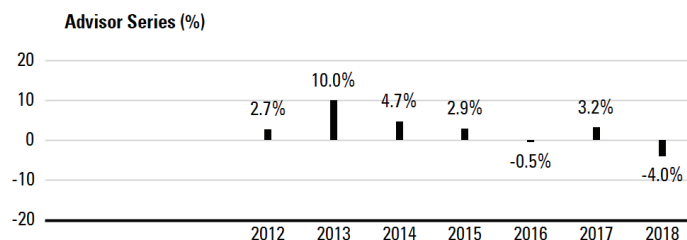
#### Year-by-Year Returns (%)

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.

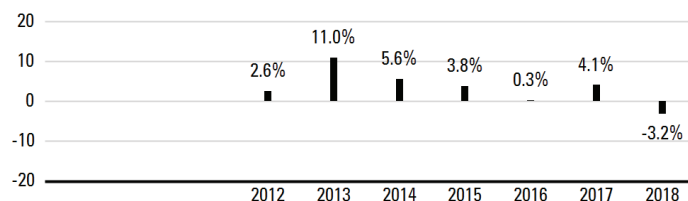




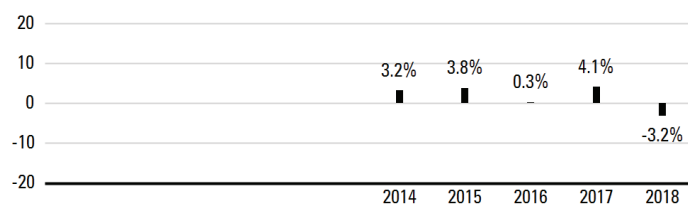
## PAST PERFORMANCE (cont.)



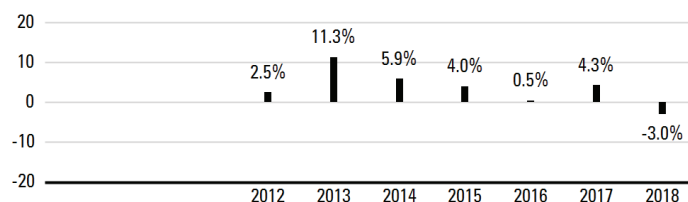
**Series F (%)**



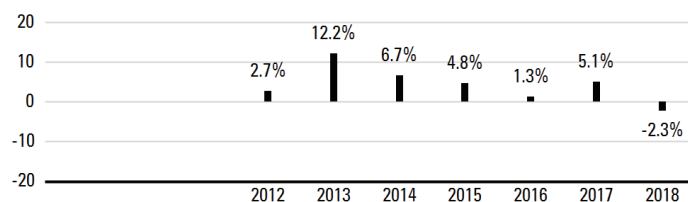
**Series FT5 (%)**



**Series I (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Thomson Reuters Convertible Global Focus Index (hedged to CAD)

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -4.0         | -0.5            | 1.2             | —                | 3.0                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |
| Advisor Series    | -4.0         | -0.5            | 1.2             | —                | 3.0                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |
| Advisor T5 Series | -4.0         | -0.5            | —               | —                | 0.9                |
| Benchmark         | -3.6         | 1.1             | —               | —                | 2.0                |
| Series T5         | -4.0         | -0.4            | —               | —                | 0.9                |
| Benchmark         | -3.6         | 1.1             | —               | —                | 2.0                |
| Series H          | -3.8         | -0.2            | 1.5             | —                | 3.3                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |
| Series D          | -3.3         | 0.2             | 1.9             | —                | 3.7                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |
| Series F          | -3.2         | 0.3             | 2.0             | —                | 3.9                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |
| Series FT5        | -3.2         | 0.4             | —               | —                | 1.7                |
| Benchmark         | -3.6         | 1.1             | —               | —                | 2.0                |
| Series I          | -3.0         | 0.6             | 2.3             | —                | 4.1                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |
| Series O          | -2.3         | 1.3             | 3.1             | —                | 4.9                |
| Benchmark         | -3.6         | 1.1             | 2.6             | —                | 4.7                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Advisor T5 Series, Series T5 and Series FT5 units have been available for sale to unitholders since April 21, 2014, and Series A, Advisor Series, Series H, Series D, Series F, Series I and Series O units since November 26, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series H and Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

## INDEX DESCRIPTION

**Thomson Reuters Convertible Global Focus Index (hedged to CAD)** This index is designed to measure the performance of global convertible bonds and focuses on larger convertible securities, with the number of constituents being limited to ensure breadth and manageability. This index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 34.2                 |
| China           | 15.9                 |
| Japan           | 15.4                 |
| Germany         | 7.6                  |
| Netherlands     | 4.2                  |
| Hong Kong       | 2.6                  |
| United Kingdom  | 2.0                  |
| Norway          | 1.6                  |
| Taiwan          | 1.3                  |
| France          | 0.8                  |
| South Africa    | 0.7                  |
| Singapore       | 0.5                  |
| Other Countries | 10.7                 |
| Cash/Other      | 2.5                  |

### Top 25 Holdings

|                                                                             | % of Net Asset Value |
|-----------------------------------------------------------------------------|----------------------|
| CRRC Corp Ltd., Convertible USD 0.000% Feb 5 2021                           | 2.8                  |
| Microchip Technology Inc., Convertible 1.625% Feb 15 2027                   | 2.8                  |
| Deutsche Wohnen SE, Convertible EUR 0.600% Jan 5 2026                       | 2.6                  |
| Shanghai Port Group BVI Holding Co. Ltd., Convertible USD 0.000% Aug 9 2021 | 2.4                  |
| Tesla Inc., Convertible 1.250% Jan 3 2021                                   | 2.2                  |
| Palo Alto Networks Inc., Convertible 0.750% Jul 1 2023                      | 2.1                  |
| Cash & Cash Equivalents                                                     | 2.1                  |
| RAG-Stiftung, Convertible EUR 0.000% Oct 2 2024                             | 1.9                  |
| Mitsubishi Chemical Holdings Corp., Convertible JPY 0.000% Mar 29 2024      | 1.9                  |
| Ctrip.com International Ltd., Convertible USD 1.990% Jul 1 2025             | 1.8                  |
| Siemens Financieringsmaatschappij N.V., Convertible USD 1.650% Aug 16 2019  | 1.8                  |
| Splunk Inc., Convertible 0.500% Sep 15 2023                                 | 1.7                  |
| LG Chem Ltd., Convertible EUR 0.000% Apr 16 2021                            | 1.7                  |
| NXP Semiconductors N.V., Convertible USD 1.000% Dec 1 2019                  | 1.6                  |
| China Evergrande Group, Convertible HKD 4.250% Feb 14 2023                  | 1.6                  |
| Kyushu Electric Power Co. Inc., Convertible JPY 0.000% Mar 31 2020          | 1.6                  |
| Atlassian Inc., Convertible 0.625% May 1 2023                               | 1.6                  |
| Harvest International Co., Convertible HKD 0.000% Nov 21 2022               | 1.6                  |
| Kansai Paint Co. Ltd., Convertible JPY 0.000% Jun 17 2022                   | 1.5                  |
| China Railway Construction Corp. Ltd., Convertible CNY 1.500% Dec 21 2021   | 1.5                  |
| Huazhu Group Ltd., Convertible USD 0.375% Nov 1 2022                        | 1.4                  |
| Sika AG, Convertible CHF 0.150% Jun 5 2025                                  | 1.3                  |
| Akamai Technologies Inc., Convertible 0.125% May 1 2025                     | 1.3                  |
| AYC Finance Ltd., Convertible USD 0.500% May 2 2019                         | 1.2                  |
| Nutanix Inc., Convertible 0.000% Jan 15 2023                                | 1.1                  |
| Top 25 Holdings                                                             | 45.1                 |

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).



FIXED-INCOME FUND

**BLUEBAY \$U.S. GLOBAL CONVERTIBLE  
BOND FUND (CANADA)**

*December 31, 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 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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide U.S. dollar total returns consisting of interest income and modest capital appreciation by investing primarily in global convertible bonds issued by entities domiciled or carrying out business activities anywhere in the world.

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

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$26 million as of December 31, 2018, from \$56 million at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series A units lost 3.9%, which underperformed the 3.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets and other "risk" assets, such as convertible bonds, got off to a strong start in 2018, with the S&P 500 Index setting records in January on investor optimism that U.S. tax cuts would boost corporate profitability. The U.S. Federal Reserve, in Jerome Powell's first meeting as chairman, raised interest rates by 25 basis points in March. Emerging markets came into focus in August amid currency plunges in Argentina and Turkey, and the outlook worsened as a trade dispute between the U.S. and China led to market declines.

Italian politics were a big concern for investors in 2018, especially in the second half of the year, after the formation of a ruling coalition committed to higher government spending by a country that is already debt-laden. As a result, tension increased between Italy and the European Union (the "EU"), leading to a plunge in Italian bonds as the gap between yields on Italian bonds widened relative to the benchmark.

As the year drew towards a close, falling crude-oil prices put pressure on emerging-market and high-yield debt, much of which is issued by energy producers. In the U.K., Brexit negotiations continued with the U.K. and the EU struggling to find common ground as Prime Minister Theresa May's EU withdrawal agreement had failed to make it through Parliament as of year-end.

Holdings that had a positive impact on the Fund's performance included Herbalife, whose shares benefited from U.S. tax reform; Citrix Systems, a software company that reported three quarters of strong growth; and ON Semiconductor, whose image sensor is a key component for autonomous-driving systems.

Holdings that had a negative impact on the Fund's performance included Dish Network, which reported disappointing revenues and earnings due to costs associated with reactivating hurricane-hit regions; chipmaker Microchip, whose shares plunged after the semiconductor company predicted lower-than-expected results given an industry slowdown; and Chinese online travel agency Ctrip.com, whose stock plunged in 2018 after the company announced disappointing financial forecasts.

### **Recent Developments**

The recent financial-market weakness has resulted in lower valuations and created some attractive investment opportunities. However, the sub-advisor believes that equity markets are likely to remain volatile, which could lead to price declines in securities that are sensitive to macroeconomic uncertainty. Convertible bonds can offer attractive, risk-adjusted returns against this backdrop.

### **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 Investor Services Trust ("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 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.03</b>                           | <b>0.02</b>                                      | <b>(0.21)</b>     | <b>0.67</b>                   | <b>(0.90)</b>                   | <b>(0.42)</b> | —                                          | —                 | <b>(1.17)</b>            | —                    | <b>(1.17)</b> | <b>8.48</b>                         |
| Dec. 31, 2017                 | 9.71                                   | 0.07                                             | (0.21)            | (0.08)                        | 0.42                            | 0.20          | —                                          | —                 | —                        | —                    | —             | 10.03                               |
| Dec. 31, 2016                 | 9.75                                   | 0.02                                             | (0.19)            | (0.05)                        | 0.30                            | 0.08          | —                                          | —                 | (0.10)                   | —                    | (0.10)        | 9.71                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.14)            | 0.21                          | (0.27)                          | (0.19)        | —                                          | —                 | —                        | —                    | —             | 9.75                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.02</b>                           | <b>0.02</b>                                      | <b>(0.21)</b>     | <b>0.65</b>                   | <b>(0.73)</b>                   | <b>(0.27)</b> | —                                          | —                 | <b>(1.17)</b>            | —                    | <b>(1.17)</b> | <b>8.47</b>                         |
| Dec. 31, 2017                 | 9.70                                   | 0.07                                             | (0.21)            | (0.09)                        | 0.67                            | 0.44          | —                                          | —                 | —                        | —                    | —             | 10.02                               |
| Dec. 31, 2016                 | 9.75                                   | 0.02                                             | (0.19)            | (0.04)                        | 0.04                            | (0.17)        | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 9.70                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.14)            | 0.19                          | (0.25)                          | (0.19)        | —                                          | —                 | —                        | —                    | —             | 9.75                                |
| <b>Advisor T5 Series</b>      |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>8.81</b>                            | <b>0.02</b>                                      | <b>(0.21)</b>     | <b>0.65</b>                   | <b>(0.79)</b>                   | <b>(0.33)</b> | <b>(0.13)</b>                              | —                 | <b>(0.73)</b>            | —                    | <b>(0.86)</b> | <b>7.63</b>                         |
| Dec. 31, 2017                 | 8.96                                   | 0.07                                             | (0.21)            | (0.09)                        | 0.52                            | 0.29          | —                                          | —                 | —                        | (0.45)               | (0.45)        | 8.81                                |
| Dec. 31, 2016                 | 9.38                                   | 0.02                                             | (0.19)            | (0.04)                        | 0.26                            | 0.05          | —                                          | —                 | (0.13)                   | (0.34)               | (0.47)        | 8.96                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.14)            | 0.19                          | (0.25)                          | (0.19)        | (0.38)                                     | —                 | —                        | —                    | (0.38)        | 9.38                                |
| <b>Series T5</b>              |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>8.81</b>                            | <b>0.02</b>                                      | <b>(0.17)</b>     | <b>0.54</b>                   | <b>(0.45)</b>                   | <b>(0.06)</b> | —                                          | —                 | <b>(0.24)</b>            | <b>(0.20)</b>        | <b>(0.44)</b> | <b>8.05</b>                         |
| Dec. 31, 2017                 | 8.96                                   | 0.06                                             | (0.19)            | (0.08)                        | 0.50                            | 0.29          | —                                          | —                 | —                        | (0.45)               | (0.45)        | 8.81                                |
| Dec. 31, 2016                 | 9.38                                   | 0.02                                             | (0.18)            | (0.04)                        | 0.25                            | 0.05          | —                                          | —                 | (0.13)                   | (0.34)               | (0.47)        | 8.96                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.15)            | 0.23                          | (0.30)                          | (0.21)        | (0.38)                                     | —                 | —                        | —                    | (0.38)        | 9.38                                |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.19</b>                           | <b>0.03</b>                                      | <b>(0.14)</b>     | <b>0.79</b>                   | <b>(1.42)</b>                   | <b>(0.74)</b> | —                                          | —                 | <b>(1.18)</b>            | —                    | <b>(1.18)</b> | <b>8.68</b>                         |
| Dec. 31, 2017                 | 9.79                                   | 0.07                                             | (0.14)            | (0.08)                        | 0.53                            | 0.38          | —                                          | —                 | —                        | —                    | —             | 10.19                               |
| Dec. 31, 2016                 | 9.79                                   | 0.02                                             | (0.14)            | (0.04)                        | 0.20                            | 0.04          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 9.79                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.09)            | 0.17                          | (0.23)                          | (0.14)        | (0.01)                                     | —                 | —                        | —                    | (0.01)        | 9.79                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.23</b>                           | <b>0.02</b>                                      | <b>(0.12)</b>     | <b>0.68</b>                   | <b>(0.86)</b>                   | <b>(0.28)</b> | —                                          | —                 | <b>(1.18)</b>            | —                    | <b>(1.18)</b> | <b>8.74</b>                         |
| Dec. 31, 2017                 | 9.82                                   | 0.07                                             | (0.12)            | (0.09)                        | 0.55                            | 0.41          | (0.01)                                     | —                 | —                        | —                    | (0.01)        | 10.23                               |
| Dec. 31, 2016                 | 9.80                                   | 0.02                                             | (0.12)            | (0.05)                        | 0.59                            | 0.44          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 9.82                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.09)            | 0.19                          | (0.25)                          | (0.14)        | (0.01)                                     | —                 | —                        | —                    | (0.01)        | 9.80                                |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.01</b>                            | <b>0.02</b>                                      | <b>(0.10)</b>     | <b>0.59</b>                   | <b>(0.75)</b>                   | <b>(0.24)</b> | <b>(0.13)</b>                              | —                 | <b>(0.80)</b>            | —                    | <b>(0.93)</b> | <b>7.82</b>                         |
| Dec. 31, 2017                 | 9.08                                   | 0.07                                             | (0.11)            | (0.08)                        | 0.48                            | 0.36          | —                                          | —                 | —                        | (0.46)               | (0.46)        | 9.01                                |
| Dec. 31, 2016                 | 9.43                                   | 0.02                                             | (0.11)            | (0.04)                        | 0.46                            | 0.33          | —                                          | —                 | (0.12)                   | (0.35)               | (0.47)        | 9.08                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.10)            | 0.19                          | (0.24)                          | (0.14)        | (0.38)                                     | —                 | —                        | —                    | (0.38)        | 9.43                                |



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### Change in Net Assets Per Unit (cont.)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.45</b>                           | <b>0.02</b>                                      | <b>(0.02)</b>     | <b>0.67</b>                   | <b>(0.69)</b>                   | <b>(0.02)</b> | —                                          | —                 | <b>(1.28)</b>            | —                    | <b>(1.28)</b> | <b>8.96</b>                         |
| Dec. 31, 2017                 | 9.97                                   | 0.07                                             | (0.02)            | (0.08)                        | 0.45                            | 0.42          | (0.03)                                     | (0.01)            | —                        | —                    | (0.04)        | 10.45                               |
| Dec. 31, 2016                 | 9.84                                   | 0.02                                             | (0.02)            | (0.05)                        | 0.33                            | 0.28          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 9.97                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.02)            | 0.22                          | (0.29)                          | (0.08)        | (0.04)                                     | —                 | —                        | —                    | (0.04)        | 9.84                                |

<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 March 19, 2015.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.48</b>                      | <b>1 085</b>                | <b>128</b>                            | <b>2.05</b>                                  | <b>2.05</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.03                            | 915                         | 91                                    | 2.04                                         | 2.04                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 9.71                             | 479                         | 49                                    | 1.99                                         | 2.00                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.75                             | 644                         | 66                                    | 2.02                                         | 2.03                                      | 39.32                                       | 0.03                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.47</b>                      | <b>45</b>                   | <b>5</b>                              | <b>2.09</b>                                  | <b>2.09</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.02                            | 71                          | 7                                     | 2.06                                         | 2.06                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 9.70                             | 149                         | 15                                    | 2.03                                         | 2.03                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.75                             | 728                         | 75                                    | 2.03                                         | 2.04                                      | 39.32                                       | 0.03                                      |
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>7.63</b>                      | <b>1</b>                    | <b>—</b>                              | <b>1.94</b>                                  | <b>1.94</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 8.81                             | 1                           | —                                     | 1.94                                         | 1.94                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 8.96                             | 1                           | —                                     | 1.95                                         | 1.96                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.38                             | 1                           | —                                     | 2.00                                         | 2.01                                      | 39.32                                       | 0.03                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.05</b>                      | <b>1</b>                    | <b>—</b>                              | <b>1.94</b>                                  | <b>1.94</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 8.81                             | 1                           | —                                     | 1.94                                         | 1.94                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 8.96                             | 1                           | —                                     | 1.95                                         | 1.96                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.38                             | 1                           | —                                     | 2.00                                         | 2.01                                      | 39.32                                       | 0.03                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.68</b>                      | <b>29</b>                   | <b>3</b>                              | <b>1.41</b>                                  | <b>1.41</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.19                            | 5                           | 1                                     | 1.41                                         | 1.41                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 9.79                             | 5                           | —                                     | 1.41                                         | 1.42                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.79                             | 22                          | 2                                     | 1.37                                         | 1.38                                      | 39.32                                       | 0.03                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.74</b>                      | <b>2 905</b>                | <b>332</b>                            | <b>1.19</b>                                  | <b>1.19</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.23                            | 4 216                       | 412                                   | 1.18                                         | 1.18                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 9.82                             | 4 473                       | 455                                   | 1.22                                         | 1.23                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.80                             | 2 983                       | 304                                   | 1.26                                         | 1.27                                      | 39.32                                       | 0.03                                      |





## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>7.82</b>                      | <b>55</b>                   | <b>7</b>                              | <b>1.16</b>                                  | <b>1.16</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 9.01                             | 60                          | 7                                     | 1.15                                         | 1.15                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 9.08                             | 51                          | 6                                     | 1.17                                         | 1.18                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.43                             | 26                          | 3                                     | 1.21                                         | 1.22                                      | 39.32                                       | 0.03                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.96</b>                      | <b>21 429</b>               | <b>2 393</b>                          | <b>0.22</b>                                  | <b>0.22</b>                               | <b>80.06</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.45                            | 50 533                      | 4 834                                 | 0.22                                         | 0.22                                      | 54.00                                       | —                                         |
| Dec. 31, 2016              | 9.97                             | 24 176                      | 2 426                                 | 0.22                                         | 0.22                                      | 94.43                                       | 0.01                                      |
| Dec. 31, 2015 <sup>4</sup> | 9.84                             | 21 236                      | 2 157                                 | 0.22                                         | 0.23                                      | 39.32                                       | 0.03                                      |

<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 March 19, 2015.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Advisor T5 Series, Series T5, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.97%, Advisor Series – 1.99%, Advisor T5 Series – 1.94%, Series T5 – 1.94%, Series D – 1.41%, Series F – 1.20% and Series FT5 – 1.16%.

## 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          | 1.65%           | 45%                   | 55%    |
| Advisor Series    | 1.65%           | 45%                   | 55%    |
| Advisor T5 Series | 1.65%           | 45%                   | 55%    |
| Series T5         | 1.65%           | 45%                   | 55%    |
| Series D          | 1.05%           | 14%                   | 86%    |
| Series F          | 0.90%           | —                     | 100%   |
| Series FT5        | 0.90%           | —                     | 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.

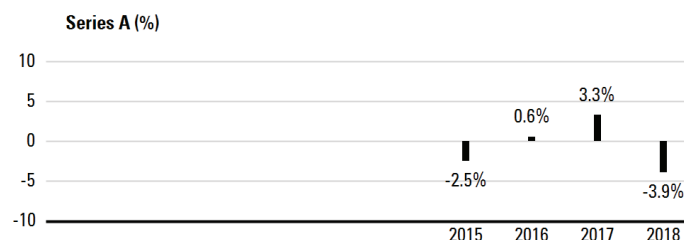
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE (in USD)

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.

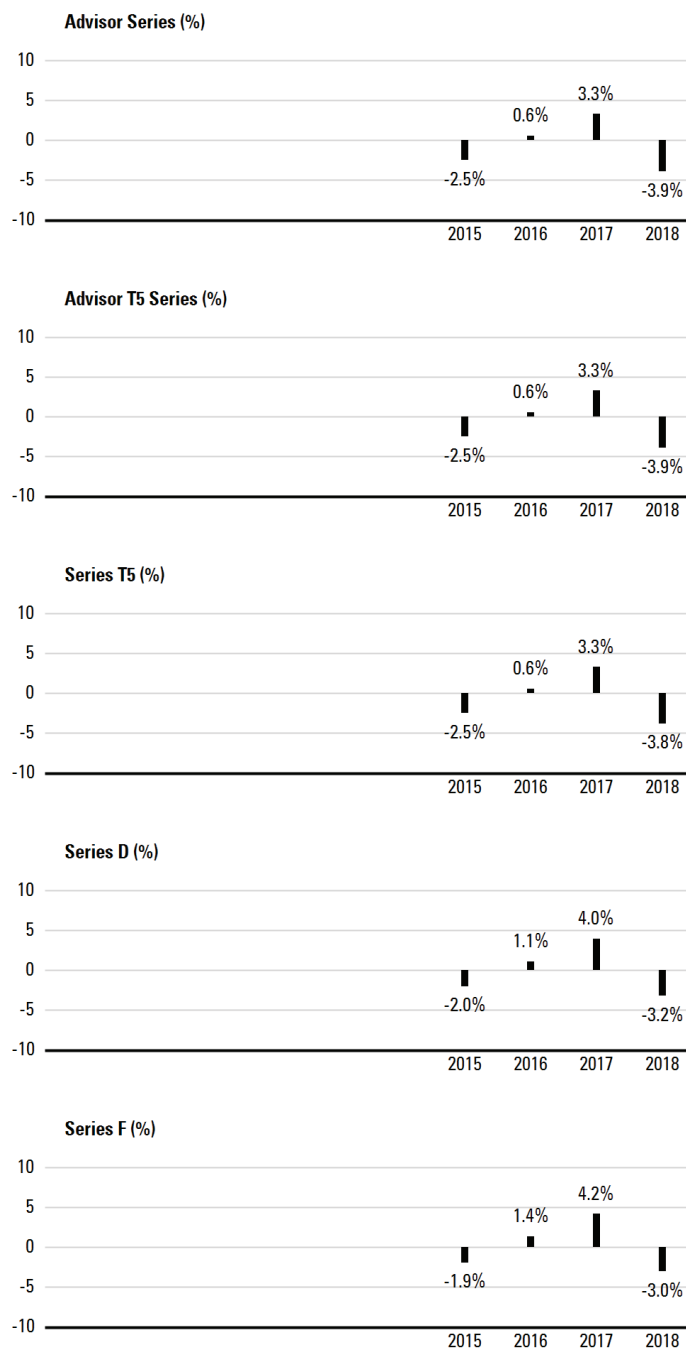
### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (in USD) (cont.)



Series FT5 (%)



Series O (%)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Thomson Reuters Convertible Global Focus Index (hedged to USD)

|                   | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A          | -3.9      | 0.0          | —            | —             | -0.7            |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Advisor Series    | -3.9      | -0.1         | —            | —             | -0.7            |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Advisor T5 Series | -3.9      | 0.0          | —            | —             | -0.7            |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Series T5         | -3.8      | 0.0          | —            | —             | -0.7            |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Series D          | -3.2      | 0.6          | —            | —             | -0.1            |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Series F          | -3.0      | 0.8          | —            | —             | 0.1             |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Series FT5        | -3.0      | 0.8          | —            | —             | 0.1             |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |
| Series O          | -2.1      | 1.8          | —            | —             | 1.1             |
| Benchmark         | -3.0      | 1.5          | —            | —             | 0.5             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Advisor T5 Series, Series T5, Series D, Series F, Series FT5 and Series O units have been available for sale to unitholders since April 20, 2015.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**Thomson Reuters Convertible Global Focus Index (hedged to USD)** This index is designed to measure the performance of global convertible bonds and focuses on larger convertible securities, with the number of constituents being limited to ensure breadth and manageability. The index is hedged to U.S. dollars.



## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                      | % of Net Asset Value |
|----------------------|----------------------|
| United States        | 23.4                 |
| Japan                | 16.7                 |
| China                | 16.6                 |
| Germany              | 8.5                  |
| Netherlands          | 4.3                  |
| Hong Kong            | 3.6                  |
| Norway               | 2.3                  |
| United Kingdom       | 2.0                  |
| Taiwan               | 1.6                  |
| Philippines          | 1.4                  |
| France               | 0.8                  |
| United Arab Emirates | 0.8                  |
| Singapore            | 0.7                  |
| South Africa         | 0.6                  |
| Other Countries      | 8.6                  |
| Cash/Other           | 8.1                  |

### Top 25 Holdings

|                                                                                | % of Net Asset Value |
|--------------------------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                                        | 7.9                  |
| Workday Inc., Convertible 0.250% Oct 1 2022                                    | 3.1                  |
| CRRC Corp Ltd., Convertible USD 0.000% Feb 5 2021                              | 2.9                  |
| Deutsche Wohnen SE, Convertible EUR 0.600% Jan 5 2026                          | 2.9                  |
| Microchip Technology Inc., Convertible 1.625% Feb 15 2027                      | 2.7                  |
| Shanghai Port Group BVI Holding Co. Ltd., Convertible USD 0.000%<br>Aug 9 2021 | 2.5                  |
| NXP Semiconductors N.V., Convertible USD 1.000% Dec 1 2019                     | 2.2                  |
| RAG-Stiftung, Convertible EUR 0.000% Oct 2 2024                                | 2.2                  |
| Tesla Inc., Convertible 1.250% Jan 3 2021                                      | 2.1                  |
| Siemens Financieringsmaatschappij N.V., Convertible USD 1.650%<br>Aug 16 2019  | 2.0                  |
| Harvest International Co., Convertible HKD 0.000% Nov 21 2022                  | 1.9                  |
| Mitsubishi Chemical Holdings Corp., Convertible JPY 0.000% Mar 29 2024         | 1.8                  |
| LG Chem Ltd., Convertible EUR 0.000% Apr 16 2021                               | 1.8                  |
| Ctrip.com International Ltd., Convertible USD 1.990% Jul 1 2025                | 1.8                  |
| Ship Finance International Ltd., Convertible USD 5.750% Oct 15 2021            | 1.5                  |
| Kyushu Electric Power Co. Inc., Convertible JPY 0.000% Mar 31 2020             | 1.5                  |
| Kansai Paint Co. Ltd., Convertible JPY 0.000% Jun 17 2022                      | 1.5                  |
| AYC Finance Ltd., Convertible USD 0.500% May 2 2019                            | 1.4                  |
| Huazhu Group Ltd., Convertible USD 0.375% Nov 1 2022                           | 1.4                  |
| China Evergrande Group, Convertible HKD 4.250% Feb 14 2023                     | 1.3                  |
| Sika AG, Convertible CHF 0.150% Jun 5 2025                                     | 1.3                  |
| The Gunma Bank Ltd., Convertible USD 0.000% Oct 11 2019                        | 1.1                  |
| China Railway Construction Corp. Ltd., Convertible CNY 1.500% Dec 21 2021      | 1.1                  |
| Asia View Ltd., Convertible USD 1.500% Aug 8 2019                              | 1.1                  |
| Mitsui OSK Lines Ltd., Convertible USD 0.000% Apr 24 2020                      | 1.1                  |
| Top 25 Holdings                                                                | 52.1                 |

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).



FIXED-INCOME FUND

**RBC CONSERVATIVE BOND POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide regular income with a potential for modest capital appreciation by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in fixed-income securities.

To achieve the Fund’s objectives, the Fund selects underlying funds that primarily invest in fixed-income securities for inclusion in the Fund to construct a portfolio of fixed-income securities diversified by sector, geography, credit quality, duration, currency and other relevant factors, and which may invest in fixed-income securities rated below investment grade, such as high-yield corporate bonds and certain emerging-market sovereign bonds, with the allocation to these issues typically ranging between 5% and 15%.

The portfolio manager allocates and rebalances the Fund’s assets among the underlying funds based on the portfolio manager’s assessment of the fixed-income markets and the underlying funds’ ability to help the Fund meet its stated investment objectives.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund was launched on August 20, 2018, and its net asset value was \$121 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

Lower economic growth suggests that the U.S. Federal Reserve (the “Fed”) will slow its pace of rate increases in 2019. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, as long as central banks seem committed to higher benchmark rates. However, in the view of the portfolio manager, the bulk of the Fed rate increases is likely behind us, while trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager expects the pace of interest-rate increases to slow, as the Bank of Canada’s tone has turned more cautious amid weakening Canadian economic growth. One indicator of the weakness is that shorter-term interest rates have risen more quickly than longer-term rates – this is known as “yield-curve flattening.”

### 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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |       |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|-------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |       |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | (0.01)            | –                             | 0.10                            | 0.11  | (0.05)                                     | –                 | –                        | –                    | (0.05)                              | 10.07 |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | (0.02)            | 0.01                          | 0.22                            | 0.33  | (0.11)                                     | –                 | –                        | –                    | (0.11)                              | 10.03 |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.37                                             | –                 | 0.03                          | (0.24)                          | 0.16  | (0.13)                                     | –                 | –                        | –                    | (0.13)                              | 10.03 |

<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 November 28, 2018.

<sup>4</sup> From June 26, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.07</b>                     | <b>1 747</b>                | <b>173</b>                            | <b>1.08</b>                                  | <b>1.08</b>                               | <b>20.99</b>                                | <b>–</b>                                  |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>5</sup></b> | <b>10.03</b>                     | <b>114 279</b>              | <b>11 389</b>                         | <b>0.53</b>                                  | <b>0.53</b>                               | <b>20.99</b>                                | <b>–</b>                                  |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>5</sup></b> | <b>10.03</b>                     | <b>5 077</b>                | <b>506</b>                            | <b>0.06</b>                                  | <b>0.06</b>                               | <b>20.99</b>                                | <b>–</b>                                  |

<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 November 28, 2018.

<sup>5</sup> From June 26, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.90%           | 56%                   | 44%    |
| Series F | 0.40%           | —                     | 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A units of this Fund were launched on November 29, 2018. Series F and Series O units of this Fund were launched on August 20, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|              | % of Net Asset Value |
|--------------|----------------------|
| Income Funds | 99.4                 |
| Cash/Other   | 0.6                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 26.2                 |
| RBC Canadian Short-Term Income Fund                          | 25.8                 |
| Phillips, Hager & North Total Return Bond Fund               | 11.5                 |
| RBC Emerging Markets Foreign Exchange Fund                   | 8.0                  |
| RBC Global Corporate Bond Fund                               | 6.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 5.0                  |
| RBC Global High Yield Bond Fund                              | 4.0                  |
| RBC Global Bond Fund                                         | 4.0                  |
| RBC Bond Fund                                                | 4.0                  |
| BlueBay Emerging Markets Corporate Bond Fund                 | 3.0                  |
| Phillips, Hager & North High Yield Bond Fund                 | 2.0                  |
| Cash & Cash Equivalents                                      | 0.5                  |
| <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).





FIXED-INCOME FUND

**RBC CORE BOND POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide regular income with a potential for modest capital appreciation by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in fixed-income securities.

To achieve the Fund’s objectives, the Fund selects underlying funds that primarily invest in fixed-income securities for inclusion in the Fund to construct a portfolio of fixed-income securities diversified by sector, geography, credit quality, duration, currency and other relevant factors, and which may invest in fixed-income securities rated below investment grade, such as high-yield corporate bonds and certain emerging-market sovereign bonds, with the allocation to these issues typically ranging between 10% and 20%.

The portfolio manager allocates and rebalances the Fund’s assets among the underlying funds based on the portfolio manager’s assessment of the fixed-income markets and the underlying funds’ ability to help the Fund meet its stated investment objectives.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund was launched on August 20, 2018, and its net asset value was \$315 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

Lower economic growth suggests that the U.S. Federal Reserve (the “Fed”) will slow its pace of rate increases in 2019. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, as long as central banks seem committed to higher benchmark rates. However, in the view of the portfolio manager, the bulk of the Fed rate increases is likely behind us, while trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager expects the pace of interest-rate increases to slow, as the Bank of Canada’s tone has turned more cautious amid weakening Canadian economic growth. One indicator of the weakness is that shorter-term interest rates have risen more quickly than longer-term rates – this is known as “yield-curve flattening.”

### 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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      | Net Assets<br>End of<br>Year/Period |       |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|-------------------------------------|-------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |                                     |       |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.02                                             | (0.01)            | –                             | 0.09                            | 0.10  | (0.05)                                     | –                 | –                        | –                    | (0.05)                              | 10.06 |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.02)            | 0.01                          | 0.10                            | 0.26  | (0.13)                                     | –                 | –                        | –                    | (0.13)                              | 9.98  |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |                                     |       |
| Dec. 31, 2018 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.51                                             | –                 | 0.03                          | (0.41)                          | 0.13  | (0.16)                                     | –                 | –                        | –                    | (0.16)                              | 9.97  |

<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 November 28, 2018.

<sup>4</sup> From June 26, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.06</b>                     | <b>3 523</b>                | <b>350</b>                            | <b>1.08</b>                                  | <b>1.08</b>                               | <b>7.72</b>                                 | <b>–</b>                                  |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>5</sup></b> | <b>9.98</b>                      | <b>306 711</b>              | <b>30 744</b>                         | <b>0.53</b>                                  | <b>0.53</b>                               | <b>7.72</b>                                 | <b>–</b>                                  |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>5</sup></b> | <b>9.97</b>                      | <b>5 063</b>                | <b>508</b>                            | <b>0.06</b>                                  | <b>0.06</b>                               | <b>7.72</b>                                 | <b>–</b>                                  |

<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 November 28, 2018.

<sup>5</sup> From June 26, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.90%           | 56%                   | 44%    |
| Series F | 0.40%           | —                     | 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A units of this Fund were launched on November 29, 2018. Series F and Series O units of this Fund were launched on August 20, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|              | % of Net Asset Value |
|--------------|----------------------|
| Income Funds | 98.3                 |
| Cash/Other   | 1.7                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| Phillips, Hager & North Total Return Bond Fund               | 14.0                 |
| RBC Canadian Short-Term Income Fund                          | 13.8                 |
| RBC Global Corporate Bond Fund                               | 9.8                  |
| RBC Global Bond Fund                                         | 9.8                  |
| RBC Bond Fund                                                | 9.8                  |
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 9.6                  |
| RBC High Yield Bond Fund                                     | 6.9                  |
| RBC Emerging Markets Foreign Exchange Fund                   | 6.1                  |
| BlueBay Emerging Markets Corporate Bond Fund                 | 5.7                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 4.9                  |
| Phillips, Hager & North High Yield Bond Fund                 | 3.9                  |
| RBC Global High Yield Bond Fund                              | 3.9                  |
| Cash & Cash Equivalents                                      | 1.8                  |
| Total                                                        | 100.0                |

\* 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).



FIXED-INCOME FUND

**RBC CORE PLUS BOND POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide regular income with a potential for modest capital appreciation by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in fixed-income securities.

To achieve the Fund’s objectives, the Fund selects underlying funds that primarily invest in fixed-income securities for inclusion in the Fund to construct a portfolio of fixed-income securities diversified by sector, geography, credit quality, duration, currency and other relevant factors, and which may invest in fixed-income securities rated below investment grade, such as high-yield corporate bonds and certain emerging-market sovereign bonds, with the allocation to these issues typically ranging between 15% and 25%.

The portfolio manager allocates and rebalances the Fund’s assets among the underlying funds based on the portfolio manager’s assessment of the fixed-income markets and the underlying funds’ ability to help the Fund meet its stated investment objectives.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund was launched on August 20, 2018, and its net asset value was \$679 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### Recent Developments

Lower economic growth suggests that the U.S. Federal Reserve (the “Fed”) will slow its pace of rate increases in 2019. Against this backdrop, the portfolio manager expects bond yields to rise marginally over the next 12 months. Short-term yields might continue rising faster than those on longer-term bonds, as long as central banks seem committed to higher benchmark rates. However, in the view of the portfolio manager, the bulk of the Fed rate increases is likely behind us, while trade tensions and slowing economic growth could keep bond yields within the recent range.

The portfolio manager expects the pace of interest-rate increases to slow, as the Bank of Canada’s tone has turned more cautious amid weakening Canadian economic growth. One indicator of the weakness is that shorter-term interest rates have risen more quickly than longer-term rates – this is known as “yield-curve flattening.”

### 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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |             | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total       | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                                  |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>                  |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.02</b>                                      | <b>(0.01)</b>     | <b>0.01</b>                   | <b>0.10</b>                     | <b>0.12</b> | <b>(0.05)</b>                              | <b>—</b>          | <b>(0.02)</b>            | <b>—</b>             | <b>(0.07)</b> | <b>10.06</b>                        |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.17</b>                                      | <b>(0.02)</b>     | <b>0.05</b>                   | <b>0.09</b>                     | <b>0.29</b> | <b>(0.13)</b>                              | <b>—</b>          | <b>(0.02)</b>            | <b>—</b>             | <b>(0.15)</b> | <b>9.99</b>                         |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.46</b>                                      | <b>—</b>          | <b>0.14</b>                   | <b>(0.43)</b>                   | <b>0.17</b> | <b>(0.15)</b>                              | <b>—</b>          | <b>(0.02)</b>            | <b>—</b>             | <b>(0.17)</b> | <b>9.97</b>                         |

<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 November 28, 2018.

<sup>4</sup> From June 26, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>10.06</b>                     | <b>11 114</b>               | <b>1 105</b>                          | <b>1.08</b>                                  | <b>1.08</b>                               | <b>17.53</b>                                | <b>—</b>                                  |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>5</sup></b> | <b>9.99</b>                      | <b>660 483</b>              | <b>66 144</b>                         | <b>0.53</b>                                  | <b>0.53</b>                               | <b>17.53</b>                                | <b>—</b>                                  |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>5</sup></b> | <b>9.97</b>                      | <b>7 409</b>                | <b>743</b>                            | <b>0.06</b>                                  | <b>0.06</b>                               | <b>17.53</b>                                | <b>—</b>                                  |

<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 November 28, 2018.

<sup>5</sup> From June 26, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.90%           | 56%                   | 44%    |
| Series F | 0.40%           | —                     | 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A units of this Fund were launched on November 29, 2018. Series F and Series O units of this Fund were launched on August 20, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|              | % of Net Asset Value |
|--------------|----------------------|
| Income Funds | 99.1                 |
| Cash/Other   | 0.9                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| Phillips, Hager & North Total Return Bond Fund               | 15.8                 |
| RBC Global Bond Fund                                         | 11.9                 |
| RBC Emerging Markets Foreign Exchange Fund                   | 10.7                 |
| RBC Global Corporate Bond Fund                               | 9.9                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 9.9                  |
| RBC Canadian Short-Term Income Fund                          | 7.9                  |
| RBC Bond Fund                                                | 7.9                  |
| RBC High Yield Bond Fund                                     | 6.9                  |
| Phillips, Hager & North High Yield Bond Fund                 | 5.0                  |
| RBC Global High Yield Bond Fund                              | 4.0                  |
| BlueBay Emerging Markets Local Currency Bond Fund (Canada)   | 2.5                  |
| BlueBay Emerging Markets Bond Fund (Canada)                  | 2.5                  |
| BlueBay Emerging Markets Corporate Bond Fund                 | 2.2                  |
| BlueBay Global Convertible Bond Fund (Canada)                | 2.0                  |
| Cash & Cash Equivalents                                      | 0.9                  |
| Total                                                        | 100.0                |

\* 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).



MANAGED PAYOUT SOLUTION

**RBC MANAGED PAYOUT SOLUTION**

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 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.

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*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide relatively high, regular monthly distributions that are comparatively tax efficient with a potential for modest capital appreciation by investing primarily in units of other funds managed by RBC GAM or an affiliate of RBC GAM (called “underlying funds”).

The decision to invest in an underlying fund is based on the portfolio manager’s assessment of the market outlook and the underlying fund’s ability to help the Fund meet its stated investment objectives. Distributions should come primarily from interest income but will also consist of dividends, capital gains and return of capital.

The Fund’s target weightings for each asset class are 75% for fixed income and 25% for equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$3.3 billion as of December 31, 2018, from \$3.8 billion at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund’s Series A units lost 2.5%, which underperformed the 0.7% fall in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 3.75 cents per Series A unit. For the year, the Fund made total distributions of approximately 45 cents per Series A unit, consisting of 6 cents per unit of interest, 6 cents of dividends, 13 cents of capital gains and 20 cents of return of capital.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund’s overweight position in equities and underweight position in fixed income had a positive impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Canadian Short-Term Income Fund and the RBC Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Income Fund and the RBC Canadian Dividend Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used



last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.02                                   | 0.26                                             | (0.14)            | 0.12                          | (0.46)                          | (0.22) | (0.06)                                     | (0.06)            | (0.13)                   | (0.20)               | (0.45) | 8.35                                |
| Dec. 31, 2017                 | 9.13                                   | 0.26                                             | (0.14)            | 0.16                          | 0.06                            | 0.34   | (0.05)                                     | (0.06)            | (0.07)                   | (0.28)               | (0.46) | 9.02                                |
| Dec. 31, 2016                 | 8.97                                   | 0.28                                             | (0.14)            | 0.10                          | 0.37                            | 0.61   | (0.05)                                     | (0.08)            | (0.02)                   | (0.30)               | (0.45) | 9.13                                |
| Dec. 31, 2015                 | 9.49                                   | 0.31                                             | (0.15)            | 0.23                          | (0.45)                          | (0.06) | (0.08)                                     | (0.07)            | (0.21)                   | (0.11)               | (0.47) | 8.97                                |
| Dec. 31, 2014                 | 9.35                                   | 0.31                                             | (0.15)            | 0.27                          | 0.17                            | 0.60   | (0.08)                                     | (0.07)            | (0.19)                   | (0.13)               | (0.47) | 9.49                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.02                                   | 0.26                                             | (0.14)            | 0.12                          | (0.45)                          | (0.21) | (0.06)                                     | (0.06)            | (0.13)                   | (0.20)               | (0.45) | 8.36                                |
| Dec. 31, 2017                 | 9.14                                   | 0.26                                             | (0.14)            | 0.16                          | 0.06                            | 0.34   | (0.05)                                     | (0.06)            | (0.07)                   | (0.28)               | (0.46) | 9.02                                |
| Dec. 31, 2016                 | 8.97                                   | 0.28                                             | (0.14)            | 0.10                          | 0.37                            | 0.61   | (0.05)                                     | (0.08)            | (0.02)                   | (0.30)               | (0.45) | 9.14                                |
| Dec. 31, 2015                 | 9.49                                   | 0.31                                             | (0.15)            | 0.23                          | (0.45)                          | (0.06) | (0.08)                                     | (0.07)            | (0.21)                   | (0.11)               | (0.47) | 8.97                                |
| Dec. 31, 2014                 | 9.35                                   | 0.31                                             | (0.15)            | 0.27                          | 0.17                            | 0.60   | (0.08)                                     | (0.07)            | (0.19)                   | (0.13)               | (0.47) | 9.49                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.83                                   | 0.28                                             | (0.07)            | 0.13                          | (0.49)                          | (0.15) | (0.06)                                     | (0.07)            | (0.14)                   | (0.22)               | (0.49) | 9.18                                |
| Dec. 31, 2017                 | 9.86                                   | 0.29                                             | (0.07)            | 0.17                          | 0.05                            | 0.44   | (0.05)                                     | (0.07)            | (0.07)                   | (0.30)               | (0.49) | 9.83                                |
| Dec. 31, 2016                 | 9.59                                   | 0.31                                             | (0.07)            | 0.11                          | 0.24                            | 0.59   | (0.05)                                     | (0.09)            | (0.02)                   | (0.32)               | (0.48) | 9.86                                |
| Dec. 31, 2015                 | 10.06                                  | 0.33                                             | (0.07)            | 0.25                          | (0.48)                          | 0.03   | (0.08)                                     | (0.08)            | (0.22)                   | (0.12)               | (0.50) | 9.59                                |
| Dec. 31, 2014                 | 9.82                                   | 0.32                                             | (0.07)            | 0.29                          | 0.18                            | 0.72   | (0.08)                                     | (0.07)            | (0.20)                   | (0.14)               | (0.49) | 10.06                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | —                 | 0.05                          | (0.17)                          | (0.01) | (0.03)                                     | (0.03)            | (0.06)                   | (0.09)               | (0.21) | 9.53                                |

<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 August 16, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.35</b>                      | <b>2 668 612</b>            | <b>319 627</b>                        | <b>1.62</b>                                  | <b>1.62</b>                               | <b>2.84</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017         | 9.02                             | 3 338 445                   | 370 180                               | 1.63                                         | 1.63                                      | 1.02                                        | 0.02                                      |
| Dec. 31, 2016         | 9.13                             | 3 580 066                   | 391 974                               | 1.63                                         | 1.63                                      | 5.31                                        | 0.04                                      |
| Dec. 31, 2015         | 8.97                             | 3 896 066                   | 434 539                               | 1.63                                         | 1.63                                      | 16.69                                       | 0.05                                      |
| Dec. 31, 2014         | 9.49                             | 4 203 115                   | 442 864                               | 1.63                                         | 1.63                                      | 24.84                                       | 0.04                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.36</b>                      | <b>28 937</b>               | <b>3 463</b>                          | <b>1.61</b>                                  | <b>1.61</b>                               | <b>2.84</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017         | 9.02                             | 37 375                      | 4 142                                 | 1.62                                         | 1.62                                      | 1.02                                        | 0.02                                      |
| Dec. 31, 2016         | 9.14                             | 36 644                      | 4 011                                 | 1.62                                         | 1.62                                      | 5.31                                        | 0.04                                      |
| Dec. 31, 2015         | 8.97                             | 34 598                      | 3 858                                 | 1.61                                         | 1.61                                      | 16.69                                       | 0.05                                      |
| Dec. 31, 2014         | 9.49                             | 42 609                      | 4 489                                 | 1.61                                         | 1.61                                      | 24.84                                       | 0.04                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>9.18</b>                      | <b>568 375</b>              | <b>61 912</b>                         | <b>0.74</b>                                  | <b>0.74</b>                               | <b>2.84</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017                    | 9.83                             | 440 025                     | 44 775                                | 0.74                                         | 0.74                                      | 1.02                                        | 0.02                                      |
| Dec. 31, 2016                    | 9.86                             | 190 117                     | 19 277                                | 0.73                                         | 0.73                                      | 5.31                                        | 0.04                                      |
| Dec. 31, 2015                    | 9.59                             | 40 805                      | 4 254                                 | 0.73                                         | 0.73                                      | 16.69                                       | 0.05                                      |
| Dec. 31, 2014                    | 10.06                            | 27 427                      | 2 726                                 | 0.73                                         | 0.73                                      | 24.84                                       | 0.04                                      |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.53</b>                      | <b>682</b>                  | <b>72</b>                             | <b>0.06</b>                                  | <b>0.06</b>                               | <b>2.84</b>                                 | <b>0.02</b>                               |

<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 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 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 August 16, 2018.

### 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 Advisor Series 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 and Advisor Series units is 1.55%.

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       | 1.40%            | 54%                   | 46%                |
| Advisor Series | 1.39%            | 54%                   | 46%                |
| Series F       | 0.60%            | —                     | 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.

\* Management fees for Series A and Advisor Series units represent the actual average management fee rate for the period ended December 31, 2018.

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



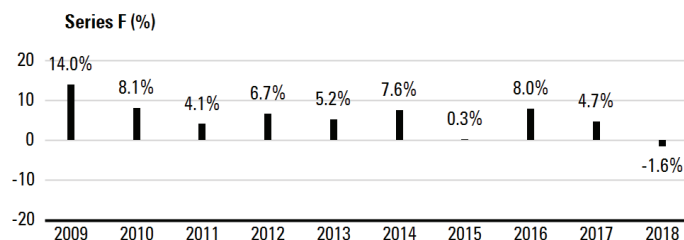
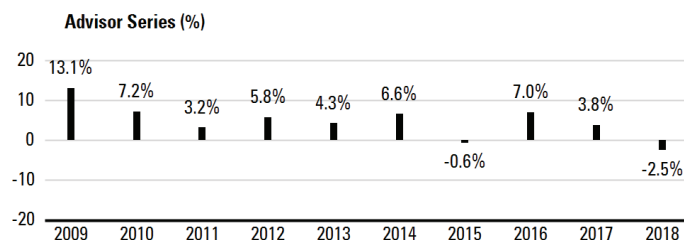
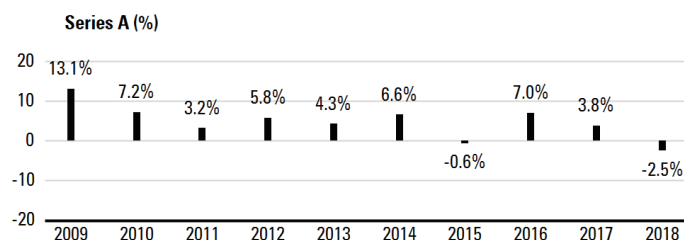


## PAST PERFORMANCE

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.



**Series O (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 50% FTSE Canada Universe Bond Index
- 20% S&P/TSX Capped Composite Total Return Index
- 18% FTSE Canada Short Term Bond Index
- 5% S&P 500 Total Return Index (CAD)
- 2.5% ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)
- 2.5% JPMorgan EMBI Global Diversified (hedged to CAD)
- 2% FTSE Canada 30 Day TBill Index

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -2.5         | 2.7             | 2.8             | 4.7              | —                  |
| Benchmark           | -0.7         | 3.2             | 3.9             | 5.4              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -2.5         | 2.7             | 2.8             | 4.7              | —                  |
| Benchmark           | -0.7         | 3.2             | 3.9             | 5.4              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -1.6         | 3.6             | 3.7             | 5.6              | —                  |
| Benchmark           | -0.7         | 3.2             | 3.9             | 5.4              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | —            | —               | —               | —                | -2.6               |
| Benchmark           | —            | —               | —               | —                | -2.0               |
| Broad-based index 1 | —            | —               | —               | —                | 1.0                |
| Broad-based index 2 | —            | —               | —               | —                | -11.2              |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series O units have been available for sale to unitholders since August 20, 2018.

Inception dates are not provided for series that have been in existence for more than 10 years.





## PAST PERFORMANCE (cont.)

### INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**FTSE Canada Short Term Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)†** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is hedged to Canadian dollars.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**FTSE Canada 30 Day TBill Index\*** This index is a measure of the performance of Canadian short-term cash investments.

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

† ICE BofAML benchmarks were known as the Bank of America Merrill Lynch 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 |
|----------------------------|----------------------|
| Income Funds               | 78.7                 |
| Canadian Equity Funds      | 16.0                 |
| United States Equity Funds | 5.3                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 21.1                 |
| RBC Global Corporate Bond Fund                               | 19.8                 |
| RBC Canadian Short-Term Income Fund                          | 17.7                 |
| RBC Monthly Income Fund                                      | 15.1                 |
| Phillips, Hager & North Canadian Income Fund                 | 8.3                  |
| RBC Canadian Dividend Fund                                   | 7.7                  |
| RBC Global High Yield Bond Fund                              | 4.9                  |
| RBC QUBE U.S. Equity Fund                                    | 2.7                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 2.6                  |
| Cash & Cash Equivalents                                      | 0.1                  |
| <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).



MANAGED PAYOUT SOLUTION

**RBC MANAGED PAYOUT SOLUTION –  
ENHANCED**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide relatively high, regular monthly distributions that are comparatively tax efficient with a potential for modest capital appreciation by investing primarily in units of other funds managed by RBC GAM or an affiliate of RBC GAM (called “underlying funds”).

The decision to invest in an underlying fund is based on the portfolio manager’s assessment of the market outlook and the underlying fund’s ability to help the Fund meet its stated investment objectives. Distributions will include interest income, dividends, capital gains and may also consist of return of capital.

The Fund’s target weightings for each asset class are 65% for fixed income and 35% for equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value fell to \$2.4 billion as of December 31, 2018, from \$2.6 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund’s Series A units lost 3.3%, which underperformed the 1.6% fall in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 4.25 cents per Series A unit. For the year, the Fund made total distributions of approximately 51 cents per Series A unit, consisting of 5 cents per unit of interest, 9 cents of dividends, 10 cents of capital gains and 27 cents of return of capital.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund’s overweight position in equities and underweight position in fixed income had a positive impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the RBC Canadian Short-Term Income Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC Canadian Dividend Fund and the Phillips, Hager & North Canadian Income Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year’s rise in yields to increase the bond allocation, as bonds



can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.55                                   | 0.27                                             | (0.15)            | 0.13                          | (0.52)                          | (0.27) | (0.05)                                     | (0.09)            | (0.10)                   | (0.27)               | (0.51) | 7.77                                |
| Dec. 31, 2017                 | 8.66                                   | 0.27                                             | (0.15)            | 0.18                          | 0.11                            | 0.41   | (0.03)                                     | (0.08)            | (0.09)                   | (0.32)               | (0.52) | 8.55                                |
| Dec. 31, 2016                 | 8.47                                   | 0.27                                             | (0.15)            | 0.11                          | 0.46                            | 0.69   | (0.03)                                     | (0.09)            | (0.02)                   | (0.37)               | (0.51) | 8.66                                |
| Dec. 31, 2015                 | 9.08                                   | 0.31                                             | (0.16)            | 0.26                          | (0.47)                          | (0.06) | (0.05)                                     | (0.09)            | (0.25)                   | (0.16)               | (0.55) | 8.47                                |
| Dec. 31, 2014                 | 9.11                                   | 0.34                                             | (0.17)            | 0.57                          | (0.15)                          | 0.59   | (0.04)                                     | (0.09)            | (0.53)                   | —                    | (0.66) | 9.08                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.54                                   | 0.27                                             | (0.15)            | 0.13                          | (0.50)                          | (0.25) | (0.05)                                     | (0.09)            | (0.10)                   | (0.27)               | (0.51) | 7.76                                |
| Dec. 31, 2017                 | 8.65                                   | 0.27                                             | (0.16)            | 0.18                          | 0.12                            | 0.41   | (0.03)                                     | (0.08)            | (0.09)                   | (0.32)               | (0.52) | 8.54                                |
| Dec. 31, 2016                 | 8.46                                   | 0.27                                             | (0.16)            | 0.11                          | 0.48                            | 0.70   | (0.03)                                     | (0.09)            | (0.02)                   | (0.37)               | (0.51) | 8.65                                |
| Dec. 31, 2015                 | 9.08                                   | 0.31                                             | (0.16)            | 0.26                          | (0.47)                          | (0.06) | (0.05)                                     | (0.09)            | (0.25)                   | (0.16)               | (0.55) | 8.46                                |
| Dec. 31, 2014                 | 9.11                                   | 0.34                                             | (0.17)            | 0.57                          | (0.15)                          | 0.59   | (0.04)                                     | (0.09)            | (0.53)                   | —                    | (0.66) | 9.08                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.46                                   | 0.30                                             | (0.07)            | 0.14                          | (0.58)                          | (0.21) | (0.06)                                     | (0.09)            | (0.12)                   | (0.30)               | (0.57) | 8.69                                |
| Dec. 31, 2017                 | 9.48                                   | 0.29                                             | (0.07)            | 0.20                          | 0.13                            | 0.55   | (0.03)                                     | (0.09)            | (0.10)                   | (0.35)               | (0.57) | 9.46                                |
| Dec. 31, 2016                 | 9.17                                   | 0.30                                             | (0.07)            | 0.12                          | 0.43                            | 0.78   | (0.03)                                     | (0.09)            | (0.03)                   | (0.40)               | (0.55) | 9.48                                |
| Dec. 31, 2015                 | 9.73                                   | 0.33                                             | (0.07)            | 0.28                          | (0.51)                          | 0.03   | (0.05)                                     | (0.10)            | (0.26)                   | (0.17)               | (0.58) | 9.17                                |
| Dec. 31, 2014                 | 9.65                                   | 0.36                                             | (0.07)            | 0.60                          | (0.16)                          | 0.73   | (0.04)                                     | (0.09)            | (0.56)                   | —                    | (0.69) | 9.73                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | —                 | 0.06                          | (1.00)                          | (0.82) | (0.03)                                     | (0.04)            | (0.05)                   | (0.13)               | (0.25) | 9.38                                |

<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 August 16, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.77</b>                      | <b>1 608 830</b>            | <b>207 066</b>                        | <b>1.83</b>                                  | <b>1.83</b>                               | <b>5.06</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017         | 8.55                             | 2 032 913                   | 237 806                               | 1.83                                         | 1.83                                      | 6.18                                        | 0.02                                      |
| Dec. 31, 2016         | 8.66                             | 2 154 476                   | 248 761                               | 1.83                                         | 1.83                                      | 9.48                                        | 0.04                                      |
| Dec. 31, 2015         | 8.47                             | 2 368 445                   | 279 628                               | 1.83                                         | 1.83                                      | 25.56                                       | 0.05                                      |
| Dec. 31, 2014         | 9.08                             | 2 527 241                   | 278 313                               | 1.83                                         | 1.83                                      | 46.60                                       | 0.05                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.76</b>                      | <b>19 862</b>               | <b>2 561</b>                          | <b>1.84</b>                                  | <b>1.84</b>                               | <b>5.06</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017         | 8.54                             | 23 801                      | 2 788                                 | 1.85                                         | 1.85                                      | 6.18                                        | 0.02                                      |
| Dec. 31, 2016         | 8.65                             | 23 433                      | 2 708                                 | 1.85                                         | 1.85                                      | 9.48                                        | 0.04                                      |
| Dec. 31, 2015         | 8.46                             | 23 728                      | 2 804                                 | 1.85                                         | 1.85                                      | 25.56                                       | 0.05                                      |
| Dec. 31, 2014         | 9.08                             | 26 017                      | 2 867                                 | 1.85                                         | 1.85                                      | 46.60                                       | 0.05                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>8.69</b>                      | <b>759 725</b>              | <b>87 475</b>                         | <b>0.79</b>                                  | <b>0.79</b>                               | <b>5.06</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017                    | 9.46                             | 549 460                     | 58 086                                | 0.80                                         | 0.80                                      | 6.18                                        | 0.02                                      |
| Dec. 31, 2016                    | 9.48                             | 199 477                     | 21 039                                | 0.80                                         | 0.80                                      | 9.48                                        | 0.04                                      |
| Dec. 31, 2015                    | 9.17                             | 19 881                      | 2 167                                 | 0.78                                         | 0.78                                      | 25.56                                       | 0.05                                      |
| Dec. 31, 2014                    | 9.73                             | 25 796                      | 2 652                                 | 0.78                                         | 0.78                                      | 46.60                                       | 0.05                                      |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.38</b>                      | <b>1 100</b>                | <b>117</b>                            | <b>0.05</b>                                  | <b>0.05</b>                               | <b>5.06</b>                                 | <b>0.02</b>                               |

<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 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 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 August 16, 2018.

### 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 Advisor Series 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 and Advisor Series units is 1.75%.

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       | 1.59%            | 53%                   | 47%                |
| Advisor Series | 1.58%            | 54%                   | 46%                |
| Series F       | 0.65%            | —                     | 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.

\* Management fees for Series A and Advisor Series units represent the actual average management fee rate for the period ended December 31, 2018.

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

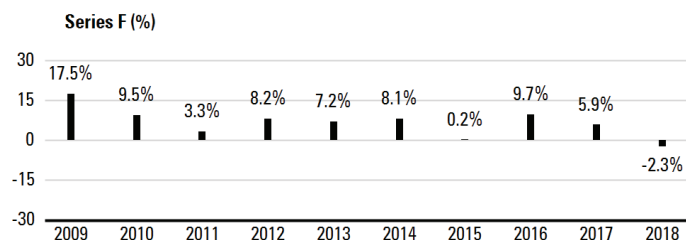
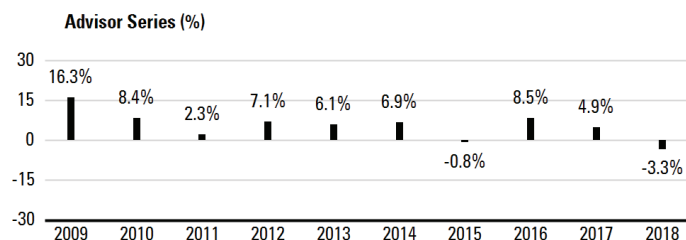
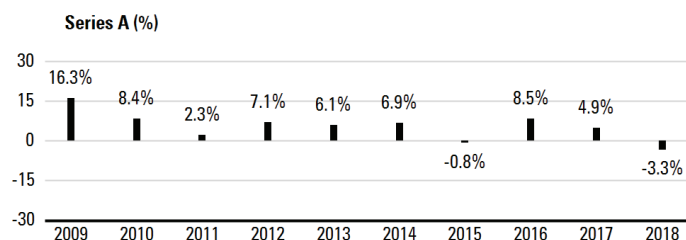


## PAST PERFORMANCE

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.



### Series O (%)



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 35% FTSE Canada Universe Bond Index
- 25% S&P/TSX Capped Composite Total Return Index
- 13% FTSE Canada Short Term Bond Index
- 10% S&P 500 Total Return Index (CAD)
- 7.5% ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)
- 7.5% JPMorgan EMBI Global Diversified (hedged to CAD)
- 2% FTSE Canada 30 Day TBill Index

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -3.3         | 3.2             | 3.1             | 5.5              | —                  |
| Benchmark           | -1.6         | 4.1             | 4.6             | 6.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -3.3         | 3.2             | 3.1             | 5.5              | —                  |
| Benchmark           | -1.6         | 4.1             | 4.6             | 6.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -2.3         | 4.3             | 4.2             | 6.6              | —                  |
| Benchmark           | -1.6         | 4.1             | 4.6             | 6.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | —            | —               | —               | —                | -3.8               |
| Benchmark           | —            | —               | —               | —                | -3.3               |
| Broad-based index 1 | —            | —               | —               | —                | 1.0                |
| Broad-based index 2 | —            | —               | —               | —                | -11.2              |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series O units have been available for sale to unitholders since August 20, 2018.

Inception dates are not provided for series that have been in existence for more than 10 years.





## PAST PERFORMANCE (cont.)

### INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**FTSE Canada Short Term Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)†** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is hedged to Canadian dollars.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**FTSE Canada 30 Day TBill Index\*** This index is a measure of the performance of Canadian short-term cash investments.

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

† ICE BofAML benchmarks were known as the Bank of America Merrill Lynch 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 |
|----------------------------|----------------------|
| Income Funds               | 62.1                 |
| Canadian Equity Funds      | 27.4                 |
| United States Equity Funds | 10.6                 |
| Cash/Other                 | (0.1)                |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 24.5                 |
| RBC Canadian Dividend Fund                                   | 16.4                 |
| RBC Global High Yield Bond Fund                              | 14.7                 |
| RBC Canadian Short-Term Income Fund                          | 12.9                 |
| RBC Global Corporate Bond Fund                               | 9.9                  |
| Phillips, Hager & North Canadian Income Fund                 | 5.5                  |
| RBC Canadian Equity Income Fund                              | 5.5                  |
| RBC QUBE U.S. Equity Fund                                    | 5.4                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 5.2                  |
| Cash & Cash Equivalents                                      | —                    |
| Total                                                        | 100.0                |

\* 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).





MANAGED PAYOUT SOLUTION

**RBC MANAGED PAYOUT SOLUTION –  
ENHANCED PLUS**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide high, regular monthly distributions, including dividends, realized capital gains, other income and a return of capital, without significant erosion of the net asset value of the Fund and providing for the potential of modest capital growth. The Fund invests primarily in units of other funds managed by RBC GAM or an affiliate of RBC GAM (called “underlying funds”). The decision to invest in an underlying fund is based on the portfolio manager’s assessment of the market outlook and the underlying fund’s ability to help the Fund meet its stated investment objectives. Distributions will include interest income, dividends, capital gains and may also consist of return of capital.

The Fund’s target weightings for each asset class are 45% for fixed income and 55% for equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value fell to \$1.8 billion as of December 31, 2018, from \$2.1 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund’s Series A units lost 4.3%, which underperformed the 2.8% fall in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 3.80 cents per Series A unit. For the year, the Fund made total distributions of approximately 46 cents per Series A unit, consisting of 9 cents per unit of dividends, 13 cents of capital gains and 24 cents of return of capital.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund’s overweight position in equities and underweight position in fixed income had a positive impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the RBC Canadian Short-Term Income Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC Canadian Dividend Fund and the Phillips, Hager & North Canadian Income Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year’s rise in yields to increase the bond allocation, as bonds



can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.54                                   | 0.19                                             | (0.12)            | 0.13                          | (0.46)                          | (0.26) | —                                          | (0.09)            | (0.13)                   | (0.24)               | (0.46) | 5.82                                |
| Dec. 31, 2017                 | 6.65                                   | 0.18                                             | (0.13)            | 0.20                          | 0.11                            | 0.36   | —                                          | (0.06)            | (0.13)                   | (0.28)               | (0.47) | 6.54                                |
| Dec. 31, 2016                 | 6.44                                   | 0.19                                             | (0.12)            | 0.01                          | 0.57                            | 0.65   | —                                          | (0.07)            | —                        | (0.38)               | (0.45) | 6.65                                |
| Dec. 31, 2015                 | 7.49                                   | 0.28                                             | (0.14)            | 0.89                          | (1.03)                          | —      | (0.11)                                     | (0.10)            | (0.85)                   | —                    | (1.06) | 6.44                                |
| Dec. 31, 2014                 | 7.44                                   | 0.32                                             | (0.15)            | 0.76                          | (0.19)                          | 0.74   | (0.12)                                     | (0.05)            | (0.45)                   | —                    | (0.62) | 7.49                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.55                                   | 0.19                                             | (0.12)            | 0.13                          | (0.46)                          | (0.26) | —                                          | (0.09)            | (0.13)                   | (0.24)               | (0.46) | 5.83                                |
| Dec. 31, 2017                 | 6.66                                   | 0.18                                             | (0.13)            | 0.20                          | 0.11                            | 0.36   | —                                          | (0.06)            | (0.13)                   | (0.28)               | (0.47) | 6.55                                |
| Dec. 31, 2016                 | 6.45                                   | 0.19                                             | (0.12)            | 0.01                          | 0.58                            | 0.66   | —                                          | (0.07)            | —                        | (0.38)               | (0.45) | 6.66                                |
| Dec. 31, 2015                 | 7.50                                   | 0.28                                             | (0.14)            | 0.89                          | (1.03)                          | —      | (0.11)                                     | (0.10)            | (0.85)                   | —                    | (1.06) | 6.45                                |
| Dec. 31, 2014                 | 7.45                                   | 0.32                                             | (0.15)            | 0.76                          | (0.19)                          | 0.74   | (0.12)                                     | (0.05)            | (0.45)                   | —                    | (0.62) | 7.50                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 7.15                                   | 0.21                                             | (0.08)            | 0.14                          | (0.52)                          | (0.25) | —                                          | (0.09)            | (0.14)                   | (0.27)               | (0.50) | 6.41                                |
| Dec. 31, 2017                 | 7.20                                   | 0.20                                             | (0.08)            | 0.22                          | 0.11                            | 0.45   | —                                          | (0.06)            | (0.14)                   | (0.30)               | (0.50) | 7.15                                |
| Dec. 31, 2016                 | 6.92                                   | 0.21                                             | (0.08)            | 0.01                          | 0.63                            | 0.77   | —                                          | (0.08)            | —                        | (0.41)               | (0.49) | 7.20                                |
| Dec. 31, 2015                 | 7.98                                   | 0.30                                             | (0.09)            | 0.95                          | (1.10)                          | 0.06   | (0.11)                                     | (0.11)            | (0.92)                   | —                    | (1.14) | 6.92                                |
| Dec. 31, 2014                 | 7.86                                   | 0.34                                             | (0.09)            | 0.81                          | (0.20)                          | 0.86   | (0.12)                                     | (0.06)            | (0.47)                   | —                    | (0.65) | 7.98                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 7.89                                   | 0.23                                             | (0.06)            | 0.15                          | (0.59)                          | (0.27) | —                                          | (0.10)            | (0.16)                   | (0.29)               | (0.55) | 7.10                                |
| Dec. 31, 2017                 | 7.93                                   | 0.22                                             | (0.06)            | 0.24                          | 0.15                            | 0.55   | —                                          | (0.07)            | (0.15)                   | (0.34)               | (0.56) | 7.89                                |
| Dec. 31, 2016                 | 7.59                                   | 0.23                                             | (0.06)            | 0.01                          | 0.78                            | 0.96   | —                                          | (0.08)            | —                        | (0.45)               | (0.53) | 7.93                                |
| Dec. 31, 2015                 | 8.74                                   | 0.33                                             | (0.07)            | 1.04                          | (1.20)                          | 0.10   | (0.12)                                     | (0.13)            | (1.01)                   | —                    | (1.26) | 7.59                                |
| Dec. 31, 2014                 | 8.58                                   | 0.38                                             | (0.07)            | 0.89                          | (0.22)                          | 0.98   | (0.14)                                     | (0.06)            | (0.51)                   | —                    | (0.71) | 8.74                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 7.97                                   | 0.23                                             | —                 | 0.16                          | (1.19)                          | (0.80) | —                                          | (0.10)            | (0.16)                   | (0.30)               | (0.56) | 7.23                                |
| Dec. 31, 2017                 | 7.95                                   | 0.22                                             | —                 | 0.25                          | 0.14                            | 0.61   | —                                          | (0.07)            | (0.15)                   | (0.34)               | (0.56) | 7.97                                |
| Dec. 31, 2016                 | 7.52                                   | 0.22                                             | —                 | 0.01                          | (1.24)                          | (1.01) | —                                          | (0.08)            | —                        | (0.45)               | (0.53) | 7.95                                |
| Dec. 31, 2015                 | 8.59                                   | 0.33                                             | —                 | 1.03                          | (1.19)                          | 0.17   | (0.12)                                     | (0.12)            | (1.01)                   | —                    | (1.25) | 7.52                                |
| Dec. 31, 2014                 | 8.36                                   | 0.26                                             | —                 | 0.61                          | (0.15)                          | 0.72   | (0.13)                                     | (0.06)            | (0.50)                   | —                    | (0.69) | 8.59                                |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>5.82</b>                      | <b>1 115 499</b>            | <b>191 679</b>                        | <b>1.94</b>                                  | <b>1.94</b>                               | <b>4.35</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017         | 6.54                             | 1 506 551                   | 230 320                               | 1.95                                         | 1.95                                      | 5.69                                        | 0.05                                      |
| Dec. 31, 2016         | 6.65                             | 1 696 325                   | 255 088                               | 1.95                                         | 1.95                                      | 9.64                                        | 0.08                                      |
| Dec. 31, 2015         | 6.44                             | 1 911 731                   | 296 882                               | 1.94                                         | 1.94                                      | 67.05                                       | 0.12                                      |
| Dec. 31, 2014         | 7.49                             | 2 026 614                   | 270 725                               | 1.92                                         | 1.92                                      | 108.26                                      | 0.06                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>5.83</b>                      | <b>19 842</b>               | <b>3 405</b>                          | <b>1.95</b>                                  | <b>1.95</b>                               | <b>4.35</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017         | 6.55                             | 23 481                      | 3 585                                 | 1.97                                         | 1.97                                      | 5.69                                        | 0.05                                      |
| Dec. 31, 2016         | 6.66                             | 21 759                      | 3 268                                 | 1.96                                         | 1.96                                      | 9.64                                        | 0.08                                      |
| Dec. 31, 2015         | 6.45                             | 23 399                      | 3 629                                 | 1.95                                         | 1.95                                      | 67.05                                       | 0.12                                      |
| Dec. 31, 2014         | 7.50                             | 28 633                      | 3 820                                 | 1.92                                         | 1.92                                      | 108.26                                      | 0.06                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>6.41</b>                      | <b>97 077</b>               | <b>15 135</b>                         | <b>1.13</b>                                  | <b>1.13</b>                               | <b>4.35</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017         | 7.15                             | 102 467                     | 14 336                                | 1.13                                         | 1.13                                      | 5.69                                        | 0.05                                      |
| Dec. 31, 2016         | 7.20                             | 87 397                      | 12 134                                | 1.13                                         | 1.13                                      | 9.64                                        | 0.08                                      |
| Dec. 31, 2015         | 6.92                             | 79 210                      | 11 448                                | 1.13                                         | 1.13                                      | 67.05                                       | 0.12                                      |
| Dec. 31, 2014         | 7.98                             | 74 002                      | 9 273                                 | 1.11                                         | 1.11                                      | 108.26                                      | 0.06                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.10</b>                      | <b>593 572</b>              | <b>83 636</b>                         | <b>0.85</b>                                  | <b>0.85</b>                               | <b>4.35</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017         | 7.89                             | 456 668                     | 57 894                                | 0.85                                         | 0.85                                      | 5.69                                        | 0.05                                      |
| Dec. 31, 2016         | 7.93                             | 196 242                     | 24 751                                | 0.84                                         | 0.84                                      | 9.64                                        | 0.08                                      |
| Dec. 31, 2015         | 7.59                             | 39 388                      | 5 187                                 | 0.83                                         | 0.83                                      | 67.05                                       | 0.12                                      |
| Dec. 31, 2014         | 8.74                             | 38 083                      | 4 357                                 | 0.81                                         | 0.81                                      | 108.26                                      | 0.06                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.23</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.06</b>                                  | <b>0.06</b>                               | <b>4.35</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017         | 7.97                             | 28                          | 4                                     | 0.06                                         | 0.06                                      | 5.69                                        | 0.05                                      |
| Dec. 31, 2016         | 7.95                             | 1                           | —                                     | 0.06                                         | 0.06                                      | 9.64                                        | 0.08                                      |
| Dec. 31, 2015         | 7.52                             | 1 291                       | 172                                   | 0.05                                         | 0.05                                      | 67.05                                       | 0.12                                      |
| Dec. 31, 2014         | 8.59                             | 922                         | 107                                   | 0.03                                         | 0.03                                      | 108.26                                      | 0.06                                      |

<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.

### 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       | 1.70%           | 59%                   | 41%    |
| Advisor Series | 1.70%           | 59%                   | 41%    |
| Series D       | 0.95%           | 26%                   | 74%    |
| Series F       | 0.70%           | —                     | 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.

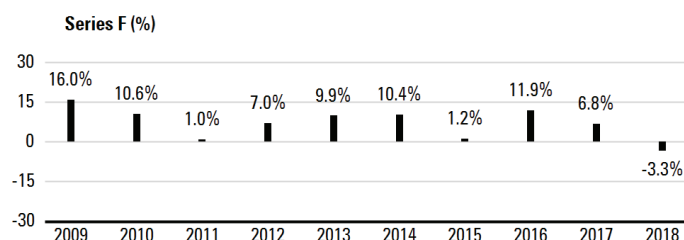
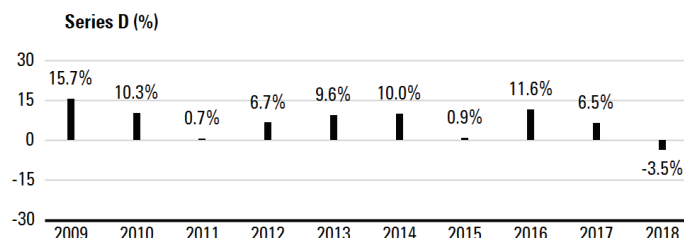
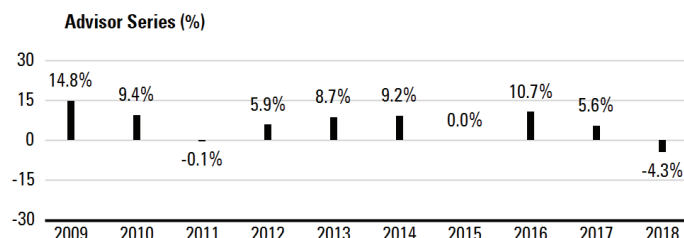
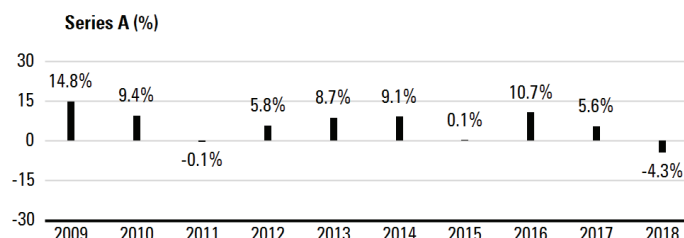


## PAST PERFORMANCE

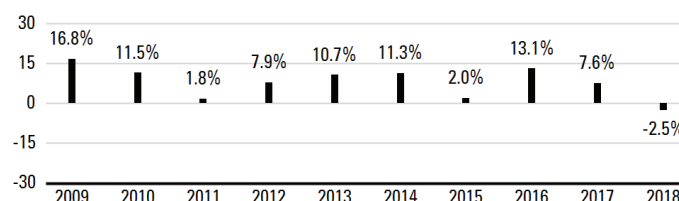
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



**Series O (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 40% S&P/TSX Capped Composite Total Return Index
- 20% FTSE Canada Universe Bond Index
- 15% S&P 500 Total Return Index (CAD)
- 13% FTSE Canada Short Term Bond Index
- 5% ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)
- 5% JPMorgan EMBI Global Diversified (hedged to CAD)
- 2% FTSE Canada 30 Day TBill Index

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -4.3         | 3.8             | 4.1             | 5.8              | —                  |
| Benchmark           | -2.8         | 5.0             | 5.2             | 7.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -4.3         | 3.8             | 4.1             | 5.8              | —                  |
| Benchmark           | -2.8         | 5.0             | 5.2             | 7.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D            | -3.5         | 4.6             | 4.9             | 6.7              | —                  |
| Benchmark           | -2.8         | 5.0             | 5.2             | 7.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -3.3         | 4.9             | 5.2             | 7.0              | —                  |
| Benchmark           | -2.8         | 5.0             | 5.2             | 7.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | -2.5         | 5.9             | 6.1             | 7.9              | —                  |
| Benchmark           | -2.8         | 5.0             | 5.2             | 7.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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.

Inception dates are not provided for series that have been in existence for more than 10 years.



## PAST PERFORMANCE (cont.)

### INDEX DESCRIPTIONS

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**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.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**FTSE Canada Short Term Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

**ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)†** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is hedged to Canadian dollars.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**FTSE Canada 30 Day TBill Index\*** This index is a measure of the performance of Canadian short-term cash investments.

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

† ICE BofAML benchmarks were known as the Bank of America Merrill Lynch 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 |
|----------------------------|----------------------|
| Canadian Equity Funds      | 43.1                 |
| Income Funds               | 41.4                 |
| United States Equity Funds | 15.6                 |
| Cash/Other                 | (0.1)                |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Canadian Dividend Fund                                   | 21.5                 |
| RBC Bond Fund                                                | 19.0                 |
| Phillips, Hager & North Canadian Income Fund                 | 16.2                 |
| RBC Canadian Short-Term Income Fund                          | 12.6                 |
| RBC Global High Yield Bond Fund                              | 9.8                  |
| RBC QUBE U.S. Equity Fund                                    | 7.8                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 7.7                  |
| RBC Canadian Equity Income Fund                              | 5.4                  |
| Cash & Cash Equivalents                                      | —                    |
| Total                                                        | 100.0                |

\* 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).





BALANCED FUND

**RBC MONTHLY INCOME FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a tax-efficient monthly distribution consisting of dividend income, interest income and capital gains along with providing the potential for modest capital growth.

The Fund invests primarily in Canadian fixed-income securities, common shares, income trusts and similar higher-yielding investments. For fixed-income securities, the Fund targets a duration similar to the FTSE Canada Universe Bond Index. Stocks that qualify as investments will generally carry above-average dividend yields and offer the potential for increases in their payouts.

The Fund's target weightings for each asset class are 60% for fixed income and 40% for equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$7.2 billion as of December 31, 2018, from \$8.3 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 3.2%, which underperformed the 3.0% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 4.25 cents per Series A unit. For the year, the Fund made total distributions of approximately 51 cents per Series A unit, consisting of 14 cents per unit of interest, 17 cents of dividends, 3 cents per unit of capital gains and 17 cents of return of capital.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market,

regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. In this environment of slowing growth, long-term Canadian federal bonds outperformed their short- and mid-term counterparts and corporate and provincial bonds of all maturities. The outperformance was not in line with investors' expectations.

In the equity portion of the Fund, relative performance was driven by security selection, led by the Fund's overweight position in Aritzia. The Canadian women's clothes retailer continued to post strong operating and sales results as it expands its presence in the U.S. Additionally, the Fund benefited from its overweight position in Loblaw. The food retailer reported strong results, particularly at its retail-drug division, Shoppers Drug Mart.

The headwinds facing the Canadian Energy sector were reflected in the Fund through its overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land.

### Recent Developments

The portfolio manager's GDP growth for 2019 is below consensus but nevertheless represents a slight increase from the prior forecast thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

The portfolio manager expects interest rates to rise marginally over the next 12 months because expectations for future economic growth have moderated. In the view of the portfolio manager, fixed-income markets will remain more volatile over the first few months of 2019 due to trade disputes, geopolitical risks, the sharp decline in oil prices and high levels of consumer debt. As a result, excess yields earned on corporate bonds over federal bonds, a sign of investor fear, will likely increase, in the view of the portfolio manager, until some of these risks begin to recede.



## **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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$200,000 (2017 – \$247,000) or 23% (2017 – 13%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.48                                  | 0.46                                             | (0.17)            | 0.20                          | (0.94)                          | (0.45) | (0.14)                                     | (0.17)            | (0.03)                   | (0.17)               | (0.51) | 13.52                               |
| Dec. 31, 2017                 | 14.25                                  | 0.45                                             | (0.17)            | 0.35                          | 0.11                            | 0.74   | (0.12)                                     | (0.19)            | (0.13)                   | (0.07)               | (0.51) | 14.48                               |
| Dec. 31, 2016                 | 13.24                                  | 0.48                                             | (0.17)            | 0.34                          | 0.86                            | 1.51   | (0.12)                                     | (0.23)            | (0.13)                   | (0.03)               | (0.51) | 14.25                               |
| Dec. 31, 2015                 | 14.21                                  | 0.52                                             | (0.17)            | 0.24                          | (1.04)                          | (0.45) | (0.14)                                     | (0.21)            | (0.12)                   | (0.04)               | (0.51) | 13.24                               |
| Dec. 31, 2014                 | 13.52                                  | 0.49                                             | (0.17)            | 0.14                          | 0.73                            | 1.19   | (0.15)                                     | (0.19)            | —                        | (0.17)               | (0.51) | 14.21                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.65                                  | 0.47                                             | (0.16)            | 0.20                          | (0.95)                          | (0.44) | (0.14)                                     | (0.17)            | (0.03)                   | (0.17)               | (0.51) | 13.69                               |
| Dec. 31, 2017                 | 14.41                                  | 0.46                                             | (0.17)            | 0.35                          | 0.12                            | 0.76   | (0.12)                                     | (0.19)            | (0.13)                   | (0.07)               | (0.51) | 14.65                               |
| Dec. 31, 2016                 | 13.38                                  | 0.49                                             | (0.16)            | 0.35                          | 0.86                            | 1.54   | (0.12)                                     | (0.23)            | (0.13)                   | (0.03)               | (0.51) | 14.41                               |
| Dec. 31, 2015                 | 14.34                                  | 0.52                                             | (0.16)            | 0.24                          | (1.05)                          | (0.45) | (0.14)                                     | (0.21)            | (0.12)                   | (0.04)               | (0.51) | 13.38                               |
| Dec. 31, 2014                 | 13.63                                  | 0.49                                             | (0.16)            | 0.14                          | 0.74                            | 1.21   | (0.15)                                     | (0.19)            | —                        | (0.17)               | (0.51) | 14.34                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.08                                  | 0.48                                             | (0.13)            | 0.21                          | (0.98)                          | (0.42) | (0.14)                                     | (0.19)            | (0.03)                   | (0.17)               | (0.53) | 14.13                               |
| Dec. 31, 2017                 | 14.77                                  | 0.47                                             | (0.13)            | 0.36                          | 0.11                            | 0.81   | (0.12)                                     | (0.19)            | (0.13)                   | (0.07)               | (0.51) | 15.08                               |
| Dec. 31, 2016                 | 13.67                                  | 0.50                                             | (0.13)            | 0.35                          | 0.89                            | 1.61   | (0.12)                                     | (0.23)            | (0.13)                   | (0.03)               | (0.51) | 14.77                               |
| Dec. 31, 2015                 | 14.60                                  | 0.53                                             | (0.13)            | 0.25                          | (1.07)                          | (0.42) | (0.14)                                     | (0.21)            | (0.12)                   | (0.04)               | (0.51) | 13.67                               |
| Dec. 31, 2014                 | 13.84                                  | 0.50                                             | (0.13)            | 0.15                          | 0.75                            | 1.27   | (0.15)                                     | (0.19)            | —                        | (0.17)               | (0.51) | 14.60                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.90                                  | 0.51                                             | (0.11)            | 0.22                          | (1.04)                          | (0.42) | (0.15)                                     | (0.20)            | (0.03)                   | (0.18)               | (0.56) | 14.92                               |
| Dec. 31, 2017                 | 15.52                                  | 0.50                                             | (0.11)            | 0.38                          | 0.15                            | 0.92   | (0.12)                                     | (0.19)            | (0.13)                   | (0.07)               | (0.51) | 15.90                               |
| Dec. 31, 2016                 | 14.31                                  | 0.53                                             | (0.11)            | 0.37                          | 0.85                            | 1.64   | (0.12)                                     | (0.23)            | (0.13)                   | (0.03)               | (0.51) | 15.52                               |
| Dec. 31, 2015                 | 15.24                                  | 0.56                                             | (0.11)            | 0.26                          | (1.12)                          | (0.41) | (0.14)                                     | (0.21)            | (0.12)                   | (0.04)               | (0.51) | 14.31                               |
| Dec. 31, 2014                 | 14.40                                  | 0.52                                             | (0.11)            | 0.15                          | 0.78                            | 1.34   | (0.15)                                     | (0.19)            | —                        | (0.17)               | (0.51) | 15.24                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.66                                  | 0.54                                             | —                 | 0.23                          | (1.09)                          | (0.32) | (0.16)                                     | (0.20)            | (0.03)                   | (0.19)               | (0.58) | 15.75                               |
| Dec. 31, 2017                 | 16.13                                  | 0.52                                             | —                 | 0.40                          | 0.12                            | 1.04   | (0.12)                                     | (0.19)            | (0.13)                   | (0.07)               | (0.51) | 16.66                               |
| Dec. 31, 2016                 | 14.76                                  | 0.54                                             | —                 | 0.38                          | 0.95                            | 1.87   | (0.12)                                     | (0.23)            | (0.13)                   | (0.03)               | (0.51) | 16.13                               |
| Dec. 31, 2015                 | 15.60                                  | 0.57                                             | —                 | 0.27                          | (1.15)                          | (0.31) | (0.14)                                     | (0.21)            | (0.12)                   | (0.04)               | (0.51) | 14.76                               |
| Dec. 31, 2014                 | 14.62                                  | 0.53                                             | —                 | 0.16                          | 0.79                            | 1.48   | (0.15)                                     | (0.19)            | —                        | (0.17)               | (0.51) | 15.60                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.52</b>                     | <b>5 767 707</b>            | <b>426 575</b>                        | <b>1.20</b>                                  | <b>1.20</b>                               | <b>13.51</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 14.48                            | 6 882 249                   | 475 151                               | 1.20                                         | 1.20                                      | 26.15                                       | 0.03                                      |
| Dec. 31, 2016         | 14.25                            | 7 044 014                   | 494 218                               | 1.20                                         | 1.20                                      | 24.37                                       | 0.03                                      |
| Dec. 31, 2015         | 13.24                            | 7 292 559                   | 550 690                               | 1.20                                         | 1.20                                      | 19.88                                       | 0.02                                      |
| Dec. 31, 2014         | 14.21                            | 8 486 039                   | 597 130                               | 1.20                                         | 1.20                                      | 27.02                                       | 0.02                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.69</b>                     | <b>52 140</b>               | <b>3 808</b>                          | <b>1.15</b>                                  | <b>1.15</b>                               | <b>13.51</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 14.65                            | 60 990                      | 4 162                                 | 1.15                                         | 1.15                                      | 26.15                                       | 0.03                                      |
| Dec. 31, 2016         | 14.41                            | 62 451                      | 4 334                                 | 1.15                                         | 1.15                                      | 24.37                                       | 0.03                                      |
| Dec. 31, 2015         | 13.38                            | 53 963                      | 4 035                                 | 1.15                                         | 1.15                                      | 19.88                                       | 0.02                                      |
| Dec. 31, 2014         | 14.34                            | 59 292                      | 4 135                                 | 1.15                                         | 1.15                                      | 27.02                                       | 0.02                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.13</b>                     | <b>158 211</b>              | <b>11 200</b>                         | <b>0.88</b>                                  | <b>0.88</b>                               | <b>13.51</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 15.08                            | 175 640                     | 11 647                                | 0.88                                         | 0.88                                      | 26.15                                       | 0.03                                      |
| Dec. 31, 2016         | 14.77                            | 169 877                     | 11 500                                | 0.88                                         | 0.88                                      | 24.37                                       | 0.03                                      |
| Dec. 31, 2015         | 13.67                            | 160 850                     | 11 770                                | 0.88                                         | 0.88                                      | 19.88                                       | 0.02                                      |
| Dec. 31, 2014         | 14.60                            | 172 123                     | 11 787                                | 0.88                                         | 0.88                                      | 27.02                                       | 0.02                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.92</b>                     | <b>744 168</b>              | <b>49 892</b>                         | <b>0.71</b>                                  | <b>0.71</b>                               | <b>13.51</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 15.90                            | 565 502                     | 35 574                                | 0.72                                         | 0.72                                      | 26.15                                       | 0.03                                      |
| Dec. 31, 2016         | 15.52                            | 253 543                     | 16 337                                | 0.71                                         | 0.71                                      | 24.37                                       | 0.03                                      |
| Dec. 31, 2015         | 14.31                            | 116 040                     | 8 109                                 | 0.71                                         | 0.71                                      | 19.88                                       | 0.02                                      |
| Dec. 31, 2014         | 15.24                            | 90 228                      | 5 920                                 | 0.72                                         | 0.72                                      | 27.02                                       | 0.02                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>15.75</b>                     | <b>512 892</b>              | <b>32 572</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>13.51</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 16.66                            | 589 109                     | 35 358                                | 0.03                                         | 0.03                                      | 26.15                                       | 0.03                                      |
| Dec. 31, 2016         | 16.13                            | 588 353                     | 36 469                                | 0.02                                         | 0.02                                      | 24.37                                       | 0.03                                      |
| Dec. 31, 2015         | 14.76                            | 612 188                     | 41 487                                | 0.02                                         | 0.02                                      | 19.88                                       | 0.02                                      |
| Dec. 31, 2014         | 15.60                            | 651 773                     | 41 791                                | 0.02                                         | 0.02                                      | 27.02                                       | 0.02                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.00%           | 50%                   | 50%    |
| Advisor Series | 1.00%           | 50%                   | 50%    |
| Series D       | 0.75%           | 20%                   | 80%    |
| Series F       | 0.60%           | —                     | 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.

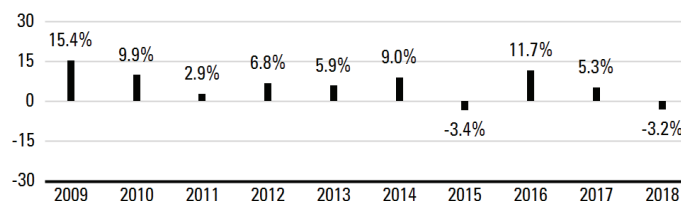
### PAST PERFORMANCE

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.

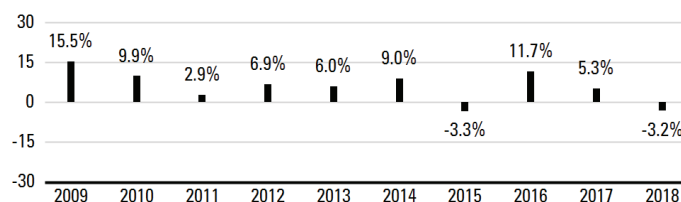
### Year-by-Year Returns (%)

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.

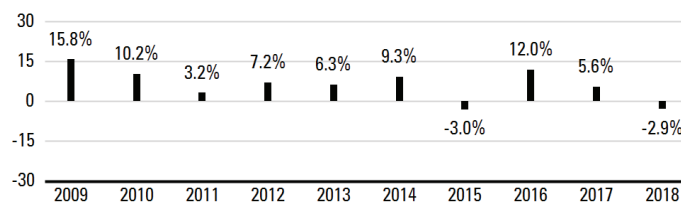
**Series A (%)**



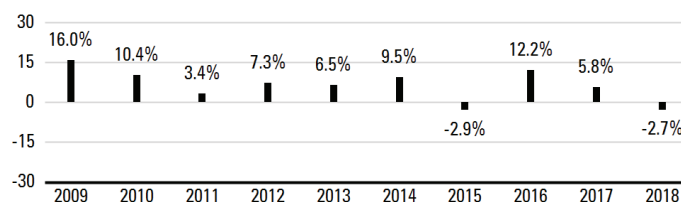
**Advisor Series (%)**



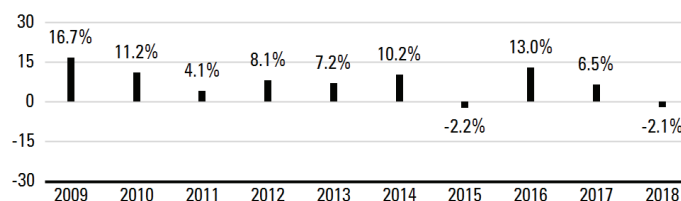
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 55% FTSE Canada Universe Bond Index
- 43% S&P/TSX Capped Composite Total Return Index
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the “Old benchmark”) is composed of:

- 57% FTSE Canada Universe Bond Index
- 43% S&P/TSX Capped Composite Total Return Index

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -3.2         | 4.4             | 3.7             | 5.9              | —                  |
| New benchmark       | -3.0         | 3.8             | 3.8             | 5.9              | —                  |
| Old benchmark       | -3.0         | 3.9             | 3.9             | 5.9              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -3.2         | 4.5             | 3.7             | 5.9              | —                  |
| New benchmark       | -3.0         | 3.8             | 3.8             | 5.9              | —                  |
| Old benchmark       | -3.0         | 3.9             | 3.9             | 5.9              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D            | -2.9         | 4.7             | 4.0             | 6.2              | —                  |
| New benchmark       | -3.0         | 3.8             | 3.8             | 5.9              | —                  |
| Old benchmark       | -3.0         | 3.9             | 3.9             | 5.9              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -2.7         | 4.9             | 4.2             | 6.4              | —                  |
| New benchmark       | -3.0         | 3.8             | 3.8             | 5.9              | —                  |
| Old benchmark       | -3.0         | 3.9             | 3.9             | 5.9              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | -2.1         | 5.6             | 4.9             | 7.1              | —                  |
| New benchmark       | -3.0         | 3.8             | 3.8             | 5.9              | —                  |
| Old benchmark       | -3.0         | 3.9             | 3.9             | 5.9              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------|----------------------|
| Canadian Bonds | 52.0                 |
| Equities       | 35.6                 |
| Income Trusts  | 9.7                  |
| Foreign Bonds  | 0.3                  |
| Cash/Other     | 2.4                  |

### Top 25 Holdings

|                                                        | % of Net Asset Value |
|--------------------------------------------------------|----------------------|
| RBC U.S. Dividend Fund                                 | 8.4                  |
| Royal Bank of Canada                                   | 3.1                  |
| Toronto-Dominion Bank                                  | 2.7                  |
| Bank of Nova Scotia                                    | 2.1                  |
| Cash & Cash Equivalents                                | 2.0                  |
| Enbridge Inc.                                          | 1.9                  |
| Canadian National Railway Co.                          | 1.6                  |
| Government of Canada 2.750% Dec 1 2048                 | 1.4                  |
| Province of Ontario 4.600% Jun 2 2039                  | 1.3                  |
| Province of Ontario 4.650% Jun 2 2041                  | 1.3                  |
| Brookfield Asset Management Inc., Class A              | 1.3                  |
| Bank of Montreal                                       | 1.2                  |
| Province of Ontario 3.450% Jun 2 2045                  | 1.2                  |
| Province of Ontario 6.500% Mar 8 2029                  | 1.1                  |
| Province of Quebec 3.000% Sep 1 2023                   | 1.1                  |
| TransCanada Corp.                                      | 1.0                  |
| Manulife Financial Corporation                         | 1.0                  |
| Province of Quebec 5.000% Dec 1 2041                   | 0.9                  |
| Suncor Energy Inc.                                     | 0.9                  |
| Canadian Imperial Bank of Commerce                     | 0.9                  |
| Hydro-Quebec 6.500% Feb 15 2035                        | 0.9                  |
| Province of Ontario 3.500% Jun 2 2043                  | 0.9                  |
| Province of Ontario 3.500% Jun 2 2024                  | 0.9                  |
| Ontario Electricity Financial Corp. 8.250% Jun 22 2026 | 0.9                  |
| Canadian Pacific Railway Ltd.                          | 0.8                  |
| <b>Top 25 Holdings</b>                                 | <b>40.8</b>          |

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).



BALANCED FUND

**RBC U.S. MONTHLY INCOME FUND**

*December 31, 2018*

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

**Sub-Advisor:** RBC Global Asset Management (UK) Limited, London, England  
*(for a portion of the Fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 (in USD)**

### **Investment Objective and Strategies**

The Fund seeks to provide regular U.S. dollar monthly income and modest capital growth.

The Fund invests primarily in U.S. government bonds, corporate fixed-income securities, asset-backed bonds and equity securities of U.S. companies. Investments may also include high-yield debt and U.S. dollar-denominated debt issued in emerging markets.

The Fund's target weightings for each asset class are 60% for fixed income and 40% for equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$1.2 billion as of December 31, 2018, from \$1.3 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 3.5%, which underperformed the 1.7% decline in the benchmark. The broad-based index 1 was unchanged, while the broad-based index 2 fell 4.4%.

The Fund'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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of approximately 2.90 cents per Series A unit. For the year, the Fund made total distributions of approximately 39 cents per Series A unit, consisting of 4 cents per unit of interest, 10 cents of dividend income and 25 cents of capital gains. The annual payout reflects an additional year-end distribution of 3.8 cents per Series A unit.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The equity portion of the Fund underperformed in 2018 given that the Fund is not permitted to invest in companies that do not pay dividends. During the year, it was non-dividend-paying companies such as Amazon, Netflix, Berkshire Hathaway and Adobe that generally outperformed. Overweight positions in the tobacco companies Altria Group and Philip Morris International also hurt performance. Philip Morris fell early in the year on weak earnings, largely driven by lower-than-expected sales of its smokeless product in Japan. Altria Group serves an entirely different market but was dragged down by Philip Morris's poor results.

The Fund's equity segment held up relatively well in the fourth quarter amid volatile markets. Exposure to companies and sectors that tend to fall less in a down market aided relative returns late in the year.

U.S. fixed-income assets struggled in 2018 as the combination of rising interest rates and uncertainty over global economic growth resulted in negative returns. The fixed-income portion of the Fund outperformed. Exposure to higher-quality companies helped offset the poor performance of the broader U.S. investment-grade market. Returns in emerging markets were also weak, but the Fund's limited exposure to weaker countries such as Argentina and Turkey helped results. Allocations to auto-parts companies and homebuilders hurt the performance of the high-yield bond holdings. Also holding back performance was an underweight position in mortgage-backed securities.

### **Recent Developments**

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

The Fed may slow the pace of interest-rate increases in 2019, given slower global economic growth and the impact of protectionism on the expansion. The Fund is currently overweight U.S. investment-grade bonds and U.S. Treasuries, while underweight in mortgage-backed securities. The Fund continues to favour high-quality non-government bonds to enhance the yield of the portfolio while keeping the Fund's overall maturity close to neutral.





## **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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$80,000 (2017 – \$33,000) or 12% (2017 – 6%) of the total transaction costs paid for this 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 (in USD)

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.72                                  | 0.30                                             | (0.17)            | 0.29                          | (0.79)                          | (0.37) | (0.04)                                     | (0.10)            | (0.25)                   | —                    | (0.39) | 9.96                                |
| Dec. 31, 2017                 | 10.05                                  | 0.30                                             | (0.17)            | 0.29                          | 0.57                            | 0.99   | (0.03)                                     | (0.10)            | (0.13)                   | (0.06)               | (0.32) | 10.72                               |
| Dec. 31, 2016                 | 9.73                                   | 0.32                                             | (0.17)            | 0.15                          | 0.33                            | 0.63   | (0.05)                                     | (0.11)            | (0.14)                   | (0.02)               | (0.32) | 10.05                               |
| Dec. 31, 2015                 | 10.74                                  | 0.34                                             | (0.19)            | 0.07                          | (0.36)                          | (0.14) | (0.05)                                     | (0.12)            | (0.72)                   | —                    | (0.89) | 9.73                                |
| Dec. 31, 2014                 | 10.75                                  | 0.34                                             | (0.19)            | 0.42                          | 0.22                            | 0.79   | (0.04)                                     | (0.10)            | (0.66)                   | —                    | (0.80) | 10.74                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.84                                  | 0.30                                             | (0.17)            | 0.29                          | (0.77)                          | (0.35) | (0.04)                                     | (0.10)            | (0.25)                   | —                    | (0.39) | 10.08                               |
| Dec. 31, 2017                 | 10.15                                  | 0.30                                             | (0.17)            | 0.29                          | 0.59                            | 1.01   | (0.03)                                     | (0.10)            | (0.13)                   | (0.06)               | (0.32) | 10.84                               |
| Dec. 31, 2016                 | 9.83                                   | 0.33                                             | (0.17)            | 0.15                          | 0.33                            | 0.64   | (0.05)                                     | (0.11)            | (0.14)                   | (0.02)               | (0.32) | 10.15                               |
| Dec. 31, 2015                 | 10.84                                  | 0.34                                             | (0.18)            | 0.07                          | (0.37)                          | (0.14) | (0.05)                                     | (0.12)            | (0.72)                   | —                    | (0.89) | 9.83                                |
| Dec. 31, 2014                 | 10.84                                  | 0.34                                             | (0.19)            | 0.43                          | 0.22                            | 0.80   | (0.04)                                     | (0.10)            | (0.66)                   | —                    | (0.80) | 10.84                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.66                                  | 0.32                                             | (0.11)            | 0.31                          | (0.85)                          | (0.33) | (0.05)                                     | (0.10)            | (0.27)                   | —                    | (0.42) | 10.92                               |
| Dec. 31, 2017                 | 10.84                                  | 0.32                                             | (0.11)            | 0.31                          | 0.64                            | 1.16   | (0.03)                                     | (0.12)            | (0.13)                   | (0.06)               | (0.34) | 11.66                               |
| Dec. 31, 2016                 | 10.42                                  | 0.35                                             | (0.10)            | 0.16                          | 0.34                            | 0.75   | (0.05)                                     | (0.13)            | (0.14)                   | (0.02)               | (0.34) | 10.84                               |
| Dec. 31, 2015                 | 11.42                                  | 0.36                                             | (0.12)            | 0.08                          | (0.39)                          | (0.07) | (0.06)                                     | (0.12)            | (0.76)                   | —                    | (0.94) | 10.42                               |
| Dec. 31, 2014                 | 11.32                                  | 0.36                                             | (0.12)            | 0.44                          | 0.23                            | 0.91   | (0.04)                                     | (0.10)            | (0.68)                   | —                    | (0.82) | 11.42                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.34                                  | 0.32                                             | (0.09)            | 0.30                          | (0.83)                          | (0.30) | (0.04)                                     | (0.10)            | (0.26)                   | —                    | (0.40) | 10.64                               |
| Dec. 31, 2017                 | 10.53                                  | 0.31                                             | (0.08)            | 0.30                          | 0.61                            | 1.14   | (0.03)                                     | (0.11)            | (0.13)                   | (0.06)               | (0.33) | 11.34                               |
| Dec. 31, 2016                 | 10.10                                  | 0.34                                             | (0.08)            | 0.16                          | 0.35                            | 0.77   | (0.05)                                     | (0.12)            | (0.14)                   | (0.02)               | (0.33) | 10.53                               |
| Dec. 31, 2015                 | 11.04                                  | 0.35                                             | (0.10)            | 0.08                          | (0.37)                          | (0.04) | (0.05)                                     | (0.12)            | (0.74)                   | —                    | (0.91) | 10.10                               |
| Dec. 31, 2014                 | 10.94                                  | 0.35                                             | (0.10)            | 0.43                          | 0.23                            | 0.91   | (0.04)                                     | (0.10)            | (0.66)                   | —                    | (0.80) | 11.04                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.41                                  | 0.32                                             | (0.08)            | 0.31                          | (0.81)                          | (0.26) | (0.04)                                     | (0.10)            | (0.27)                   | —                    | (0.41) | 10.71                               |
| Dec. 31, 2017                 | 10.58                                  | 0.32                                             | (0.08)            | 0.30                          | 0.63                            | 1.17   | (0.03)                                     | (0.11)            | (0.13)                   | (0.06)               | (0.33) | 11.41                               |
| Dec. 31, 2016                 | 10.14                                  | 0.34                                             | (0.07)            | 0.16                          | 0.37                            | 0.80   | (0.05)                                     | (0.12)            | (0.14)                   | (0.02)               | (0.33) | 10.58                               |
| Dec. 31, 2015                 | 11.07                                  | 0.35                                             | (0.08)            | 0.08                          | (0.37)                          | (0.02) | (0.05)                                     | (0.12)            | (0.75)                   | —                    | (0.92) | 10.14                               |
| Dec. 31, 2014                 | 10.94                                  | 0.34                                             | (0.08)            | 0.42                          | 0.22                            | 0.90   | (0.04)                                     | (0.10)            | (0.66)                   | —                    | (0.80) | 11.07                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | —                 | 0.10                          | (1.69)                          | (1.49) | (0.02)                                     | (0.03)            | (0.12)                   | —                    | (0.17) | 9.48                                |

<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 August 16, 2018.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (in USD) (cont.)**

**Ratios and Supplemental Data**

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>9.96</b>                      | <b>1 014 900</b>            | <b>101 873</b>                        | <b>1.65</b>                                  | <b>1.65</b>                               | <b>75.02</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017                    | 10.72                            | 1 109 029                   | 103 458                               | 1.66                                         | 1.66                                      | 54.52                                       | 0.04                                      |
| Dec. 31, 2016                    | 10.05                            | 866 573                     | 86 255                                | 1.71                                         | 1.71                                      | 108.65                                      | 0.05                                      |
| Dec. 31, 2015                    | 9.73                             | 937 138                     | 96 311                                | 1.76                                         | 1.76                                      | 111.43                                      | 0.08                                      |
| Dec. 31, 2014                    | 10.74                            | 932 545                     | 86 791                                | 1.77                                         | 1.77                                      | 107.15                                      | 0.07                                      |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>10.08</b>                     | <b>42 238</b>               | <b>4 192</b>                          | <b>1.61</b>                                  | <b>1.61</b>                               | <b>75.02</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017                    | 10.84                            | 52 781                      | 4 869                                 | 1.62                                         | 1.62                                      | 54.52                                       | 0.04                                      |
| Dec. 31, 2016                    | 10.15                            | 53 113                      | 5 231                                 | 1.67                                         | 1.67                                      | 108.65                                      | 0.05                                      |
| Dec. 31, 2015                    | 9.83                             | 63 222                      | 6 434                                 | 1.73                                         | 1.73                                      | 111.43                                      | 0.08                                      |
| Dec. 31, 2014                    | 10.84                            | 66 322                      | 6 120                                 | 1.73                                         | 1.73                                      | 107.15                                      | 0.07                                      |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>10.92</b>                     | <b>38 143</b>               | <b>3 494</b>                          | <b>0.94</b>                                  | <b>0.94</b>                               | <b>75.02</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017                    | 11.66                            | 41 897                      | 3 594                                 | 0.94                                         | 0.94                                      | 54.52                                       | 0.04                                      |
| Dec. 31, 2016                    | 10.84                            | 33 225                      | 3 065                                 | 0.99                                         | 0.99                                      | 108.65                                      | 0.05                                      |
| Dec. 31, 2015                    | 10.42                            | 33 007                      | 3 168                                 | 1.05                                         | 1.05                                      | 111.43                                      | 0.08                                      |
| Dec. 31, 2014                    | 11.42                            | 26 564                      | 2 327                                 | 1.06                                         | 1.06                                      | 107.15                                      | 0.07                                      |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>10.64</b>                     | <b>99 358</b>               | <b>9 337</b>                          | <b>0.78</b>                                  | <b>0.78</b>                               | <b>75.02</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017                    | 11.34                            | 86 396                      | 7 616                                 | 0.78                                         | 0.78                                      | 54.52                                       | 0.04                                      |
| Dec. 31, 2016                    | 10.53                            | 50 021                      | 4 751                                 | 0.82                                         | 0.82                                      | 108.65                                      | 0.05                                      |
| Dec. 31, 2015                    | 10.10                            | 33 163                      | 3 283                                 | 0.88                                         | 0.88                                      | 111.43                                      | 0.08                                      |
| Dec. 31, 2014                    | 11.04                            | 32 009                      | 2 899                                 | 0.88                                         | 0.88                                      | 107.15                                      | 0.07                                      |
| <b>Series I</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>10.71</b>                     | <b>51 337</b>               | <b>4 794</b>                          | <b>0.70</b>                                  | <b>0.70</b>                               | <b>75.02</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017                    | 11.41                            | 57 157                      | 5 008                                 | 0.71                                         | 0.71                                      | 54.52                                       | 0.04                                      |
| Dec. 31, 2016                    | 10.58                            | 54 070                      | 5 109                                 | 0.70                                         | 0.70                                      | 108.65                                      | 0.05                                      |
| Dec. 31, 2015                    | 10.14                            | 51 774                      | 5 107                                 | 0.70                                         | 0.70                                      | 111.43                                      | 0.08                                      |
| Dec. 31, 2014                    | 11.07                            | 33 959                      | 3 068                                 | 0.70                                         | 0.70                                      | 107.15                                      | 0.07                                      |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.48</b>                      | <b>1 697</b>                | <b>179</b>                            | <b>0.02</b>                                  | <b>0.02</b>                               | <b>75.02</b>                                | <b>0.05</b>                               |

<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 August 16, 2018.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.65%, Advisor Series – 1.61%, Series D – 0.94% and Series F – 0.77%.



## FINANCIAL HIGHLIGHTS (in USD) (cont.)

### 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       | 1.40%           | 54%                   | 46%    |
| Advisor Series | 1.40%           | 54%                   | 46%    |
| Series D       | 0.80%           | 19%                   | 81%    |
| Series F       | 0.65%           | —                     | 100%   |
| Series I       | 0.60%           | —                     | 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.

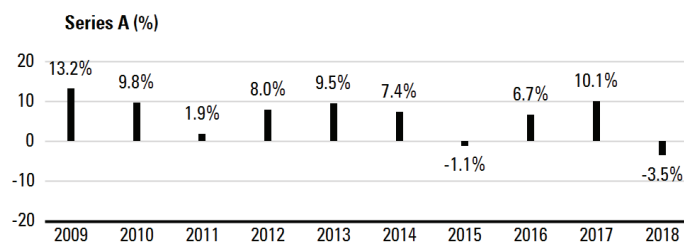
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE (in USD)

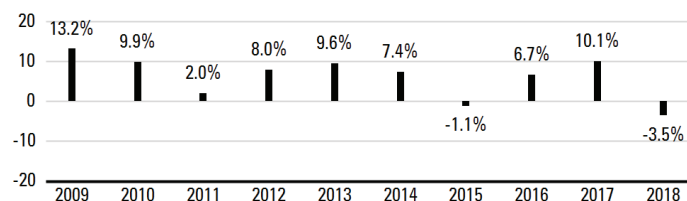
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

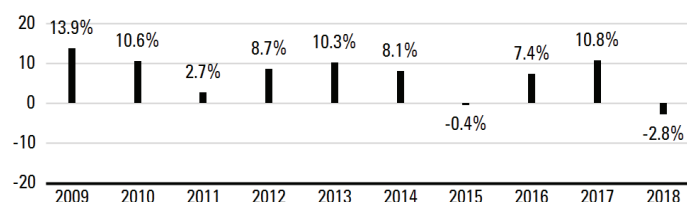
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



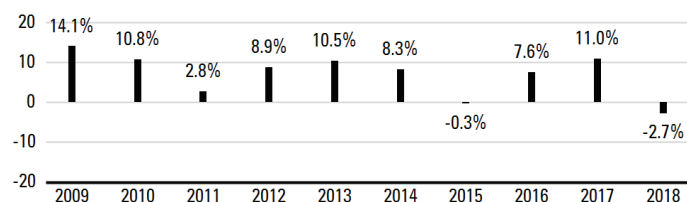
**Advisor Series (%)**



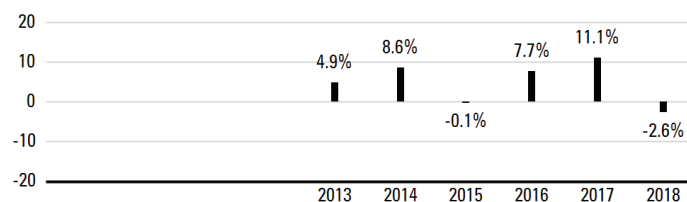
**Series D (%)**



**Series F (%)**



**Series I (%)**



**Series O (%)**





**PAST PERFORMANCE (in USD) (cont.)**

**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 54% Bloomberg Barclays U.S. Aggregate Bond Index (USD)
- 40% S&P 500 Total Return Index (USD)
- 3% ICE BofAML U.S. High Yield BB-B Index (USD)
- 3% JPMorgan EMBI Global Diversified (USD)

The old blended benchmark (the “Old benchmark”) is composed of:

- 60% Bloomberg Barclays U.S. Aggregate Bond Index
- 40% S&P 500 Total Return Index (USD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

Broad-based index 1 – Bloomberg Barclays U.S. Aggregate Bond Index

Broad-based index 2 – S&P 500 Total Return Index (USD)

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -3.5         | 4.2             | 3.8             | 6.1              | —                  |
| New benchmark       | -1.7         | 5.3             | 5.1             | 7.8              | —                  |
| Old benchmark       | -1.5         | 5.1             | 5.0             | 7.5              | —                  |
| Broad-based index 1 | 0.0          | 2.1             | 2.5             | 3.5              | —                  |
| Broad-based index 2 | -4.4         | 9.3             | 8.5             | 13.1             | —                  |
| Advisor Series      | -3.5         | 4.3             | 3.8             | 6.1              | —                  |
| New benchmark       | -1.7         | 5.3             | 5.1             | 7.8              | —                  |
| Old benchmark       | -1.5         | 5.1             | 5.0             | 7.5              | —                  |
| Broad-based index 1 | 0.0          | 2.1             | 2.5             | 3.5              | —                  |
| Broad-based index 2 | -4.4         | 9.3             | 8.5             | 13.1             | —                  |
| Series D            | -2.8         | 5.0             | 4.5             | 6.8              | —                  |
| New benchmark       | -1.7         | 5.3             | 5.1             | 7.8              | —                  |
| Old benchmark       | -1.5         | 5.1             | 5.0             | 7.5              | —                  |
| Broad-based index 1 | 0.0          | 2.1             | 2.5             | 3.5              | —                  |
| Broad-based index 2 | -4.4         | 9.3             | 8.5             | 13.1             | —                  |
| Series F            | -2.7         | 5.2             | 4.7             | 7.0              | —                  |
| New benchmark       | -1.7         | 5.3             | 5.1             | 7.8              | —                  |
| Old benchmark       | -1.5         | 5.1             | 5.0             | 7.5              | —                  |
| Broad-based index 1 | 0.0          | 2.1             | 2.5             | 3.5              | —                  |
| Broad-based index 2 | -4.4         | 9.3             | 8.5             | 13.1             | —                  |
| Series I            | -2.6         | 5.2             | 4.8             | —                | 5.4                |
| New benchmark       | -1.7         | 5.3             | 5.1             | —                | 5.6                |
| Old benchmark       | -1.5         | 5.1             | 5.0             | —                | 5.5                |
| Broad-based index 1 | 0.0          | 2.1             | 2.5             | —                | 2.4                |
| Broad-based index 2 | -4.4         | 9.3             | 8.5             | —                | 9.9                |
| Series O            | —            | —               | —               | —                | -3.5               |
| New benchmark       | —            | —               | —               | —                | -4.3               |
| Old benchmark       | —            | —               | —               | —                | -4.1               |
| Broad-based index 1 | —            | —               | —               | —                | 0.8                |
| Broad-based index 2 | —            | —               | —               | —                | -11.6              |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series O units have been available for sale to unitholders since August 20, 2018, and Series I units since August 12, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units effective June 30, 2016.

Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

**INDEX DESCRIPTIONS**

**Bloomberg Barclays U.S. Aggregate Bond Index\*** This index is a broad measure of investment-grade, U.S. dollar-denominated debt issued by the U.S. Treasury, as well as by governments, corporations and agencies.

**S&P 500 Total Return Index (USD)** This index is a capitalization-weighted index measuring the U.S. dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**ICE BofAML U.S. High Yield BB-B Index (USD)** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is measured in U.S. dollars.

**JPMorgan EMBI Global Diversified (USD)** This index is a broad measure of the U.S.-dollar performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding.

\* Bloomberg Barclays benchmarks were known as the Barclays Capital benchmarks before a name change.



## SUMMARY OF INVESTMENT PORTFOLIO (in USD)

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| Equities                   | 38.5                 |
| Bonds                      | 37.8                 |
| Mortgage-Backed Securities | 12.9                 |
| Cash/Other                 | 10.8                 |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| United States Treasury 1.750% May 15 2023   | 6.5                  |
| Cash & Cash Equivalents                     | 3.9                  |
| United States Treasury 1.500% Jan 31 2022   | 3.3                  |
| United States Treasury 2.000% Feb 15 2025   | 3.1                  |
| United States Treasury 1.625% Feb 15 2026   | 3.0                  |
| United States Treasury 3.500% Feb 15 2039   | 2.7                  |
| RBC \$U.S. High Yield Bond Fund             | 2.7                  |
| RBC Emerging Markets Bond Fund              | 2.6                  |
| Microsoft Corp.                             | 2.1                  |
| Apple Inc.                                  | 1.4                  |
| Fannie Mae Pool 4.000% Sep 1 2047           | 1.4                  |
| iShares Dow Jones US Real Estate Index Fund | 1.3                  |
| Cisco Systems Inc.                          | 1.3                  |
| United States Treasury 1.125% Apr 30 2020   | 1.2                  |
| Broadcom Inc.                               | 1.2                  |
| Texas Instruments Inc.                      | 1.1                  |
| Bank of America Corp.                       | 1.1                  |
| United States Treasury 2.500% Feb 15 2045   | 1.0                  |
| Fannie Mae Pool 3.500% Nov 1 2045           | 1.0                  |
| JPMorgan Chase & Co.                        | 1.0                  |
| UnitedHealth Group Incorporated             | 0.9                  |
| Intel Corp.                                 | 0.9                  |
| Boeing Co.                                  | 0.8                  |
| Johnson & Johnson                           | 0.8                  |
| United States Treasury 2.250% Nov 15 2024   | 0.8                  |
| Top 25 Holdings                             | 47.1                 |

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).



BALANCED FUND

**RBC BALANCED FUND**

December 31, 2018

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

**Sub-Advisor:** RBC Global Asset Management (UK) Limited, London, England  
*(for the European equity portion of the Fund)*

**Sub-Advisor:** RBC Investment Management (Asia) Limited, Hong Kong, China  
*(for the Asian equity portion of the Fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide capital growth and modest income by investing in a mix of Canadian stocks and fixed-income securities.

The Fund is invested primarily in Canadian equities to provide capital growth and fixed-income securities to generate income. The Fund may also hold income-trust units, corporate bonds and foreign securities. Blending equities and fixed-income securities in a single portfolio provides investors with exposure to the upside potential of equity capital markets while taking advantage of the stability and frequently offsetting risk profile of bonds.

The portfolio manager's analysis of the economic outlook and capital market valuations and prospects determines the portion of the portfolio that will be invested in stocks and bonds. The composition of the portfolio holdings is adjusted as economic and capital market conditions warrant.

The Fund's target weightings for each asset class are 45% for fixed income, 35% for Canadian equities, 10% for U.S. equities, 7% for international equities and 3% for emerging markets equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$4.9 billion as of December 31, 2018, from \$5.7 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 4.8%, which underperformed the 2.6% decline in the benchmark. The broad-based index 1 rose 1.4%. The broad-based index 2 declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in

Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. The Fund's returns were negatively affected by underweight exposure to federal debt, which outperformed.

The sell-off in equities was led by emerging markets and Europe earlier in the year, and while U.S. equities had been quite resilient throughout most of 2018, they joined the declines later in the year. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by security selection in the developed markets of Europe and Asia, offset by security selection in emerging markets and Canada.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.





## **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-Advisors***

RBC Global Asset Management (UK) Limited and RBC Investment Management (Asia) Limited are the sub-advisors and provide investment advice for the Fund. The sub-advisors earn 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-advisors are 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$121,000 (2017 – \$169,000) or 9% (2017 – 7%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.28                                  | 0.36                                             | (0.30)            | 0.59                          | (1.31)                          | (0.66) | —                                          | (0.05)            | (0.39)                   | —                    | (0.44) | 13.16                               |
| Dec. 31, 2017                 | 13.86                                  | 0.35                                             | (0.31)            | 0.75                          | 0.18                            | 0.97   | —                                          | (0.04)            | (0.52)                   | —                    | (0.56) | 14.28                               |
| Dec. 31, 2016                 | 13.18                                  | 0.40                                             | (0.29)            | 0.46                          | 0.33                            | 0.90   | —                                          | (0.11)            | (0.12)                   | —                    | (0.23) | 13.86                               |
| Dec. 31, 2015                 | 13.46                                  | 0.41                                             | (0.30)            | 0.53                          | (0.50)                          | 0.14   | —                                          | (0.12)            | (0.27)                   | —                    | (0.39) | 13.18                               |
| Dec. 31, 2014                 | 12.90                                  | 0.41                                             | (0.31)            | 0.74                          | 0.31                            | 1.15   | —                                          | (0.07)            | (0.50)                   | —                    | (0.57) | 13.46                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.43                                  | 0.37                                             | (0.31)            | 0.60                          | (1.33)                          | (0.67) | —                                          | (0.06)            | (0.39)                   | —                    | (0.45) | 13.28                               |
| Dec. 31, 2017                 | 14.01                                  | 0.35                                             | (0.31)            | 0.76                          | 0.19                            | 0.99   | —                                          | (0.03)            | (0.53)                   | —                    | (0.56) | 14.43                               |
| Dec. 31, 2016                 | 13.31                                  | 0.40                                             | (0.29)            | 0.46                          | 0.33                            | 0.90   | —                                          | (0.11)            | (0.12)                   | —                    | (0.23) | 14.01                               |
| Dec. 31, 2015                 | 13.60                                  | 0.41                                             | (0.30)            | 0.54                          | (0.51)                          | 0.14   | —                                          | (0.12)            | (0.27)                   | —                    | (0.39) | 13.31                               |
| Dec. 31, 2014                 | 13.02                                  | 0.41                                             | (0.32)            | 0.75                          | 0.31                            | 1.15   | —                                          | (0.06)            | (0.50)                   | —                    | (0.56) | 13.60                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.87                                  | 0.32                                             | (0.26)            | 0.52                          | (1.19)                          | (0.61) | —                                          | (0.04)            | (0.33)                   | (0.27)               | (0.64) | 11.64                               |
| Dec. 31, 2017                 | 12.63                                  | 0.31                                             | (0.27)            | 0.67                          | 0.20                            | 0.91   | —                                          | (0.03)            | (0.52)                   | (0.08)               | (0.63) | 12.87                               |
| Dec. 31, 2016                 | 12.40                                  | 0.37                                             | (0.27)            | 0.42                          | 0.36                            | 0.88   | —                                          | (0.10)            | (0.09)                   | (0.43)               | (0.62) | 12.63                               |
| Dec. 31, 2015                 | 12.93                                  | 0.39                                             | (0.27)            | 0.50                          | (0.48)                          | 0.14   | —                                          | (0.11)            | (0.29)                   | (0.25)               | (0.65) | 12.40                               |
| Dec. 31, 2014                 | 12.47                                  | 0.39                                             | (0.29)            | 0.70                          | 0.30                            | 1.10   | —                                          | (0.06)            | (0.42)                   | (0.14)               | (0.62) | 12.93                               |
| Series T8                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.26                                   | 0.20                                             | (0.17)            | 0.33                          | (0.75)                          | (0.39) | —                                          | (0.03)            | (0.19)                   | (0.44)               | (0.66) | 7.23                                |
| Dec. 31, 2017                 | 8.35                                   | 0.20                                             | (0.17)            | 0.44                          | 0.04                            | 0.51   | —                                          | (0.02)            | (0.24)                   | (0.41)               | (0.67) | 8.26                                |
| Dec. 31, 2016                 | 8.46                                   | 0.25                                             | (0.18)            | 0.28                          | 0.20                            | 0.55   | —                                          | (0.07)            | (0.09)                   | (0.52)               | (0.68) | 8.35                                |
| Dec. 31, 2015                 | 9.10                                   | 0.27                                             | (0.19)            | 0.35                          | (0.33)                          | 0.10   | —                                          | (0.08)            | (0.17)                   | (0.48)               | (0.73) | 8.46                                |
| Dec. 31, 2014                 | 9.05                                   | 0.28                                             | (0.21)            | 0.50                          | 0.21                            | 0.78   | —                                          | (0.05)            | (0.35)                   | (0.33)               | (0.73) | 9.10                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.89                                  | 0.38                                             | (0.19)            | 0.62                          | (1.39)                          | (0.58) | —                                          | (0.16)            | (0.41)                   | —                    | (0.57) | 13.73                               |
| Dec. 31, 2017                 | 14.41                                  | 0.37                                             | (0.20)            | 0.78                          | 0.18                            | 1.13   | —                                          | (0.13)            | (0.54)                   | —                    | (0.67) | 14.89                               |
| Dec. 31, 2016                 | 13.70                                  | 0.41                                             | (0.19)            | 0.47                          | 0.38                            | 1.07   | —                                          | (0.23)            | (0.12)                   | —                    | (0.35) | 14.41                               |
| Dec. 31, 2015                 | 13.99                                  | 0.42                                             | (0.19)            | 0.55                          | (0.52)                          | 0.26   | —                                          | (0.24)            | (0.28)                   | —                    | (0.52) | 13.70                               |
| Dec. 31, 2014                 | 13.40                                  | 0.42                                             | (0.21)            | 0.77                          | 0.32                            | 1.30   | —                                          | (0.18)            | (0.52)                   | —                    | (0.70) | 13.99                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.74                                  | 0.40                                             | (0.16)            | 0.66                          | (1.51)                          | (0.61) | —                                          | (0.20)            | (0.43)                   | —                    | (0.63) | 14.52                               |
| Dec. 31, 2017                 | 15.23                                  | 0.39                                             | (0.17)            | 0.83                          | 0.22                            | 1.27   | —                                          | (0.16)            | (0.58)                   | —                    | (0.74) | 15.74                               |
| Dec. 31, 2016                 | 14.47                                  | 0.44                                             | (0.16)            | 0.51                          | 0.24                            | 1.03   | —                                          | (0.29)            | (0.12)                   | —                    | (0.41) | 15.23                               |
| Dec. 31, 2015                 | 14.78                                  | 0.45                                             | (0.16)            | 0.58                          | (0.55)                          | 0.32   | —                                          | (0.30)            | (0.29)                   | —                    | (0.59) | 14.47                               |
| Dec. 31, 2014                 | 14.15                                  | 0.45                                             | (0.18)            | 0.82                          | 0.34                            | 1.43   | —                                          | (0.23)            | (0.55)                   | —                    | (0.78) | 14.78                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.33                                  | 0.42                                             | (0.07)            | 0.68                          | (1.53)                          | (0.50) | (0.01)                                     | (0.28)            | (0.45)                   | —                    | (0.74) | 15.09                               |
| Dec. 31, 2017                 | 15.78                                  | 0.40                                             | (0.07)            | 0.86                          | 0.20                            | 1.39   | —                                          | (0.25)            | (0.60)                   | —                    | (0.85) | 16.33                               |
| Dec. 31, 2016                 | 14.99                                  | 0.45                                             | (0.06)            | 0.52                          | 0.40                            | 1.31   | —                                          | (0.40)            | (0.13)                   | —                    | (0.53) | 15.78                               |
| Dec. 31, 2015                 | 15.31                                  | 0.46                                             | (0.06)            | 0.61                          | (0.57)                          | 0.44   | —                                          | (0.41)            | (0.30)                   | —                    | (0.71) | 14.99                               |
| Dec. 31, 2014                 | 14.66                                  | 0.46                                             | (0.06)            | 0.85                          | 0.36                            | 1.61   | —                                          | (0.37)            | (0.57)                   | —                    | (0.94) | 15.31                               |



## FINANCIAL HIGHLIGHTS (cont.)

### Change in Net Assets Per Unit (\$) (cont.)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>15.91</b>                           | <b>0.41</b>                                      | —                 | <b>0.66</b>                   | <b>(1.51)</b>                   | <b>(0.44)</b> | <b>(0.01)</b>                              | <b>(0.33)</b>     | <b>(0.44)</b>            | —                    | <b>(0.78)</b> | <b>14.70</b>                        |
| Dec. 31, 2017                 | 15.36                                  | 0.39                                             | —                 | 0.84                          | 0.19                            | 1.42          | —                                          | (0.30)            | (0.58)                   | —                    | (0.88)        | 15.91                               |
| Dec. 31, 2016                 | 14.59                                  | 0.44                                             | —                 | 0.51                          | 0.38                            | 1.33          | —                                          | (0.44)            | (0.13)                   | —                    | (0.57)        | 15.36                               |
| Dec. 31, 2015                 | 14.91                                  | 0.45                                             | —                 | 0.59                          | (0.56)                          | 0.48          | —                                          | (0.46)            | (0.30)                   | —                    | (0.76)        | 14.59                               |
| Dec. 31, 2014                 | 14.29                                  | 0.45                                             | —                 | 0.83                          | 0.35                            | 1.63          | —                                          | (0.42)            | (0.57)                   | —                    | (0.99)        | 14.91                               |

<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.

## Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.16</b>                     | <b>4 230 235</b>            | <b>321 540</b>                        | <b>2.15</b>                                  | <b>2.15</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 14.28                            | 5 063 830                   | 354 559                               | 2.16                                         | 2.16                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016         | 13.86                            | 5 291 927                   | 381 744                               | 2.16                                         | 2.16                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015         | 13.18                            | 5 717 850                   | 433 974                               | 2.16                                         | 2.16                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014         | 13.46                            | 6 459 792                   | 479 781                               | 2.32                                         | 2.32                                      | 60.51                                       | 0.09                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.28</b>                     | <b>14 433</b>               | <b>1 086</b>                          | <b>2.17</b>                                  | <b>2.17</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 14.43                            | 17 160                      | 1 190                                 | 2.18                                         | 2.18                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016         | 14.01                            | 17 857                      | 1 275                                 | 2.17                                         | 2.17                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015         | 13.31                            | 17 719                      | 1 331                                 | 2.18                                         | 2.18                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014         | 13.60                            | 19 550                      | 1 437                                 | 2.34                                         | 2.34                                      | 60.51                                       | 0.09                                      |
| <b>Series T5</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.64</b>                     | <b>1 219</b>                | <b>105</b>                            | <b>2.13</b>                                  | <b>2.13</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 12.87                            | 1 195                       | 93                                    | 2.15                                         | 2.15                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016         | 12.63                            | 751                         | 59                                    | 2.14                                         | 2.14                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015         | 12.40                            | 837                         | 67                                    | 2.14                                         | 2.14                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014         | 12.93                            | 336                         | 26                                    | 2.29                                         | 2.29                                      | 60.51                                       | 0.09                                      |
| <b>Series T8</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.23</b>                      | <b>2 085</b>                | <b>288</b>                            | <b>2.10</b>                                  | <b>2.10</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 8.26                             | 2 596                       | 314                                   | 2.11                                         | 2.11                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016         | 8.35                             | 3 944                       | 472                                   | 2.13                                         | 2.13                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015         | 8.46                             | 2 884                       | 341                                   | 2.15                                         | 2.15                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014         | 9.10                             | 2 424                       | 266                                   | 2.30                                         | 2.30                                      | 60.51                                       | 0.09                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.73</b>                     | <b>117 000</b>              | <b>8 522</b>                          | <b>1.33</b>                                  | <b>1.33</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 14.89                            | 125 541                     | 8 432                                 | 1.33                                         | 1.33                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016         | 14.41                            | 115 887                     | 8 040                                 | 1.33                                         | 1.33                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015         | 13.70                            | 111 999                     | 8 176                                 | 1.33                                         | 1.33                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014         | 13.99                            | 109 532                     | 7 828                                 | 1.50                                         | 1.50                                      | 60.51                                       | 0.09                                      |



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data (cont.)**

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>14.52</b>                     | <b>269 945</b>              | <b>18 587</b>                         | <b>1.05</b>                                  | <b>1.05</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 15.74                            | 193 873                     | 12 321                                | 1.06                                         | 1.06                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016        | 15.23                            | 84 401                      | 5 541                                 | 1.06                                         | 1.06                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015        | 14.47                            | 23 676                      | 1 637                                 | 1.06                                         | 1.06                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014        | 14.78                            | 22 710                      | 1 537                                 | 1.23                                         | 1.23                                      | 60.51                                       | 0.09                                      |
| <b>Series I</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>15.09</b>                     | <b>225 068</b>              | <b>14 918</b>                         | <b>0.42</b>                                  | <b>0.42</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 16.33                            | 242 039                     | 14 823                                | 0.42                                         | 0.42                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016        | 15.78                            | 228 592                     | 14 487                                | 0.42                                         | 0.42                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015        | 14.99                            | 218 208                     | 14 554                                | 0.43                                         | 0.43                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014        | 15.31                            | 219 561                     | 14 340                                | 0.43                                         | 0.43                                      | 60.51                                       | 0.09                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>14.70</b>                     | <b>61 758</b>               | <b>4 200</b>                          | <b>0.03</b>                                  | <b>0.03</b>                               | <b>28.35</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 15.91                            | 62 877                      | 3 953                                 | 0.03                                         | 0.03                                      | 29.14                                       | 0.04                                      |
| Dec. 31, 2016        | 15.36                            | 56 950                      | 3 709                                 | 0.04                                         | 0.04                                      | 31.74                                       | 0.06                                      |
| Dec. 31, 2015        | 14.59                            | 51 433                      | 3 525                                 | 0.04                                         | 0.04                                      | 42.78                                       | 0.06                                      |
| Dec. 31, 2014        | 14.91                            | 47 056                      | 3 156                                 | 0.03                                         | 0.03                                      | 60.51                                       | 0.09                                      |

<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.

**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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series T5      | 1.85%           | 54%                   | 46%    |
| Series T8      | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 100%   |
| Series I       | 1.00%           | —                     | 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**

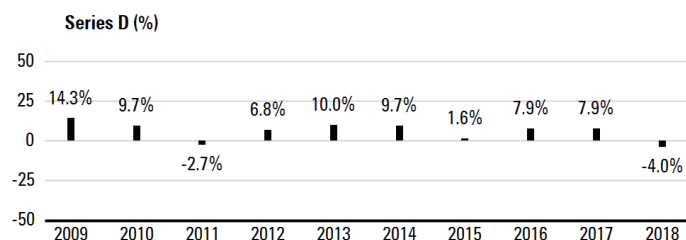
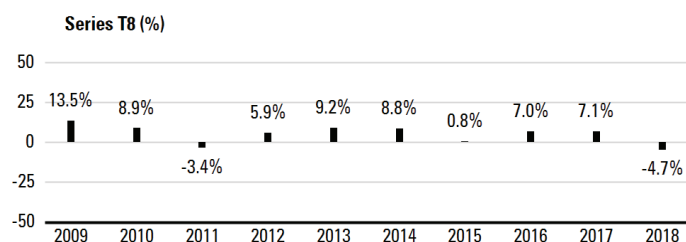
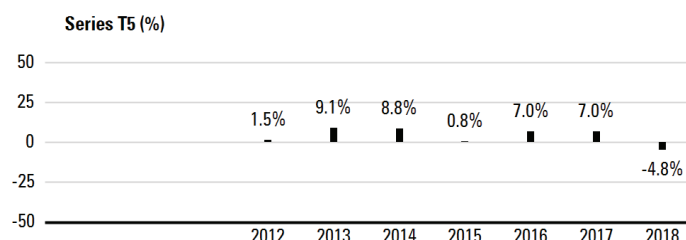
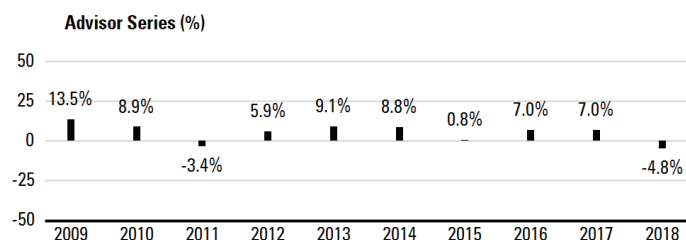
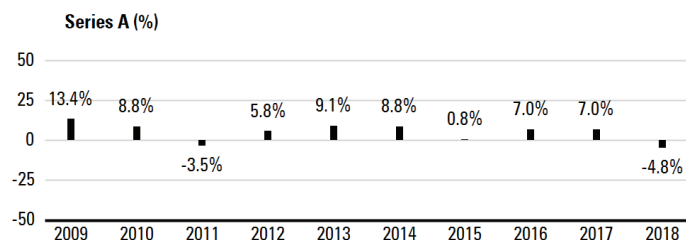
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)**

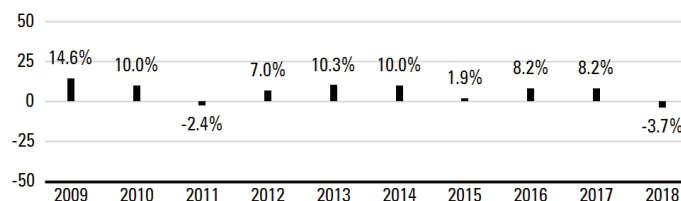
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



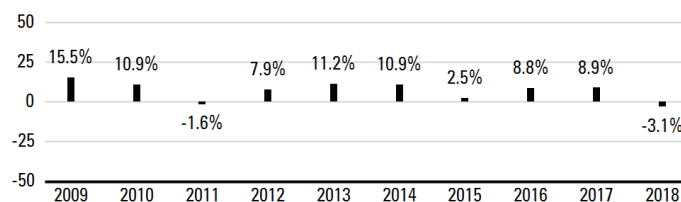
## PAST PERFORMANCE (cont.)



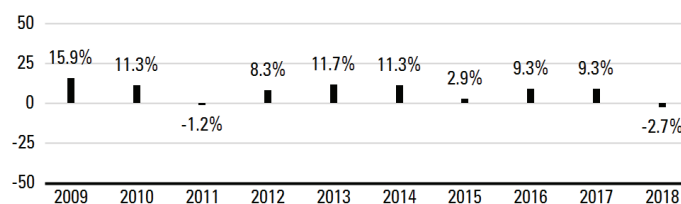
Series F (%)



Series I (%)



Series O (%)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 40% FTSE Canada All Government Bond Index
- 35% S&P/TSX Capped Composite Total Return Index
- 10% S&P 500 Total Return Index (CAD)
- 7% MSCI EAFE Total Return Net Index (CAD)
- 5% FTSE Canada All Corporate Bond Index
- 3% MSCI Emerging Markets Total Return Net Index (CAD)

The old blended benchmark (the “Old benchmark”) is composed of:

- 45% FTSE Canada Universe Bond Index
- 35% S&P/TSX Capped Composite Total Return Index
- 10% S&P 500 Total Return Index (CAD)
- 7% MSCI EAFE Total Return Net Index (CAD)
- 3% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index



## PAST PERFORMANCE (cont.)

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -4.8         | 2.9             | 3.6             | 5.1              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -4.8         | 2.9             | 3.6             | 5.1              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series T5           | -4.8         | 2.9             | 3.7             | —                | 4.6                |
| New benchmark       | -2.6         | 4.4             | 5.1             | —                | 5.9                |
| Old benchmark       | -2.7         | 4.5             | 5.1             | —                | 5.9                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.6                |
| Series T8           | -4.7         | 3.0             | 3.7             | 5.2              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D            | -4.0         | 3.8             | 4.5             | 6.0              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -3.7         | 4.1             | 4.8             | 6.3              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series I            | -3.1         | 4.7             | 5.5             | 7.0              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | -2.7         | 5.1             | 5.9             | 7.5              | —                  |
| New benchmark       | -2.6         | 4.4             | 5.1             | 6.9              | —                  |
| Old benchmark       | -2.7         | 4.5             | 5.1             | 7.1              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series T5 units have been available for sale to unitholders since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE Canada All Government Bond Index** This index is a broad measure of the performance of bonds issued by or backed by the federal government, the provinces and municipalities. The index includes bonds with terms to maturity of at least one year.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada All Corporate Bond Index** This index is a broad measure of the performance of investment-grade Canadian bonds issued by corporations. The index includes bonds with terms to maturity of at least one year.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**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 |
|------------------------|----------------------|
| Canadian Bonds         | 39.3                 |
| Canadian Equities      | 33.5                 |
| United States Equities | 8.8                  |
| Underlying Funds       | 7.2                  |
| International Equities | 6.5                  |
| Foreign Bonds          | 0.4                  |
| Cash/Other             | 4.3                  |

### Top 25 Holdings

|                                              | % of Net Asset Value |
|----------------------------------------------|----------------------|
| RBC Emerging Markets Equity Fund             | 3.6                  |
| Royal Bank of Canada                         | 2.4                  |
| Toronto-Dominion Bank                        | 2.1                  |
| Bank of Nova Scotia                          | 1.7                  |
| Enbridge Inc.                                | 1.4                  |
| Government of Canada 0.750% Sep 1 2021       | 1.3                  |
| Government of Canada 2.750% Dec 1 2048       | 1.3                  |
| Cash & Cash Equivalents                      | 1.3                  |
| Canadian National Railway Co.                | 1.2                  |
| Suncor Energy Inc.                           | 1.2                  |
| Province of Ontario 4.650% Jun 2 2041        | 1.2                  |
| Province of Ontario 4.600% Jun 2 2039        | 1.1                  |
| RBC Canadian Small & Mid-Cap Resources Fund  | 1.0                  |
| Hydro-Quebec 6.500% Feb 15 2035              | 1.0                  |
| Government of Canada 0.500% Mar 1 2022       | 1.0                  |
| Province of Ontario 4.700% Jun 2 2037        | 1.0                  |
| Bank of Montreal                             | 1.0                  |
| Brookfield Asset Management Inc., Class A    | 1.0                  |
| Province of Ontario 2.850% Jun 2 2023        | 1.0                  |
| Japanese Nikkei 225 Index Future, March 2019 | 0.9                  |
| Province of Ontario 3.150% Jun 2 2022        | 0.9                  |
| Province of Quebec 3.000% Sep 1 2023         | 0.9                  |
| Province of Ontario 2.600% Jun 2 2027        | 0.9                  |
| Province of Ontario 2.600% Jun 2 2025        | 0.9                  |
| Province of Ontario 3.450% Jun 2 2045        | 0.8                  |
| <b>Top 25 Holdings</b>                       | <b>32.1</b>          |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



BALANCED FUND

**RBC GLOBAL BALANCED FUND**

December 31, 2018

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England  
*(for the European equity portion of the Fund)*

Sub-Advisor: RBC Investment Management (Asia) Limited, Hong Kong, China  
*(for the Asian equity portion of the Fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues long-term capital growth with a secondary focus on modest income. The Fund invests primarily in Canadian, U.S. and international equities and fixed-income securities. It may also invest in income trusts and may use derivatives.

The Fund uses a strategic asset-allocation approach that determines the appropriate asset mix with broad pre-established guidelines for each asset class, and adjusts the percentage of the Fund invested in each asset class as the market outlook changes.

The Fund's target weightings for each asset class are 45% for fixed income, 19% for Canadian equities, 20% for U.S. equities, 12% for international equities and 4% for emerging-markets equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$670 million as of December 31, 2018, from \$727 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 3.1%, which underperformed the 1.1% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 declined 8.9%.

The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Funds that invest in a mix of stocks and bonds generally fell in 2018, although bonds tempered the equity declines.

Global stock markets fell early in 2018, and rebounded before plunging again late in the year, the result of steps taken by central banks to tighten monetary policy, in the case of the U.S. Federal Reserve, or preparing to do so, in the case of the European Central Bank. The worst of the declines were in international markets, with developed markets outside North America falling as much as 20%. Geopolitical tensions and trade concerns contributed to the decreases. In a sign

of investor concern, sovereign-bond yields fell during the last few months of the year, generating modest returns that offset losses in corporate fixed income.

The Fund's performance was helped by a decision to expose the Fund's equity holdings to the impact of foreign currencies, and this shift paid off when the Canadian dollar plunged in the latter half of the year. Returns were held back by the underperformance of stocks in the developed markets of Europe and Asia.

The Fund continued to carry a modest overweight position in stocks and an underweight position in bonds. The bond weight was slightly increased during weakness early in the year. The Fund continued to hedge most of its fixed-income currency exposure.

### Recent Developments

The Fund took some steps to reduce exposure to stock and non-government bond markets into the mid-part of 2018. There was wariness that stocks were becoming fully valued, and it was unlikely that expanding valuations would continue to drive stocks higher. The decline has made valuations of riskier assets more attractive, and the portfolio manager is looking to increase exposure to riskier assets assuming a recession does not unfold in 2019. For the foreseeable future, the portfolio manager does not expect yields on sovereign bonds to rise above the highs reached in 2018.

### 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-Advisors***

RBC Global Asset Management (UK) Limited and RBC Investment Management (Asia) Limited are the sub-advisors and provide investment advice for the Fund. The sub-advisors earn 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-advisors are 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$22,000 (2017 – \$18,000) or 9% (2017 – 5%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.02                                  | 0.34                                             | (0.37)            | 0.66                          | (1.14)                          | (0.51) | —                                          | —                 | (0.51)                   | —                    | (0.51) | 15.98                               |
| Dec. 31, 2017                 | 16.45                                  | 0.36                                             | (0.38)            | 0.92                          | 0.38                            | 1.28   | —                                          | —                 | (0.73)                   | —                    | (0.73) | 17.02                               |
| Dec. 31, 2016                 | 15.83                                  | 0.38                                             | (0.35)            | 0.62                          | 0.04                            | 0.69   | —                                          | —                 | (0.10)                   | —                    | (0.10) | 16.45                               |
| Dec. 31, 2015                 | 15.21                                  | 0.39                                             | (0.35)            | 0.79                          | (0.19)                          | 0.64   | —                                          | —                 | —                        | —                    | —      | 15.83                               |
| Dec. 31, 2014                 | 14.02                                  | 0.35                                             | (0.35)            | 1.25                          | (0.07)                          | 1.18   | —                                          | —                 | —                        | —                    | —      | 15.21                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.18                                  | 0.35                                             | (0.37)            | 0.67                          | (1.20)                          | (0.55) | —                                          | —                 | (0.51)                   | —                    | (0.51) | 16.13                               |
| Dec. 31, 2017                 | 16.61                                  | 0.37                                             | (0.37)            | 0.93                          | 0.37                            | 1.30   | —                                          | —                 | (0.74)                   | —                    | (0.74) | 17.18                               |
| Dec. 31, 2016                 | 15.97                                  | 0.39                                             | (0.35)            | 0.63                          | 0.12                            | 0.79   | —                                          | —                 | (0.10)                   | —                    | (0.10) | 16.61                               |
| Dec. 31, 2015                 | 15.34                                  | 0.39                                             | (0.34)            | 0.80                          | (0.19)                          | 0.66   | —                                          | —                 | —                        | —                    | —      | 15.97                               |
| Dec. 31, 2014                 | 14.14                                  | 0.36                                             | (0.34)            | 1.26                          | (0.07)                          | 1.21   | —                                          | —                 | —                        | —                    | —      | 15.34                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.78                                  | 0.27                                             | (0.29)            | 0.53                          | (1.00)                          | (0.49) | —                                          | —                 | (0.44)                   | (0.25)               | (0.69) | 12.69                               |
| Dec. 31, 2017                 | 13.43                                  | 0.29                                             | (0.30)            | 0.74                          | 0.32                            | 1.05   | —                                          | —                 | (0.58)                   | (0.09)               | (0.67) | 13.78                               |
| Dec. 31, 2016                 | 13.51                                  | 0.32                                             | (0.29)            | 0.52                          | 0.30                            | 0.85   | —                                          | —                 | (0.09)                   | (0.59)               | (0.68) | 13.43                               |
| Dec. 31, 2015                 | 13.63                                  | 0.34                                             | (0.30)            | 0.70                          | (0.16)                          | 0.58   | —                                          | —                 | —                        | (0.68)               | (0.68) | 13.51                               |
| Dec. 31, 2014                 | 13.20                                  | 0.32                                             | (0.32)            | 1.15                          | (0.07)                          | 1.08   | —                                          | —                 | —                        | (0.66)               | (0.66) | 13.63                               |
| Series T8                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 8.39                                   | 0.16                                             | (0.17)            | 0.32                          | (0.56)                          | (0.25) | —                                          | —                 | (0.24)                   | (0.43)               | (0.67) | 7.48                                |
| Dec. 31, 2017                 | 8.42                                   | 0.18                                             | (0.18)            | 0.46                          | 0.18                            | 0.64   | —                                          | —                 | (0.32)                   | (0.35)               | (0.67) | 8.39                                |
| Dec. 31, 2016                 | 8.74                                   | 0.20                                             | (0.18)            | 0.33                          | 0.13                            | 0.48   | —                                          | —                 | (0.06)                   | (0.64)               | (0.70) | 8.42                                |
| Dec. 31, 2015                 | 9.09                                   | 0.22                                             | (0.19)            | 0.46                          | (0.11)                          | 0.38   | —                                          | —                 | —                        | (0.73)               | (0.73) | 8.74                                |
| Dec. 31, 2014                 | 9.07                                   | 0.22                                             | (0.21)            | 0.78                          | (0.05)                          | 0.74   | —                                          | —                 | —                        | (0.73)               | (0.73) | 9.09                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.59                                  | 0.38                                             | (0.24)            | 0.73                          | (1.29)                          | (0.42) | —                                          | —                 | (0.56)                   | —                    | (0.56) | 17.61                               |
| Dec. 31, 2017                 | 17.81                                  | 0.39                                             | (0.24)            | 1.00                          | 0.39                            | 1.54   | —                                          | —                 | (0.79)                   | —                    | (0.79) | 18.59                               |
| Dec. 31, 2016                 | 16.98                                  | 0.41                                             | (0.23)            | 0.67                          | 0.09                            | 0.94   | —                                          | —                 | (0.10)                   | —                    | (0.10) | 17.81                               |
| Dec. 31, 2015                 | 16.17                                  | 0.41                                             | (0.22)            | 0.85                          | (0.20)                          | 0.84   | —                                          | —                 | —                        | —                    | —      | 16.98                               |
| Dec. 31, 2014                 | 14.78                                  | 0.37                                             | (0.23)            | 1.33                          | (0.08)                          | 1.39   | —                                          | —                 | —                        | —                    | —      | 16.17                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 20.07                                  | 0.41                                             | (0.21)            | 0.79                          | (1.51)                          | (0.52) | —                                          | —                 | (0.61)                   | —                    | (0.61) | 19.06                               |
| Dec. 31, 2017                 | 19.17                                  | 0.42                                             | (0.21)            | 1.08                          | 0.46                            | 1.75   | —                                          | —                 | (0.84)                   | —                    | (0.84) | 20.07                               |
| Dec. 31, 2016                 | 18.23                                  | 0.45                                             | (0.20)            | 0.73                          | 0.12                            | 1.10   | —                                          | —                 | (0.11)                   | —                    | (0.11) | 19.17                               |
| Dec. 31, 2015                 | 17.31                                  | 0.44                                             | (0.19)            | 0.91                          | (0.21)                          | 0.95   | —                                          | —                 | —                        | —                    | —      | 18.23                               |
| Dec. 31, 2014                 | 15.78                                  | 0.40                                             | (0.20)            | 1.42                          | (0.08)                          | 1.54   | —                                          | —                 | —                        | —                    | —      | 17.31                               |



**FINANCIAL HIGHLIGHTS (cont.)**

**Change in Net Assets Per Unit (\$) (cont.)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>21.00</b>                           | <b>0.43</b>                                      | —                 | <b>0.83</b>                   | <b>(1.55)</b>                   | <b>(0.29)</b> | —                                          | —                 | <b>(0.64)</b>            | —                    | <b>(0.64)</b> | <b>20.16</b>                        |
| Dec. 31, 2017                 | 19.85                                  | 0.44                                             | —                 | 1.13                          | 0.47                            | 2.04          | —                                          | —                 | (0.87)                   | —                    | (0.87)        | 21.00                               |
| Dec. 31, 2016                 | 18.69                                  | 0.46                                             | —                 | 0.74                          | 0.16                            | 1.36          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 19.85                               |
| Dec. 31, 2015                 | 17.57                                  | 0.45                                             | —                 | 0.93                          | (0.22)                          | 1.16          | —                                          | —                 | —                        | —                    | —             | 18.69                               |
| Dec. 31, 2014                 | 15.83                                  | 0.40                                             | —                 | 1.43                          | (0.08)                          | 1.75          | —                                          | —                 | —                        | —                    | —             | 17.57                               |

<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.

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>15.98</b>                     | <b>550 586</b>              | <b>34 469</b>                         | <b>2.21</b>                                  | <b>2.21</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 17.02                            | 630 441                     | 37 050                                | 2.21                                         | 2.21                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016         | 16.45                            | 647 952                     | 39 385                                | 2.21                                         | 2.21                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015         | 15.83                            | 701 620                     | 44 317                                | 2.21                                         | 2.21                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014         | 15.21                            | 742 388                     | 48 812                                | 2.38                                         | 2.38                                      | 97.75                                       | 0.12                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>16.13</b>                     | <b>9 848</b>                | <b>610</b>                            | <b>2.18</b>                                  | <b>2.18</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 17.18                            | 9 145                       | 532                                   | 2.19                                         | 2.19                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016         | 16.61                            | 8 296                       | 500                                   | 2.17                                         | 2.17                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015         | 15.97                            | 7 619                       | 477                                   | 2.17                                         | 2.17                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014         | 15.34                            | 6 996                       | 456                                   | 2.32                                         | 2.32                                      | 97.75                                       | 0.12                                      |
| <b>Series T5</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.69</b>                     | <b>641</b>                  | <b>51</b>                             | <b>2.17</b>                                  | <b>2.17</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 13.78                            | 495                         | 36                                    | 2.20                                         | 2.20                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016         | 13.43                            | 438                         | 33                                    | 2.21                                         | 2.21                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015         | 13.51                            | 87                          | 6                                     | 2.21                                         | 2.21                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014         | 13.63                            | 59                          | 4                                     | 2.38                                         | 2.38                                      | 97.75                                       | 0.12                                      |
| <b>Series T8</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.48</b>                      | <b>5 720</b>                | <b>764</b>                            | <b>2.12</b>                                  | <b>2.12</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 8.39                             | 5 340                       | 636                                   | 2.12                                         | 2.12                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016         | 8.42                             | 6 906                       | 820                                   | 2.14                                         | 2.14                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015         | 8.74                             | 3 108                       | 356                                   | 2.17                                         | 2.17                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014         | 9.09                             | 687                         | 76                                    | 2.36                                         | 2.36                                      | 97.75                                       | 0.12                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>17.61</b>                     | <b>23 819</b>               | <b>1 353</b>                          | <b>1.32</b>                                  | <b>1.32</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 18.59                            | 24 797                      | 1 334                                 | 1.33                                         | 1.33                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016         | 17.81                            | 18 365                      | 1 031                                 | 1.33                                         | 1.33                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015         | 16.98                            | 15 962                      | 940                                   | 1.33                                         | 1.33                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014         | 16.17                            | 13 315                      | 823                                   | 1.49                                         | 1.49                                      | 97.75                                       | 0.12                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>19.06</b>                     | <b>44 335</b>               | <b>2 326</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017        | 20.07                            | 28 371                      | 1 414                                 | 1.05                                         | 1.05                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016        | 19.17                            | 12 612                      | 658                                   | 1.06                                         | 1.06                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015        | 18.23                            | 3 158                       | 173                                   | 1.06                                         | 1.06                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014        | 17.31                            | 2 165                       | 125                                   | 1.21                                         | 1.21                                      | 97.75                                       | 0.12                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>20.16</b>                     | <b>34 663</b>               | <b>1 720</b>                          | <b>0.03</b>                                  | <b>0.03</b>                               | <b>55.19</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017        | 21.00                            | 28 417                      | 1 353                                 | 0.04                                         | 0.04                                      | 55.70                                       | 0.06                                      |
| Dec. 31, 2016        | 19.85                            | 19 714                      | 993                                   | 0.04                                         | 0.04                                      | 53.75                                       | 0.08                                      |
| Dec. 31, 2015        | 18.69                            | 14 098                      | 754                                   | 0.04                                         | 0.04                                      | 91.51                                       | 0.08                                      |
| Dec. 31, 2014        | 17.57                            | 6 644                       | 378                                   | 0.04                                         | 0.04                                      | 97.75                                       | 0.12                                      |

<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.

## 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series T5      | 1.85%           | 54%                   | 46%    |
| Series T8      | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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.

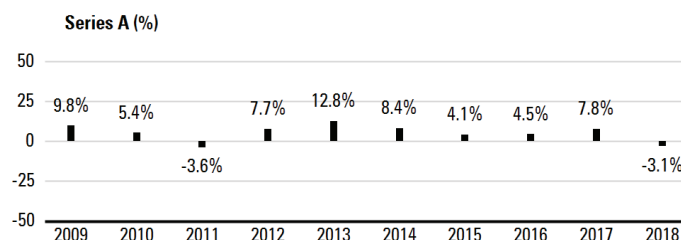
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.

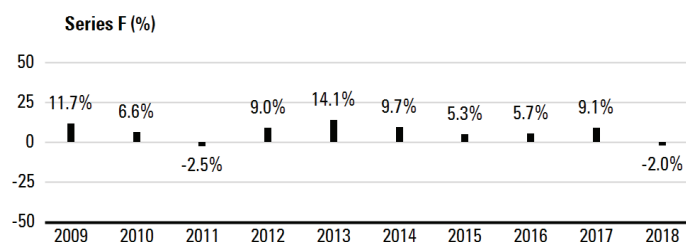
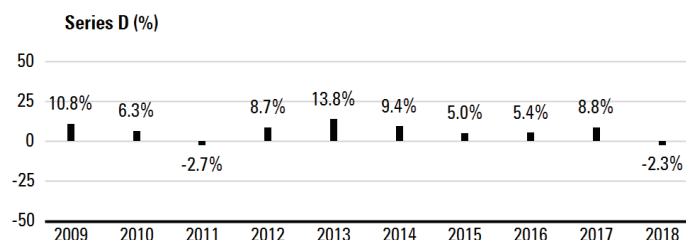
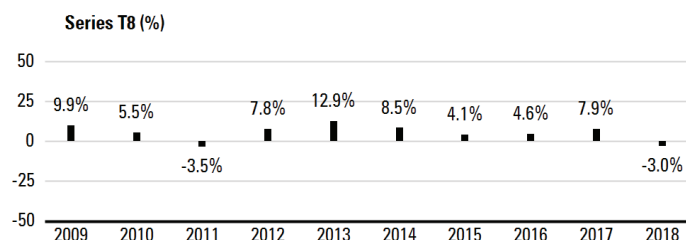
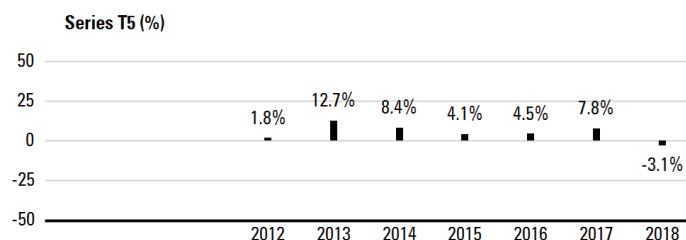
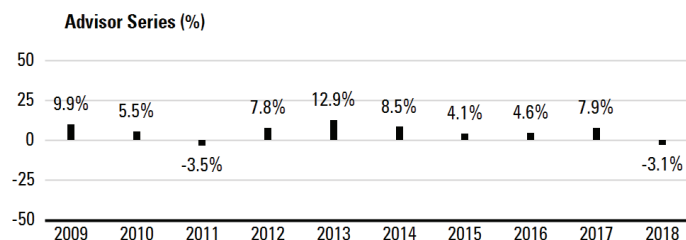
### Year-by-Year Returns (%)

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.

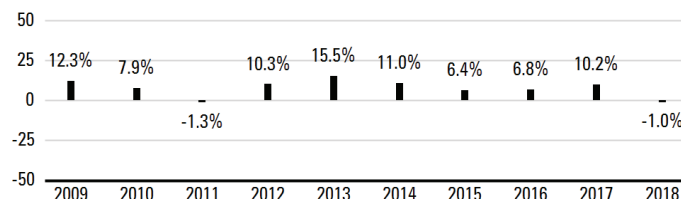




**PAST PERFORMANCE (cont.)**



**Series 0 (%)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 30% FTSE World Government Bond Index (hedged to CAD)
- 20% S&P 500 Total Return Index (CAD)
- 19% S&P/TSX Capped Composite Total Return Index
- 12% MSCI EAFE Total Return Net Index (CAD)
- 10% FTSE Canada All Government Bond Index
- 5% FTSE Canada All Corporate Bond Index
- 4% MSCI Emerging Markets Total Return Net Index (CAD)

The old blended benchmark (the “Old benchmark”) is composed of:

- 45% FTSE Canada Universe Bond Index
- 20% S&P 500 Total Return Index (CAD)
- 19% S&P/TSX Capped Composite Total Return Index
- 12% MSCI EAFE Total Return Net Index (CAD)
- 4% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -3.1         | 3.0             | 4.3             | 5.3              | —                  |
| New benchmark       | -1.1         | 4.8             | 6.3             | 7.5              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -3.1         | 3.0             | 4.3             | 5.3              | —                  |
| New benchmark       | -1.1         | 4.8             | 6.3             | 7.5              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series T5           | -3.1         | 3.0             | 4.3             | —                | 5.7                |
| New benchmark       | -1.1         | 4.8             | 6.3             | —                | 7.5                |
| Old benchmark       | -1.2         | 4.6             | 6.2             | —                | 7.3                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.6                |



## PAST PERFORMANCE (cont.)

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| <b>Series T8</b>    | -3.0         | 3.1             | 4.3             | 5.3              | —                  |
| New benchmark       | -1.1         | 4.8             | 6.3             | 7.5              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| <b>Series D</b>     | -2.3         | 3.9             | 5.2             | 6.2              | —                  |
| New benchmark       | -1.1         | 4.8             | 6.3             | 7.5              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| <b>Series F</b>     | -2.0         | 4.2             | 5.5             | 6.6              | —                  |
| New benchmark       | -1.1         | 4.8             | 6.3             | 7.5              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| <b>Series O</b>     | -1.0         | 5.2             | 6.6             | 7.7              | —                  |
| New benchmark       | -1.1         | 4.8             | 6.3             | 7.5              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series T5 units have been available for sale to unitholders since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE World Government Bond Index (hedged to CAD)** This index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index includes sovereign debt from about 20 countries and is hedged to Canadian dollars.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada All Government Bond Index** This index is a broad measure of the performance of bonds issued by or backed by the federal government, the provinces and municipalities. The index includes bonds with terms to maturity of at least one year.

**FTSE Canada All Corporate Bond Index** This index is a broad measure of the performance of investment-grade Canadian bonds issued by corporations. The index includes bonds with terms to maturity of at least one year.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**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 |
|------------------------|----------------------|
| Foreign Bonds          | 23.8                 |
| Canadian Equities      | 18.0                 |
| United States Equities | 17.5                 |
| Canadian Bonds         | 16.2                 |
| International Equities | 11.1                 |
| Underlying Funds       | 7.6                  |
| Cash/Other             | 5.8                  |

### Top 25 Holdings

|                                                     | % of Net Asset Value |
|-----------------------------------------------------|----------------------|
| RBC Emerging Markets Equity Fund                    | 3.6                  |
| Japan Government Twenty Year JPY 0.500% Sep 20 2036 | 2.3                  |
| United States Treasury 1.750% May 15 2023           | 2.0                  |
| Cash & Cash Equivalents                             | 1.6                  |
| United States Treasury 1.500% Jan 31 2022           | 1.5                  |
| Buoni Poliennali Del Tesoro EUR 1.450% Sep 15 2022  | 1.4                  |
| Province of Ontario USD 2.500% Sep 10 2021          | 1.4                  |
| Royal Bank of Canada                                | 1.3                  |
| Buoni Poliennali Del Tesoro EUR 0.450% Jun 1 2021   | 1.3                  |
| Japanese Nikkei 225 Index Future, March 2019        | 1.2                  |
| Toronto-Dominion Bank                               | 1.2                  |
| Spain Government EUR 1.150% Jul 30 2020             | 1.2                  |
| United States Treasury 2.500% Feb 15 2045           | 1.1                  |
| RBC U.S. Mid-Cap Growth Equity Fund                 | 1.0                  |
| United States Treasury 2.375% May 15 2027           | 0.9                  |
| Province of Ontario 4.700% Jun 2 2037               | 0.8                  |
| Bank of Nova Scotia                                 | 0.8                  |
| Spain Government EUR 0.450% Oct 31 2022             | 0.8                  |
| United States Treasury 2.750% Feb 15 2028           | 0.8                  |
| Microsoft Corp.                                     | 0.8                  |
| Bundesrepublik Deutschland EUR 4.000% Jan 4 2037    | 0.8                  |
| United Kingdom Gilt GBP 3.250% Jan 22 2044          | 0.7                  |
| Belgium Government EUR 2.600% Jun 22 2024           | 0.7                  |
| The Dow Jones Euro STOXX 50 Future, March 2019      | 0.7                  |
| France O.A.T. EUR 1.250% May 25 2036                | 0.7                  |
| <b>Top 25 Holdings</b>                              | <b>30.6</b>          |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).





BALANCED FUND

**RBC VISION BALANCED FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 provides the potential for long-term capital growth, with a secondary focus on modest income, by investing primarily in Canadian, U.S. and international equities and fixed-income securities, either directly or indirectly through investment in other funds managed by RBC GAM or an affiliate of RBC GAM. The Fund follows a socially responsible approach to investing. Investments that qualify for inclusion in the Fund must possess strong environmental, social and governance practices relative to industry peers, as defined by Sustainalytics Best-of-Sector™ methodology.

The Fund's target weightings for each asset class are 45% for fixed income, 19% for Canadian equities, 20% for U.S. equities and 16% for international equities. The target weightings may be adjusted based on changes in the market outlook for each asset class.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$211 million as of December 31, 2018, from \$188 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 1.5%, which underperformed the 1.1% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a neutral impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. The Fund's sole fixed-income holding, the RBC Vision Bond Fund, had a positive impact on performance.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC Vision Canadian Equity Fund, while the RBC Vision Global Equity Fund had a positive impact on performance.

Sustainalytics conducted one review covering the Fund's holdings in 2018. Eligibility was determined in relation to the Environmental, Social and Governance ("ESG") criteria developed by RBC GAM in consultation with Sustainalytics. In the opinion of Sustainalytics, all holdings in the Fund were eligible in the latest review, based on the above criteria. However, during the year, one company was removed from the Fund as it no longer met certain ESG criteria.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer

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superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$5,000) or 0% (2017 – 11%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.71                                  | 0.25                                             | (0.24)            | 0.36                          | (0.57)                          | (0.20) | —                                          | —                 | (0.28)                   | —                    | (0.28) | 11.25                               |
| Dec. 31, 2017                 | 11.56                                  | 0.24                                             | (0.25)            | 1.15                          | (0.24)                          | 0.90   | —                                          | —                 | (0.73)                   | —                    | (0.73) | 11.71                               |
| Dec. 31, 2016                 | 11.19                                  | 0.25                                             | (0.25)            | 0.13                          | 0.26                            | 0.39   | —                                          | (0.01)            | —                        | —                    | (0.01) | 11.56                               |
| Dec. 31, 2015                 | 11.17                                  | 0.28                                             | (0.26)            | 0.42                          | (0.01)                          | 0.43   | —                                          | (0.02)            | (0.47)                   | —                    | (0.49) | 11.19                               |
| Dec. 31, 2014                 | 11.03                                  | 0.26                                             | (0.27)            | 1.08                          | (0.01)                          | 1.06   | —                                          | —                 | (0.93)                   | —                    | (0.93) | 11.17                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.77                                  | 0.25                                             | (0.24)            | 0.36                          | (0.61)                          | (0.24) | (0.01)                                     | —                 | (0.28)                   | —                    | (0.29) | 11.30                               |
| Dec. 31, 2017                 | 11.62                                  | 0.22                                             | (0.25)            | 1.05                          | (0.04)                          | 0.98   | —                                          | —                 | (0.74)                   | —                    | (0.74) | 11.77                               |
| Dec. 31, 2016                 | 11.25                                  | 0.25                                             | (0.24)            | 0.13                          | 0.28                            | 0.42   | —                                          | (0.01)            | —                        | —                    | (0.01) | 11.62                               |
| Dec. 31, 2015                 | 11.21                                  | 0.28                                             | (0.25)            | 0.42                          | (0.01)                          | 0.44   | —                                          | (0.02)            | (0.47)                   | —                    | (0.49) | 11.25                               |
| Dec. 31, 2014                 | 11.06                                  | 0.26                                             | (0.27)            | 1.08                          | (0.01)                          | 1.06   | —                                          | —                 | (0.93)                   | —                    | (0.93) | 11.21                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.43                                  | 0.26                                             | (0.15)            | 0.39                          | (0.68)                          | (0.18) | (0.11)                                     | —                 | (0.30)                   | —                    | (0.41) | 11.93                               |
| Dec. 31, 2017                 | 12.15                                  | 0.25                                             | (0.16)            | 1.23                          | (0.29)                          | 1.03   | —                                          | —                 | (0.77)                   | —                    | (0.77) | 12.43                               |
| Dec. 31, 2016                 | 11.69                                  | 0.26                                             | (0.16)            | 0.14                          | 0.21                            | 0.45   | —                                          | (0.03)            | —                        | —                    | (0.03) | 12.15                               |
| Dec. 31, 2015                 | 11.59                                  | 0.29                                             | (0.16)            | 0.44                          | (0.01)                          | 0.56   | —                                          | (0.04)            | (0.50)                   | —                    | (0.54) | 11.69                               |
| Dec. 31, 2014                 | 11.33                                  | 0.27                                             | (0.18)            | 1.12                          | (0.02)                          | 1.19   | —                                          | —                 | (0.94)                   | —                    | (0.94) | 11.59                               |
| Series DZ                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.78                                   | 0.21                                             | (0.09)            | 0.31                          | (0.44)                          | (0.01) | (0.12)                                     | —                 | (0.24)                   | —                    | (0.36) | 9.39                                |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | (0.06)            | 0.47                          | 0.11                            | 0.62   | —                                          | —                 | (0.61)                   | —                    | (0.61) | 9.78                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.59                                  | 0.27                                             | (0.12)            | 0.39                          | (0.70)                          | (0.16) | (0.14)                                     | —                 | (0.31)                   | —                    | (0.45) | 12.09                               |
| Dec. 31, 2017                 | 12.29                                  | 0.23                                             | (0.12)            | 1.11                          | (0.05)                          | 1.17   | —                                          | —                 | (0.78)                   | —                    | (0.78) | 12.59                               |
| Dec. 31, 2016                 | 11.80                                  | 0.27                                             | (0.13)            | 0.14                          | 0.33                            | 0.61   | —                                          | (0.04)            | —                        | —                    | (0.04) | 12.29                               |
| Dec. 31, 2015                 | 11.67                                  | 0.29                                             | (0.13)            | 0.44                          | (0.01)                          | 0.59   | —                                          | (0.05)            | (0.50)                   | —                    | (0.55) | 11.80                               |
| Dec. 31, 2014                 | 11.38                                  | 0.27                                             | (0.15)            | 1.11                          | (0.02)                          | 1.21   | —                                          | —                 | (0.95)                   | —                    | (0.95) | 11.67                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.81                                   | 0.21                                             | —                 | 0.31                          | (0.48)                          | 0.04   | (0.21)                                     | —                 | (0.24)                   | —                    | (0.45) | 9.42                                |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | —                 | 0.47                          | 0.09                            | 0.66   | —                                          | —                 | (0.61)                   | —                    | (0.61) | 9.81                                |

<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 May 19, 2017.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.25</b>                     | <b>123 423</b>              | <b>10 970</b>                         | <b>2.06</b>                                  | <b>2.06</b>                               | <b>28.38</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 11.71                            | 116 016                     | 9 905                                 | 2.14                                         | 2.14                                      | 46.42                                       | 0.08                                      |
| Dec. 31, 2016              | 11.56                            | 95 557                      | 8 268                                 | 2.21                                         | 2.21                                      | 67.30                                       | 0.07                                      |
| Dec. 31, 2015              | 11.19                            | 86 550                      | 7 732                                 | 2.21                                         | 2.21                                      | 267.38                                      | 0.12                                      |
| Dec. 31, 2014              | 11.17                            | 67 611                      | 6 055                                 | 2.38                                         | 2.38                                      | 192.99                                      | 0.13                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.30</b>                     | <b>23 082</b>               | <b>2 042</b>                          | <b>2.04</b>                                  | <b>2.04</b>                               | <b>28.38</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 11.77                            | 19 298                      | 1 640                                 | 2.09                                         | 2.09                                      | 46.42                                       | 0.08                                      |
| Dec. 31, 2016              | 11.62                            | 6 002                       | 516                                   | 2.13                                         | 2.13                                      | 67.30                                       | 0.07                                      |
| Dec. 31, 2015              | 11.25                            | 5 113                       | 455                                   | 2.15                                         | 2.15                                      | 267.38                                      | 0.12                                      |
| Dec. 31, 2014              | 11.21                            | 2 699                       | 241                                   | 2.32                                         | 2.32                                      | 192.99                                      | 0.13                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.93</b>                     | <b>3 844</b>                | <b>322</b>                            | <b>1.23</b>                                  | <b>1.23</b>                               | <b>28.38</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 12.43                            | 3 319                       | 267                                   | 1.27                                         | 1.27                                      | 46.42                                       | 0.08                                      |
| Dec. 31, 2016              | 12.15                            | 2 876                       | 237                                   | 1.34                                         | 1.34                                      | 67.30                                       | 0.07                                      |
| Dec. 31, 2015              | 11.69                            | 3 159                       | 270                                   | 1.33                                         | 1.33                                      | 267.38                                      | 0.12                                      |
| Dec. 31, 2014              | 11.59                            | 1 947                       | 168                                   | 1.50                                         | 1.50                                      | 192.99                                      | 0.13                                      |
| <b>Series DZ</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.39</b>                      | <b>21 467</b>               | <b>2 287</b>                          | <b>0.93</b>                                  | <b>0.93</b>                               | <b>28.38</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 9.78                             | 23 779                      | 2 431                                 | 0.98                                         | 0.98                                      | 46.42                                       | 0.08                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.09</b>                     | <b>38 344</b>               | <b>3 172</b>                          | <b>0.94</b>                                  | <b>0.94</b>                               | <b>28.38</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 12.59                            | 24 837                      | 1 973                                 | 0.98                                         | 0.98                                      | 46.42                                       | 0.08                                      |
| Dec. 31, 2016              | 12.29                            | 5 354                       | 436                                   | 1.05                                         | 1.05                                      | 67.30                                       | 0.07                                      |
| Dec. 31, 2015              | 11.80                            | 2 308                       | 196                                   | 1.07                                         | 1.07                                      | 267.38                                      | 0.12                                      |
| Dec. 31, 2014              | 11.67                            | 1 118                       | 96                                    | 1.25                                         | 1.25                                      | 192.99                                      | 0.13                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.42</b>                      | <b>710</b>                  | <b>75</b>                             | <b>0.04</b>                                  | <b>0.04</b>                               | <b>28.38</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 9.81                             | 834                         | 85                                    | 0.04                                         | 0.04                                      | 46.42                                       | 0.08                                      |

<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 May 19, 2017.

Effective June 30, 2017, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund and the administration fees were changed in respect of Series A units of the Fund. If the changes to the management fees and administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 2.04%, Advisor Series – 2.03%, Series D – 1.20% and Series F – 0.93%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series DZ      | 0.75%           | 33%                   | 67%    |
| 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.

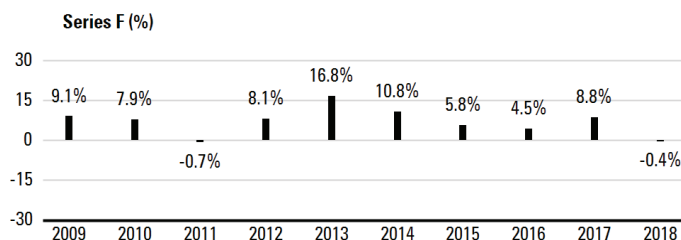
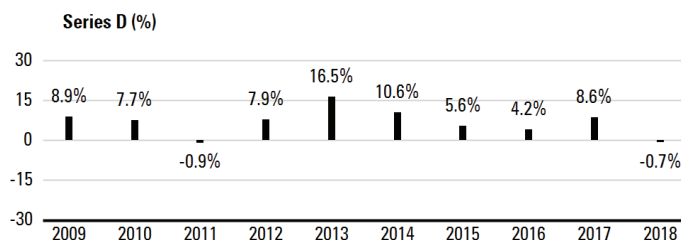
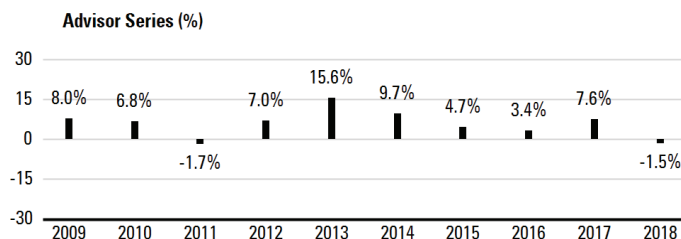
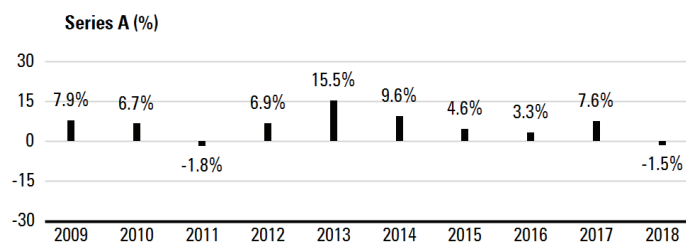
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the “Benchmark”) is composed of:

- 35% MSCI World Total Return Net Index (CAD)
- 28% FTSE World Government Bond Index (hedged to CAD)
- 20% S&P/TSX Capped Composite Total Return Index
- 15% FTSE Canada Universe Bond Index
- 2% FTSE Canada 30 Day TBill Index

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -1.5         | 3.1             | 4.7             | 5.8              | —                  |
| Benchmark           | -1.1         | 4.6             | 6.4             | 7.5              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -1.5         | 3.1             | 4.7             | 5.8              | —                  |
| Benchmark           | -1.1         | 4.6             | 6.4             | 7.5              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D            | -0.7         | 4.0             | 5.6             | 6.7              | —                  |
| Benchmark           | -1.1         | 4.6             | 6.4             | 7.5              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series DZ           | -0.4         | —               | —               | —                | 2.2                |
| Benchmark           | -1.1         | —               | —               | —                | 1.3                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.4                |
| Broad-based index 2 | -8.9         | —               | —               | —                | -1.7               |
| Series F            | -0.4         | 4.2             | 5.9             | 7.0              | —                  |
| Benchmark           | -1.1         | 4.6             | 6.4             | 7.5              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | 0.5          | —               | —               | —                | 2.9                |
| Benchmark           | -1.1         | —               | —               | —                | 1.3                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.4                |
| Broad-based index 2 | -8.9         | —               | —               | —                | -1.7               |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series DZ and Series O units have been available for sale to unitholders since May 19, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series DZ units have been capped and are no longer available for purchase by new investors effective June 30, 2017.

## INDEX DESCRIPTIONS

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE World Government Bond Index (hedged to CAD)\*** This index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index includes sovereign debt from about 20 countries and is hedged to Canadian dollars.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**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 30 Day TBill Index†** This index is a measure of the performance of Canadian short-term cash investments.

\* The FTSE World Government Bond Index (hedged to CAD) was known as the Citi World Government Bond Index (Currency-Hedged in CAD) before a name change.

† 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 |
|----------------|----------------------|
| Equity Funds   | 57.2                 |
| Foreign Bonds  | 26.7                 |
| Income Funds   | 14.5                 |
| Canadian Bonds | 1.4                  |
| Cash/Other     | 0.2                  |

### Top 25 Holdings

|                                                     | % of Net Asset Value |
|-----------------------------------------------------|----------------------|
| RBC Vision Global Equity Fund                       | 37.8                 |
| RBC Vision Canadian Equity Fund                     | 19.4                 |
| RBC Vision Bond Fund                                | 14.5                 |
| United States Treasury 1.625% Jul 31 2020           | 2.3                  |
| United States Treasury 1.500% Jan 31 2022           | 2.3                  |
| United States Treasury 1.750% May 15 2023           | 2.3                  |
| Buoni Poliennali Del Tesoro EUR 1.450% Sep 15 2022  | 1.8                  |
| Spain Government EUR 1.150% Jul 30 2020             | 1.3                  |
| United States Treasury 2.750% Feb 15 2028           | 1.0                  |
| Japan Government Twenty Year JPY 0.200% Jun 20 2036 | 0.9                  |
| Buoni Poliennali Del Tesoro EUR 0.450% Jun 1 2021   | 0.9                  |
| France O.A.T. EUR 1.250% May 25 2036                | 0.8                  |
| Japan Government Ten Year JPY 0.100% Sep 20 2027    | 0.8                  |
| United States Treasury 3.500% Feb 15 2039           | 0.7                  |
| United States Treasury 2.500% Feb 15 2045           | 0.7                  |
| United Kingdom Gilt GBP 1.250% Jul 22 2027          | 0.7                  |
| France O.A.T. EUR 0.500% May 25 2026                | 0.7                  |
| United Kingdom Gilt GBP 3.250% Jan 22 2044          | 0.6                  |
| Belgium Government EUR 2.600% Jun 22 2024           | 0.6                  |
| Province of Ontario USD 2.500% Sep 10 2021          | 0.6                  |
| United States Treasury 2.375% May 15 2027           | 0.6                  |
| Japan Government Twenty Year JPY 0.500% Sep 20 2036 | 0.6                  |
| Spain Government EUR 0.450% Oct 31 2022             | 0.5                  |
| United States Treasury 2.000% Feb 15 2025           | 0.5                  |
| Australia Government AUD 2.250% May 21 2028         | 0.4                  |
| <b>Top 25 Holdings</b>                              | <b>93.3</b>          |

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).





BALANCED FUND

**RBC CONSERVATIVE  
GROWTH & INCOME FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a combination of capital growth and modest income.

To achieve the objective, the Fund invests primarily in a diversified portfolio of income-producing equity and fixed-income securities anywhere in the world, either directly or indirectly, through investments in other mutual funds managed by RBC GAM or an affiliate. The Fund may also invest in emerging-market equity securities and emerging-market government and corporate bonds.

The Fund's target weightings for each asset class are 80% for fixed-income and 20% for equities. The target weightings for each class may be adjusted based on changes in the market outlook for each asset class.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$163 million as of December 31, 2018, from \$155 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 2.4%, which underperformed the 0.3% rise in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher

spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. The portfolio benefited from exposure to the Phillips, Hager & North Total Return Bond Fund and the RBC Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. The portfolio's performance was held back by allocations to the RBC Canadian Equity Income Fund and the RBC Emerging Markets Dividend Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

#### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.17</b>                           | <b>0.35</b>                                      | <b>(0.16)</b>     | <b>0.03</b>                   | <b>(0.45)</b>                   | <b>(0.23)</b> | <b>(0.13)</b>                              | <b>(0.05)</b>     | <b>(0.07)</b>            | —                    | <b>(0.25)</b> | <b>9.67</b>                         |
| Dec. 31, 2017                 | 9.84                                   | 0.35                                             | (0.17)            | 0.04                          | 0.23                            | 0.45          | (0.10)                                     | (0.04)            | (0.01)                   | —                    | (0.15)        | 10.17                               |
| Dec. 31, 2016                 | 9.57                                   | 0.35                                             | (0.16)            | 0.01                          | 0.23                            | 0.43          | (0.14)                                     | (0.06)            | (0.01)                   | —                    | (0.21)        | 9.84                                |
| Dec. 31, 2015                 | 10.00                                  | 0.37                                             | (0.15)            | (0.08)                        | (0.42)                          | (0.28)        | (0.14)                                     | (0.05)            | (0.09)                   | —                    | (0.28)        | 9.57                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.17</b>                           | <b>0.35</b>                                      | <b>(0.17)</b>     | <b>0.03</b>                   | <b>(0.46)</b>                   | <b>(0.25)</b> | <b>(0.13)</b>                              | <b>(0.05)</b>     | <b>(0.07)</b>            | —                    | <b>(0.25)</b> | <b>9.67</b>                         |
| Dec. 31, 2017                 | 9.83                                   | 0.36                                             | (0.17)            | 0.04                          | 0.23                            | 0.46          | (0.09)                                     | (0.04)            | (0.01)                   | —                    | (0.14)        | 10.17                               |
| Dec. 31, 2016                 | 9.57                                   | 0.35                                             | (0.16)            | 0.01                          | 0.29                            | 0.49          | (0.14)                                     | (0.06)            | (0.01)                   | —                    | (0.21)        | 9.83                                |
| Dec. 31, 2015                 | 10.00                                  | 0.36                                             | (0.15)            | (0.08)                        | (0.41)                          | (0.28)        | (0.14)                                     | (0.05)            | (0.09)                   | —                    | (0.28)        | 9.57                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |
| <b>Advisor T5 Series</b>      |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.36</b>                            | <b>0.35</b>                                      | <b>(0.17)</b>     | <b>0.03</b>                   | <b>(0.41)</b>                   | <b>(0.20)</b> | <b>(0.11)</b>                              | <b>(0.05)</b>     | <b>(0.05)</b>            | <b>(0.26)</b>        | <b>(0.47)</b> | <b>8.67</b>                         |
| Dec. 31, 2017                 | 9.38                                   | 0.36                                             | (0.17)            | 0.04                          | 0.16                            | 0.39          | (0.10)                                     | (0.05)            | (0.01)                   | (0.31)               | (0.47)        | 9.36                                |
| Dec. 31, 2016                 | 9.39                                   | 0.35                                             | (0.16)            | 0.01                          | 0.26                            | 0.46          | (0.13)                                     | (0.05)            | (0.01)                   | (0.28)               | (0.47)        | 9.38                                |
| Dec. 31, 2015                 | 10.00                                  | 0.36                                             | (0.15)            | (0.08)                        | (0.41)                          | (0.28)        | (0.13)                                     | (0.05)            | (0.14)                   | (0.14)               | (0.46)        | 9.39                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |
| <b>Series T5</b>              |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.36</b>                            | <b>0.32</b>                                      | <b>(0.15)</b>     | <b>0.03</b>                   | <b>(0.42)</b>                   | <b>(0.22)</b> | <b>(0.11)</b>                              | <b>(0.05)</b>     | <b>(0.05)</b>            | <b>(0.26)</b>        | <b>(0.47)</b> | <b>8.67</b>                         |
| Dec. 31, 2017                 | 9.38                                   | 0.33                                             | (0.16)            | 0.04                          | 0.20                            | 0.41          | (0.11)                                     | (0.05)            | (0.01)                   | (0.30)               | (0.47)        | 9.36                                |
| Dec. 31, 2016                 | 9.39                                   | 0.34                                             | (0.16)            | 0.01                          | 0.23                            | 0.42          | (0.13)                                     | (0.05)            | (0.01)                   | (0.28)               | (0.47)        | 9.38                                |
| Dec. 31, 2015                 | 10.00                                  | 0.35                                             | (0.15)            | (0.07)                        | (0.40)                          | (0.27)        | (0.12)                                     | (0.03)            | (0.13)                   | (0.18)               | (0.46)        | 9.39                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.17</b>                           | <b>0.35</b>                                      | <b>(0.08)</b>     | <b>0.03</b>                   | <b>(0.46)</b>                   | <b>(0.16)</b> | <b>(0.17)</b>                              | <b>(0.07)</b>     | <b>(0.08)</b>            | —                    | <b>(0.32)</b> | <b>9.69</b>                         |
| Dec. 31, 2017                 | 9.85                                   | 0.35                                             | (0.08)            | 0.04                          | 0.16                            | 0.47          | (0.16)                                     | (0.07)            | (0.01)                   | —                    | (0.24)        | 10.17                               |
| Dec. 31, 2016                 | 9.57                                   | 0.35                                             | (0.08)            | 0.01                          | 0.18                            | 0.46          | (0.18)                                     | (0.08)            | (0.01)                   | —                    | (0.27)        | 9.85                                |
| Dec. 31, 2015                 | 10.00                                  | 0.34                                             | (0.08)            | (0.07)                        | (0.39)                          | (0.20)        | (0.20)                                     | (0.06)            | (0.10)                   | —                    | (0.36)        | 9.57                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.58</b>                            | <b>0.32</b>                                      | <b>(0.07)</b>     | <b>0.03</b>                   | <b>(0.43)</b>                   | <b>(0.15)</b> | <b>(0.17)</b>                              | <b>(0.08)</b>     | <b>(0.04)</b>            | <b>(0.19)</b>        | <b>(0.48)</b> | <b>8.95</b>                         |
| Dec. 31, 2017                 | 9.52                                   | 0.35                                             | (0.08)            | 0.04                          | 0.20                            | 0.51          | (0.16)                                     | (0.08)            | (0.01)                   | (0.22)               | (0.47)        | 9.58                                |
| Dec. 31, 2016                 | 9.45                                   | 0.34                                             | (0.08)            | 0.01                          | 0.23                            | 0.50          | (0.17)                                     | (0.08)            | (0.01)                   | (0.21)               | (0.47)        | 9.52                                |
| Dec. 31, 2015                 | 10.00                                  | 0.33                                             | (0.08)            | (0.07)                        | (0.38)                          | (0.20)        | (0.11)                                     | (0.03)            | (0.34)                   | —                    | (0.48)        | 9.45                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |
| <b>Series I</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.10</b>                           | <b>0.35</b>                                      | <b>(0.07)</b>     | <b>0.03</b>                   | <b>(0.45)</b>                   | <b>(0.14)</b> | <b>(0.21)</b>                              | <b>(0.08)</b>     | <b>(0.08)</b>            | —                    | <b>(0.37)</b> | <b>9.58</b>                         |
| Dec. 31, 2017                 | 9.79                                   | 0.36                                             | (0.07)            | 0.04                          | 0.24                            | 0.57          | (0.17)                                     | (0.07)            | (0.02)                   | —                    | (0.26)        | 10.10                               |
| Dec. 31, 2016                 | 9.56                                   | 0.35                                             | (0.07)            | 0.01                          | 0.33                            | 0.62          | (0.23)                                     | (0.10)            | (0.01)                   | —                    | (0.34)        | 9.79                                |
| Dec. 31, 2015                 | 10.00                                  | 0.35                                             | (0.07)            | (0.07)                        | (0.40)                          | (0.19)        | (0.21)                                     | (0.06)            | (0.10)                   | —                    | (0.37)        | 9.56                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —             | —                                          | —                 | —                        | —                    | —             | 10.00                               |



## FINANCIAL HIGHLIGHTS (cont.)

### Change in Net Assets Per Unit (\$) (cont.)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        | Series 0                                         |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.17                                  | 0.35                                             | —                 | 0.03                          | (0.44)                          | (0.06) | (0.21)                                     | (0.08)            | (0.09)                   | —                    | (0.38) | 9.70                                |
| Dec. 31, 2017                 | 9.85                                   | 0.34                                             | —                 | 0.04                          | 0.23                            | 0.61   | (0.22)                                     | (0.09)            | (0.02)                   | —                    | (0.33) | 10.17                               |
| Dec. 31, 2016                 | 9.56                                   | 0.34                                             | —                 | 0.01                          | 0.06                            | 0.41   | (0.24)                                     | (0.10)            | (0.01)                   | —                    | (0.35) | 9.85                                |
| Dec. 31, 2015                 | 10.00                                  | 0.66                                             | —                 | (0.14)                        | (0.76)                          | (0.24) | (0.25)                                     | (0.08)            | (0.11)                   | —                    | (0.44) | 9.56                                |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | —                 | —                             | —                               | —      | —                                          | —                 | —                        | —                    | —      | 10.00                               |

<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 November 12, 2014.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.67</b>                      | <b>65 735</b>               | <b>6 796</b>                          | <b>1.69</b>                                  | <b>1.69</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.17                            | 73 861                      | 7 266                                 | 1.70                                         | 1.70                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.84                             | 39 746                      | 4 041                                 | 1.69                                         | 1.69                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.57                             | 30 139                      | 3 151                                 | 1.68                                         | 1.69                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 1.73                                         | 1.73                                      | —                                           | —                                         |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.67</b>                      | <b>17 649</b>               | <b>1 825</b>                          | <b>1.71</b>                                  | <b>1.71</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.17                            | 18 396                      | 1 810                                 | 1.72                                         | 1.72                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.83                             | 15 504                      | 1 577                                 | 1.72                                         | 1.72                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.57                             | 14 475                      | 1 513                                 | 1.74                                         | 1.75                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 1.73                                         | 1.73                                      | —                                           | —                                         |
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.67</b>                      | <b>3 182</b>                | <b>367</b>                            | <b>1.67</b>                                  | <b>1.67</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 9.36                             | 1 879                       | 201                                   | 1.74                                         | 1.74                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.38                             | 1 114                       | 119                                   | 1.74                                         | 1.74                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.39                             | 1 215                       | 129                                   | 1.70                                         | 1.71                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 1.73                                         | 1.73                                      | —                                           | —                                         |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.67</b>                      | <b>1 724</b>                | <b>199</b>                            | <b>1.71</b>                                  | <b>1.71</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 9.36                             | 1 626                       | 174                                   | 1.71                                         | 1.71                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.38                             | 1 194                       | 127                                   | 1.75                                         | 1.75                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.39                             | 816                         | 87                                    | 1.75                                         | 1.76                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 1.73                                         | 1.73                                      | —                                           | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.69</b>                      | <b>43 700</b>               | <b>4 511</b>                          | <b>0.87</b>                                  | <b>0.87</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.17                            | 33 687                      | 3 313                                 | 0.87                                         | 0.87                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.85                             | 14 073                      | 1 429                                 | 0.88                                         | 0.88                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.57                             | 10 234                      | 1 070                                 | 0.89                                         | 0.90                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 0.89                                         | 0.89                                      | —                                           | —                                         |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.95</b>                      | <b>4 013</b>                | <b>448</b>                            | <b>0.85</b>                                  | <b>0.85</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 9.58                             | 5 392                       | 563                                   | 0.86                                         | 0.86                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.52                             | 4 288                       | 450                                   | 0.85                                         | 0.85                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.45                             | 2 310                       | 245                                   | 0.90                                         | 0.90                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 0.89                                         | 0.89                                      | —                                           | —                                         |
| <b>Series I</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.58</b>                      | <b>1 238</b>                | <b>129</b>                            | <b>0.75</b>                                  | <b>0.75</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.10                            | 1 884                       | 187                                   | 0.75                                         | 0.75                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.79                             | 1 709                       | 175                                   | 0.78                                         | 0.78                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.56                             | 2 622                       | 274                                   | 0.78                                         | 0.79                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 1 000                       | 100                                   | 0.77                                         | 0.77                                      | —                                           | —                                         |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.70</b>                      | <b>26 227</b>               | <b>2 704</b>                          | <b>0.07</b>                                  | <b>0.07</b>                               | <b>19.12</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.17                            | 18 061                      | 1 777                                 | 0.07                                         | 0.07                                      | 5.14                                        | 0.03                                      |
| Dec. 31, 2016              | 9.85                             | 4 413                       | 448                                   | 0.07                                         | 0.07                                      | 27.72                                       | 0.05                                      |
| Dec. 31, 2015              | 9.56                             | 128                         | 13                                    | 0.07                                         | 0.07                                      | 51.34                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 142 000                     | 14 200                                | 0.06                                         | 0.06                                      | —                                           | —                                         |

<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 November 12, 2014.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. Management fees paid by each series of the Fund are calculated at the applicable 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          | 1.40%           | 54%                   | 46%    |
| Advisor Series    | 1.40%           | 54%                   | 46%    |
| Advisor T5 Series | 1.40%           | 54%                   | 46%    |
| Series T5         | 1.40%           | 54%                   | 46%    |
| Series F          | 0.65%           | —                     | 100%   |
| Series FT5        | 0.65%           | —                     | 100%   |
| Series I          | 0.55%           | —                     | 100%   |

Series O – no management fees are paid by the Fund in respect of 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

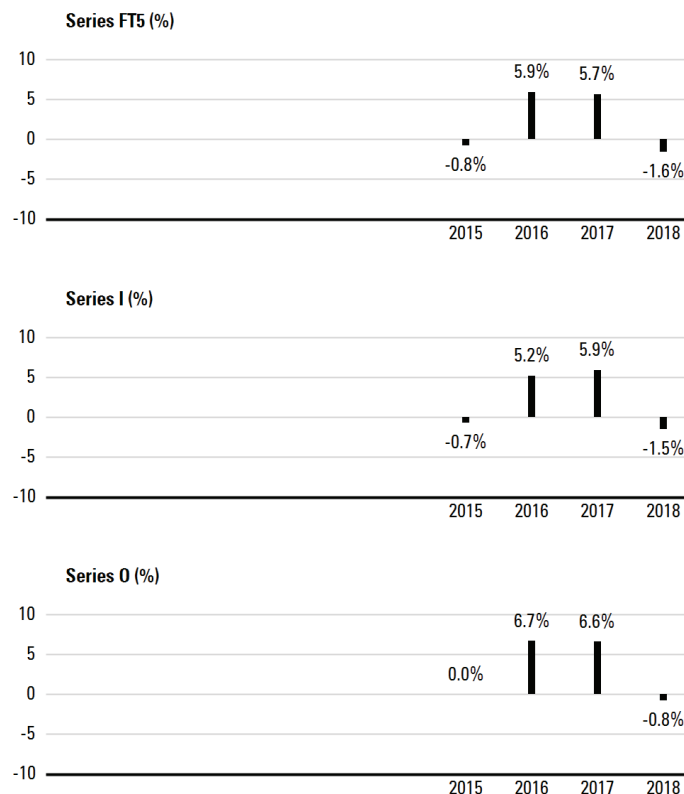
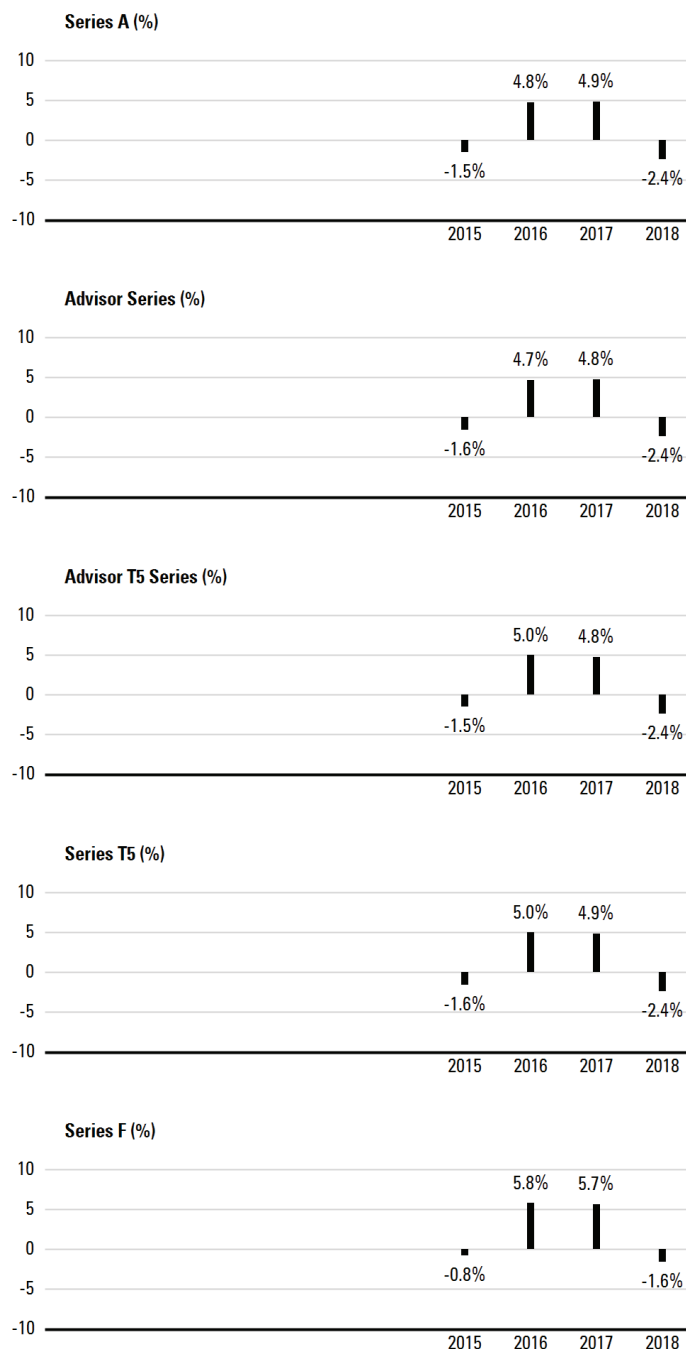
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 79% FTSE Canada Universe Bond Index
- 9% S&P/TSX Capped Composite Total Return Index
- 6% S&P 500 Total Return Index (CAD)
- 3% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% MSCI Europe Total Return Net Index (CAD)
- 1% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 80% FTSE Canada Universe Bond Index
- 9% S&P/TSX Capped Composite Total Return Index
- 6% S&P 500 Total Return Index (CAD)
- 3% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% MSCI Europe Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index



**PAST PERFORMANCE (cont.)**

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -2.4         | 2.4             | —               | —                | 1.5                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Advisor Series      | -2.4         | 2.4             | —               | —                | 1.4                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Advisor T5 Series   | -2.4         | 2.4             | —               | —                | 1.4                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Series T5           | -2.4         | 2.4             | —               | —                | 1.4                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Series F            | -1.6         | 3.3             | —               | —                | 2.3                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Series FT5          | -1.6         | 3.3             | —               | —                | 2.3                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Series I            | -1.5         | 3.4             | —               | —                | 2.4                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |
| Series O            | -0.8         | 4.1             | —               | —                | 3.1                |
| New benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Old benchmark       | 0.3          | 2.9             | —               | —                | 2.3                |
| Broad-based index 1 | 1.4          | 1.9             | —               | —                | 1.5                |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 2.2                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series A, Advisor Series, Advisor T5 Series, Series T5, Series F, Series FT5, Series I and Series O units have been available for sale to unitholders since January 26, 2015.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Europe Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of major stock markets in Europe. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 76.0                 |
| Canadian Equity Funds      | 10.6                 |
| United States Equity Funds | 6.6                  |
| International Equity Funds | 6.5                  |
| Cash/Other                 | 0.3                  |

**Top 25 Holdings\***

|                                                | % of Net Asset Value |
|------------------------------------------------|----------------------|
| Phillips, Hager & North Total Return Bond Fund | 26.4                 |
| RBC Bond Fund                                  | 26.4                 |
| RBC Canadian Equity Income Fund                | 10.6                 |
| RBC Global Corporate Bond Fund                 | 9.1                  |
| BlueBay Global Monthly Income Bond Fund        | 7.0                  |
| RBC Global High Yield Bond Fund                | 7.0                  |
| RBC U.S. Dividend Fund                         | 6.6                  |
| RBC Emerging Markets Dividend Fund             | 3.7                  |
| RBC European Dividend Fund                     | 2.8                  |
| 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).





BALANCED FUND

**RBC BALANCED  
GROWTH & INCOME FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a combination of capital growth and modest income by investing primarily in a diversified portfolio of income-producing equity and fixed-income securities from anywhere around the world either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate.

The Fund may invest in emerging-market equity securities and emerging-market government and corporate bonds.

The Fund's target weightings for each asset class are 40% for fixed-income and 60% for equities. The target weightings for each class may be adjusted based on changes in the market outlook for each asset class.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds and individual securities. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$1.5 billion as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series A units lost 5.2%, which underperformed the 2.1% decline in the benchmark. The broad-based index 1 rose 1.4%. The broad-based index 2 declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following

renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the Fund benefited from an investment in the Phillips, Hager & North Total Return Bond Fund, offset by the negative impact of the RBC Global High Yield Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. The positive impact of the Fund's U.S.-equity segment was more than offset by the negative effect of investments in other regions.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$126,000 (2017 – \$67,000) or 14% (2017 – 10%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.67                                  | 0.43                                             | (0.25)            | 0.28                          | (1.11)                          | (0.65) | (0.04)                                     | (0.13)            | (0.33)                   | —                    | (0.50) | 11.51                               |
| Dec. 31, 2017                 | 11.93                                  | 0.41                                             | (0.25)            | 0.28                          | 0.53                            | 0.97   | (0.02)                                     | (0.12)            | (0.11)                   | —                    | (0.25) | 12.67                               |
| Dec. 31, 2016                 | 11.02                                  | 0.39                                             | (0.23)            | 0.11                          | 0.76                            | 1.03   | (0.02)                                     | (0.14)            | —                        | —                    | (0.16) | 11.93                               |
| Dec. 31, 2015                 | 11.30                                  | 0.41                                             | (0.23)            | 0.22                          | (0.40)                          | —      | (0.02)                                     | (0.13)            | (0.27)                   | —                    | (0.42) | 11.02                               |
| Dec. 31, 2014                 | 10.62                                  | 0.39                                             | (0.23)            | 0.34                          | 0.47                            | 0.97   | (0.02)                                     | (0.11)            | (0.27)                   | —                    | (0.40) | 11.30                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.67                                  | 0.43                                             | (0.25)            | 0.28                          | (1.11)                          | (0.65) | (0.04)                                     | (0.13)            | (0.33)                   | —                    | (0.50) | 11.51                               |
| Dec. 31, 2017                 | 11.93                                  | 0.41                                             | (0.25)            | 0.28                          | 0.55                            | 0.99   | (0.02)                                     | (0.12)            | (0.11)                   | —                    | (0.25) | 12.67                               |
| Dec. 31, 2016                 | 11.03                                  | 0.39                                             | (0.23)            | 0.11                          | 0.76                            | 1.03   | (0.02)                                     | (0.14)            | —                        | —                    | (0.16) | 11.93                               |
| Dec. 31, 2015                 | 11.30                                  | 0.41                                             | (0.24)            | 0.22                          | (0.39)                          | —      | (0.02)                                     | (0.13)            | (0.27)                   | —                    | (0.42) | 11.03                               |
| Dec. 31, 2014                 | 10.62                                  | 0.39                                             | (0.23)            | 0.34                          | 0.48                            | 0.98   | (0.02)                                     | (0.12)            | (0.27)                   | —                    | (0.41) | 11.30                               |
| Advisor T5 Series             |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.46                                  | 0.43                                             | (0.25)            | 0.28                          | (1.04)                          | (0.58) | (0.04)                                     | (0.12)            | (0.25)                   | (0.17)               | (0.58) | 10.31                               |
| Dec. 31, 2017                 | 11.11                                  | 0.41                                             | (0.25)            | 0.28                          | 0.49                            | 0.93   | (0.02)                                     | (0.12)            | (0.09)                   | (0.33)               | (0.56) | 11.46                               |
| Dec. 31, 2016                 | 10.64                                  | 0.39                                             | (0.23)            | 0.11                          | 0.70                            | 0.97   | (0.02)                                     | (0.12)            | —                        | (0.39)               | (0.53) | 11.11                               |
| Dec. 31, 2015                 | 11.04                                  | 0.41                                             | (0.24)            | 0.22                          | (0.39)                          | —      | (0.01)                                     | (0.08)            | (0.22)                   | (0.24)               | (0.55) | 10.64                               |
| Dec. 31, 2014                 | 10.51                                  | 0.39                                             | (0.23)            | 0.34                          | 0.48                            | 0.98   | (0.02)                                     | (0.11)            | (0.32)                   | (0.08)               | (0.53) | 11.04                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.46                                  | 0.38                                             | (0.23)            | 0.25                          | (0.86)                          | (0.46) | (0.03)                                     | (0.12)            | (0.20)                   | (0.23)               | (0.58) | 10.31                               |
| Dec. 31, 2017                 | 11.11                                  | 0.37                                             | (0.23)            | 0.25                          | 0.46                            | 0.85   | (0.02)                                     | (0.12)            | (0.08)                   | (0.34)               | (0.56) | 11.46                               |
| Dec. 31, 2016                 | 10.64                                  | 0.37                                             | (0.22)            | 0.11                          | 0.71                            | 0.97   | (0.02)                                     | (0.12)            | —                        | (0.39)               | (0.53) | 11.11                               |
| Dec. 31, 2015                 | 11.03                                  | 0.39                                             | (0.22)            | 0.21                          | (0.38)                          | —      | (0.01)                                     | (0.09)            | (0.22)                   | (0.23)               | (0.55) | 10.64                               |
| Dec. 31, 2014                 | 10.50                                  | 0.37                                             | (0.22)            | 0.33                          | 0.45                            | 0.93   | (0.02)                                     | (0.11)            | (0.33)                   | (0.07)               | (0.53) | 11.03                               |
| Series H                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.78                                  | 0.44                                             | (0.23)            | 0.29                          | (1.12)                          | (0.62) | (0.05)                                     | (0.16)            | (0.33)                   | —                    | (0.54) | 11.60                               |
| Dec. 31, 2017                 | 11.93                                  | 0.41                                             | (0.23)            | 0.28                          | 0.57                            | 1.03   | (0.03)                                     | (0.14)            | —                        | —                    | (0.17) | 12.78                               |
| Dec. 31, 2016                 | 11.03                                  | 0.39                                             | (0.21)            | 0.11                          | 0.78                            | 1.07   | (0.02)                                     | (0.17)            | —                        | —                    | (0.19) | 11.93                               |
| Dec. 31, 2015                 | 11.31                                  | 0.41                                             | (0.21)            | 0.22                          | (0.40)                          | 0.02   | (0.02)                                     | (0.15)            | (0.27)                   | —                    | (0.44) | 11.03                               |
| Dec. 31, 2014                 | 10.61                                  | 0.39                                             | (0.21)            | 0.34                          | 0.47                            | 0.99   | (0.02)                                     | (0.13)            | (0.26)                   | —                    | (0.41) | 11.31                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.75                                  | 0.44                                             | (0.15)            | 0.29                          | (1.13)                          | (0.55) | (0.07)                                     | (0.21)            | (0.33)                   | —                    | (0.61) | 11.58                               |
| Dec. 31, 2017                 | 11.99                                  | 0.41                                             | (0.15)            | 0.28                          | 0.50                            | 1.04   | (0.04)                                     | (0.20)            | (0.11)                   | —                    | (0.35) | 12.75                               |
| Dec. 31, 2016                 | 11.08                                  | 0.40                                             | (0.14)            | 0.11                          | 0.77                            | 1.14   | (0.03)                                     | (0.22)            | —                        | —                    | (0.25) | 11.99                               |
| Dec. 31, 2015                 | 11.33                                  | 0.41                                             | (0.14)            | 0.22                          | (0.40)                          | 0.09   | (0.03)                                     | (0.18)            | (0.27)                   | —                    | (0.48) | 11.08                               |
| Dec. 31, 2014                 | 10.63                                  | 0.39                                             | (0.14)            | 0.34                          | 0.47                            | 1.06   | (0.03)                                     | (0.18)            | (0.27)                   | —                    | (0.48) | 11.33                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.82                                  | 0.44                                             | (0.12)            | 0.29                          | (1.15)                          | (0.54) | (0.07)                                     | (0.24)            | (0.33)                   | —                    | (0.64) | 11.65                               |
| Dec. 31, 2017                 | 12.06                                  | 0.41                                             | (0.12)            | 0.28                          | 0.54                            | 1.11   | (0.05)                                     | (0.23)            | (0.11)                   | —                    | (0.39) | 12.82                               |
| Dec. 31, 2016                 | 11.12                                  | 0.40                                             | (0.11)            | 0.11                          | 0.80                            | 1.20   | (0.03)                                     | (0.23)            | —                        | —                    | (0.26) | 12.06                               |
| Dec. 31, 2015                 | 11.36                                  | 0.41                                             | (0.11)            | 0.22                          | (0.40)                          | 0.12   | (0.03)                                     | (0.20)            | (0.27)                   | —                    | (0.50) | 11.12                               |
| Dec. 31, 2014                 | 10.65                                  | 0.39                                             | (0.11)            | 0.34                          | 0.47                            | 1.09   | (0.04)                                     | (0.19)            | (0.27)                   | —                    | (0.50) | 11.36                               |



**FINANCIAL HIGHLIGHTS (cont.)**

**Change in Net Assets Per Unit (\$) (cont.)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.03                                  | 0.41                                             | (0.11)            | 0.27                          | (1.06)                          | (0.49) | (0.07)                                     | (0.22)            | (0.28)                   | (0.03)               | (0.60) | 10.95                               |
| Dec. 31, 2017                 | 11.52                                  | 0.38                                             | (0.11)            | 0.26                          | 0.53                            | 1.06   | (0.05)                                     | (0.21)            | (0.12)                   | (0.20)               | (0.58) | 12.03                               |
| Dec. 31, 2016                 | 10.91                                  | 0.38                                             | (0.10)            | 0.11                          | 0.76                            | 1.15   | (0.03)                                     | (0.24)            | —                        | (0.28)               | (0.55) | 11.52                               |
| Dec. 31, 2015                 | 11.19                                  | 0.39                                             | (0.11)            | 0.21                          | (0.38)                          | 0.11   | (0.03)                                     | (0.19)            | (0.23)                   | (0.11)               | (0.56) | 10.91                               |
| Dec. 31, 2014                 | 10.55                                  | 0.40                                             | (0.11)            | 0.35                          | 0.49                            | 1.13   | (0.04)                                     | (0.21)            | (0.30)                   | —                    | (0.55) | 11.19                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.80                                  | 0.44                                             | (0.10)            | 0.29                          | (1.12)                          | (0.49) | (0.08)                                     | (0.26)            | (0.34)                   | —                    | (0.68) | 11.61                               |
| Dec. 31, 2017                 | 12.05                                  | 0.41                                             | (0.09)            | 0.28                          | 0.56                            | 1.16   | (0.05)                                     | (0.26)            | (0.11)                   | —                    | (0.42) | 12.80                               |
| Dec. 31, 2016                 | 11.13                                  | 0.40                                             | (0.09)            | 0.11                          | 0.81                            | 1.23   | (0.03)                                     | (0.28)            | —                        | —                    | (0.31) | 12.05                               |
| Dec. 31, 2015                 | 11.36                                  | 0.41                                             | (0.09)            | 0.22                          | (0.40)                          | 0.14   | (0.03)                                     | (0.22)            | (0.27)                   | —                    | (0.52) | 11.13                               |
| Dec. 31, 2014                 | 10.64                                  | 0.38                                             | (0.09)            | 0.33                          | 0.46                            | 1.08   | (0.04)                                     | (0.21)            | (0.26)                   | —                    | (0.51) | 11.36                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.40                                  | 0.42                                             | —                 | 0.28                          | (1.14)                          | (0.44) | (0.10)                                     | (0.29)            | (0.34)                   | —                    | (0.73) | 11.27                               |
| Dec. 31, 2017                 | 11.67                                  | 0.39                                             | —                 | 0.27                          | 0.51                            | 1.17   | (0.06)                                     | (0.32)            | (0.11)                   | —                    | (0.49) | 12.40                               |
| Dec. 31, 2016                 | 10.76                                  | 0.39                                             | —                 | 0.11                          | 0.85                            | 1.35   | (0.04)                                     | (0.32)            | —                        | —                    | (0.36) | 11.67                               |
| Dec. 31, 2015                 | 10.97                                  | 0.38                                             | —                 | 0.20                          | (0.37)                          | 0.21   | (0.04)                                     | (0.27)            | (0.26)                   | —                    | (0.57) | 10.76                               |
| Dec. 31, 2014                 | 10.59                                  | 0.39                                             | —                 | 0.34                          | 0.47                            | 1.20   | (0.10)                                     | (0.57)            | (0.24)                   | —                    | (0.91) | 10.97                               |

<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.

**Ratios and Supplemental Data**

| As at                    | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|--------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>     | <b>11.51</b>                     | <b>475 834</b>              | <b>41 355</b>                         | <b>2.08</b>                                  | <b>2.08</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017            | 12.67                            | 534 305                     | 42 173                                | 2.08                                         | 2.08                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016            | 11.93                            | 402 434                     | 33 746                                | 2.08                                         | 2.08                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015            | 11.02                            | 416 675                     | 37 798                                | 2.08                                         | 2.08                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014            | 11.30                            | 297 822                     | 26 357                                | 2.09                                         | 2.09                                      | 78.13                                       | 0.19                                      |
| <b>Advisor Series</b>    |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>     | <b>11.51</b>                     | <b>325 713</b>              | <b>28 299</b>                         | <b>2.08</b>                                  | <b>2.08</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017            | 12.67                            | 349 293                     | 27 564                                | 2.10                                         | 2.10                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016            | 11.93                            | 288 737                     | 24 205                                | 2.09                                         | 2.09                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015            | 11.03                            | 300 450                     | 27 249                                | 2.08                                         | 2.08                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014            | 11.30                            | 211 437                     | 18 708                                | 2.08                                         | 2.08                                      | 78.13                                       | 0.19                                      |
| <b>Advisor T5 Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>     | <b>10.31</b>                     | <b>45 866</b>               | <b>4 450</b>                          | <b>2.09</b>                                  | <b>2.09</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017            | 11.46                            | 55 234                      | 4 819                                 | 2.10                                         | 2.10                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016            | 11.11                            | 52 790                      | 4 752                                 | 2.10                                         | 2.10                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015            | 10.64                            | 57 484                      | 5 402                                 | 2.09                                         | 2.09                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014            | 11.04                            | 42 541                      | 3 852                                 | 2.08                                         | 2.08                                      | 78.13                                       | 0.19                                      |



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data (cont.)**

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series T5</b>     |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.31</b>                     | <b>17 574</b>               | <b>1 705</b>                          | <b>2.09</b>                                  | <b>2.09</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 11.46                            | 22 728                      | 1 983                                 | 2.07                                         | 2.07                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 11.11                            | 19 327                      | 1 740                                 | 2.07                                         | 2.07                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 10.64                            | 17 998                      | 1 692                                 | 2.05                                         | 2.05                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 11.03                            | 12 360                      | 1 120                                 | 2.10                                         | 2.10                                      | 78.13                                       | 0.19                                      |
| <b>Series H</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.60</b>                     | <b>27 859</b>               | <b>2 402</b>                          | <b>1.90</b>                                  | <b>1.90</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 12.78                            | 35 828                      | 2 804                                 | 1.90                                         | 1.90                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 11.93                            | 47 015                      | 3 943                                 | 1.89                                         | 1.89                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 11.03                            | 53 660                      | 4 864                                 | 1.87                                         | 1.87                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 11.31                            | 43 817                      | 3 875                                 | 1.87                                         | 1.87                                      | 78.13                                       | 0.19                                      |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.58</b>                     | <b>26 774</b>               | <b>2 312</b>                          | <b>1.25</b>                                  | <b>1.25</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 12.75                            | 27 000                      | 2 118                                 | 1.26                                         | 1.26                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 11.99                            | 16 936                      | 1 412                                 | 1.27                                         | 1.27                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 11.08                            | 15 968                      | 1 441                                 | 1.26                                         | 1.26                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 11.33                            | 11 005                      | 971                                   | 1.24                                         | 1.24                                      | 78.13                                       | 0.19                                      |
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.65</b>                     | <b>372 940</b>              | <b>32 018</b>                         | <b>0.98</b>                                  | <b>0.98</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 12.82                            | 367 673                     | 28 687                                | 1.00                                         | 1.00                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 12.06                            | 167 125                     | 13 857                                | 0.99                                         | 0.99                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 11.12                            | 110 738                     | 9 955                                 | 0.99                                         | 0.99                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 11.36                            | 63 363                      | 5 579                                 | 0.98                                         | 0.98                                      | 78.13                                       | 0.19                                      |
| <b>Series FT5</b>    |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.95</b>                     | <b>54 779</b>               | <b>5 004</b>                          | <b>0.97</b>                                  | <b>0.97</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 12.03                            | 56 781                      | 4 721                                 | 0.99                                         | 0.99                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 11.52                            | 28 137                      | 2 442                                 | 0.99                                         | 0.99                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 10.91                            | 18 850                      | 1 728                                 | 0.98                                         | 0.98                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 11.19                            | 10 586                      | 946                                   | 1.00                                         | 1.00                                      | 78.13                                       | 0.19                                      |
| <b>Series I</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.61</b>                     | <b>28 836</b>               | <b>2 484</b>                          | <b>0.80</b>                                  | <b>0.80</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 12.80                            | 34 118                      | 2 666                                 | 0.81                                         | 0.81                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 12.05                            | 39 106                      | 3 247                                 | 0.81                                         | 0.81                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 11.13                            | 35 373                      | 3 178                                 | 0.80                                         | 0.80                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 11.36                            | 32 103                      | 2 826                                 | 0.82                                         | 0.82                                      | 78.13                                       | 0.19                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.27</b>                     | <b>79 751</b>               | <b>7 077</b>                          | <b>0.07</b>                                  | <b>0.07</b>                               | <b>47.67</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 12.40                            | 64 105                      | 5 168                                 | 0.08                                         | 0.08                                      | 31.11                                       | 0.09                                      |
| Dec. 31, 2016        | 11.67                            | 19 740                      | 1 691                                 | 0.07                                         | 0.07                                      | 50.12                                       | 0.13                                      |
| Dec. 31, 2015        | 10.76                            | 10 509                      | 976                                   | 0.07                                         | 0.07                                      | 68.27                                       | 0.17                                      |
| Dec. 31, 2014        | 10.97                            | 399                         | 36                                    | 0.07                                         | 0.07                                      | 78.13                                       | 0.19                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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          | 1.75%           | 57%                   | 43%    |
| Advisor Series    | 1.75%           | 57%                   | 43%    |
| Advisor T5 Series | 1.75%           | 57%                   | 43%    |
| Series T5         | 1.75%           | 57%                   | 43%    |
| Series H          | 1.60%           | 63%                   | 37%    |
| Series D          | 1.00%           | 25%                   | 75%    |
| Series F          | 0.75%           | —                     | 100%   |
| Series FT5        | 0.75%           | —                     | 100%   |
| Series I          | 0.60%           | —                     | 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.

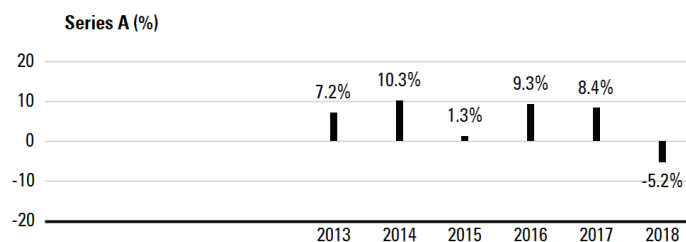
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

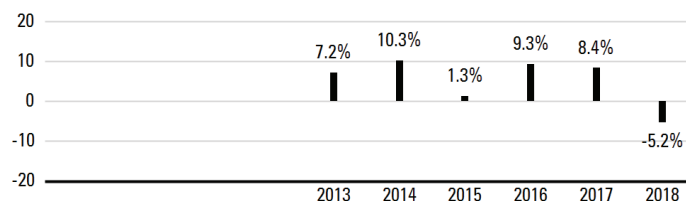
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

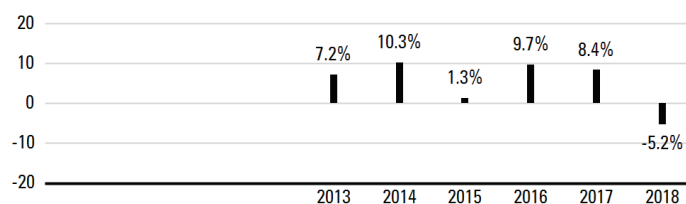
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



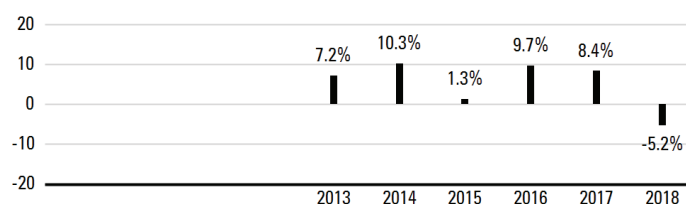
### Advisor Series (%)



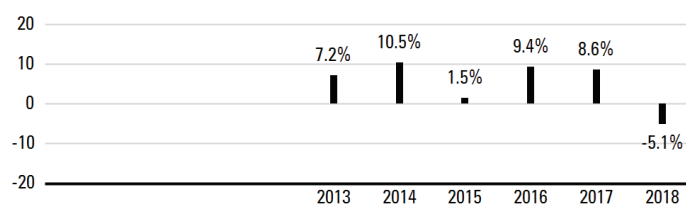
### Advisor T5 Series (%)



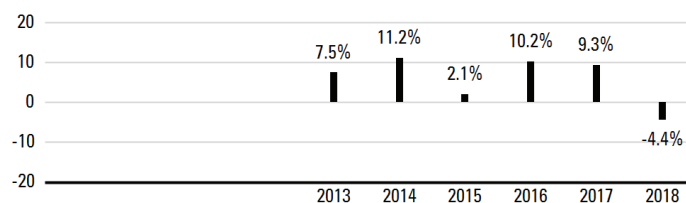
### Series T5 (%)



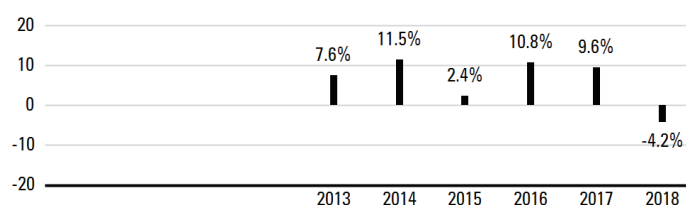
### Series H (%)



### Series D (%)

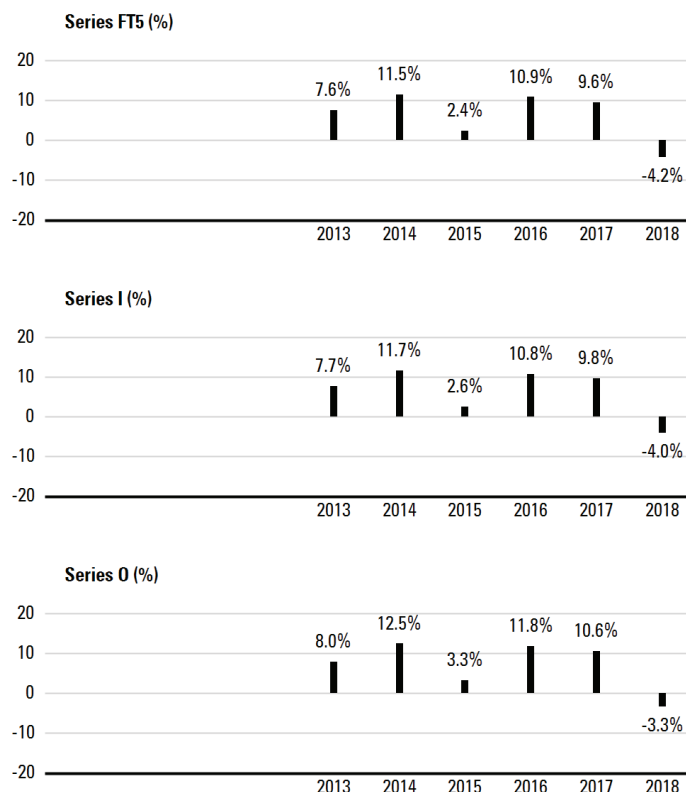


### Series F (%)





**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 38% FTSE Canada Universe Bond Index
- 27.5% S&P/TSX Capped Composite Total Return Index
- 18.5% S&P 500 Total Return Index (CAD)
- 9% MSCI Emerging Markets Total Return Net Index (CAD)
- 5% MSCI Europe Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 40% FTSE Canada Universe Bond Index
- 25% S&P/TSX Capped Composite Total Return Index
- 20% S&P 500 Total Return Index (CAD)
- 10% MSCI Emerging Markets Total Return Net Index (CAD)
- 5% MSCI Europe Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -5.2         | 4.1             | 4.7             | —                | 5.7                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Advisor Series      | -5.2         | 4.1             | 4.7             | —                | 5.7                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Advisor T5 Series   | -5.2         | 4.0             | 4.7             | —                | 5.7                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series T5           | -5.2         | 4.1             | 4.7             | —                | 5.7                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series H            | -5.1         | 4.3             | 4.9             | —                | 5.9                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series D            | -4.4         | 4.9             | 5.6             | —                | 6.6                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series F            | -4.2         | 5.2             | 5.9             | —                | 6.9                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series FT5          | -4.2         | 5.2             | 5.9             | —                | 6.9                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series I            | -4.0         | 5.4             | 6.0             | —                | 7.1                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |





## PAST PERFORMANCE (cont.)

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series O            | -3.3         | 6.2             | 6.8             | —                | 7.9                |
| New benchmark       | -2.1         | 5.1             | 6.1             | —                | 6.9                |
| Old benchmark       | -1.9         | 5.2             | 6.3             | —                | 7.1                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 3.4                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series A, Advisor Series, Advisor T5 Series, Series T5, Series H, Series D, Series F, Series FT5, Series I and Series O units have been available for sale to unitholders since August 12, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series H and Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Europe Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of major stock markets in Europe. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|------------------------|----------------------|
| Underlying Funds       | 53.0                 |
| Canadian Equities      | 28.1                 |
| United States Equities | 17.3                 |
| Cash/Other             | 1.6                  |

### Top 25 Holdings

|                                                | % of Net Asset Value |
|------------------------------------------------|----------------------|
| Phillips, Hager & North Total Return Bond Fund | 12.9                 |
| RBC Emerging Markets Dividend Fund             | 10.6                 |
| RBC Global Corporate Bond Fund                 | 8.8                  |
| BlueBay Global Monthly Income Bond Fund        | 6.7                  |
| RBC Global High Yield Bond Fund                | 6.6                  |
| RBC European Dividend Fund                     | 6.5                  |
| Royal Bank of Canada                           | 2.2                  |
| Bank of Nova Scotia                            | 1.8                  |
| Enbridge Inc.                                  | 1.7                  |
| Cash & Cash Equivalents                        | 1.6                  |
| Toronto-Dominion Bank                          | 1.4                  |
| Microsoft Corp.                                | 1.0                  |
| TransCanada Corp.                              | 1.0                  |
| Manulife Financial Corporation                 | 1.0                  |
| Canadian Natural Resources Ltd.                | 0.7                  |
| Suncor Energy Inc.                             | 0.7                  |
| Canadian Imperial Bank of Commerce             | 0.7                  |
| Apple Inc.                                     | 0.6                  |
| iShares Dow Jones US Real Estate Index Fund    | 0.6                  |
| Agnico Eagle Mines Ltd.                        | 0.6                  |
| Cisco Systems Inc.                             | 0.6                  |
| Bank of Montreal                               | 0.6                  |
| Sun Life Financial Inc.                        | 0.6                  |
| Broadcom Inc.                                  | 0.5                  |
| Brookfield Asset Management Inc., Class A      | 0.5                  |
| Top 25 Holdings                                | 70.5                 |

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).





BALANCED FUND

**RBC GLOBAL  
GROWTH & INCOME FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a combination of capital growth and modest income by investing primarily in a diversified portfolio of equity and fixed-income securities from anywhere around the world either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate. The Fund may also invest in emerging market equity securities, emerging market currencies and emerging market government and corporate bonds.

The Fund's target weightings for each asset class are 40% for fixed income and 60% for equities. The target weightings for each class may be adjusted based on changes in the market outlook for each asset class.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$247 million as of December 31, 2018, from \$84 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 2.0%, which underperformed the 0.1% rise in the benchmark. The broad-based index 1 rose 1.4%. The broad-based index 2 declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the Fund benefited from exposure to the RBC Global Bond Fund, partially offset by the negative impact of the RBC Global High Yield Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. The portfolio's returns were bolstered by exposure to the RBC Global Dividend Growth Fund, offset by the negative impact of allocations to the RBC European Mid-Cap Equity Fund and the RBC U.S. Mid-Cap Value Equity Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.34</b>                           | <b>0.30</b>                                      | <b>(0.24)</b>     | <b>0.35</b>                   | <b>(0.83)</b>                   | <b>(0.42)</b> | —                                          | <b>(0.06)</b>     | <b>(0.28)</b>            | —                    | <b>(0.34)</b> | <b>10.76</b>                        |
| Dec. 31, 2017                 | 10.32                                  | 0.35                                             | (0.23)            | 0.41                          | 0.62                            | 1.15          | (0.01)                                     | (0.11)            | (0.13)                   | —                    | (0.25)        | 11.34                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.27                                             | (0.20)            | 0.22                          | 0.34                            | 0.63          | —                                          | (0.09)            | (0.14)                   | —                    | (0.23)        | 10.32                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.34</b>                           | <b>0.29</b>                                      | <b>(0.23)</b>     | <b>0.33</b>                   | <b>(1.00)</b>                   | <b>(0.61)</b> | —                                          | <b>(0.06)</b>     | <b>(0.28)</b>            | —                    | <b>(0.34)</b> | <b>10.77</b>                        |
| Dec. 31, 2017                 | 10.32                                  | 0.37                                             | (0.23)            | 0.42                          | 0.65                            | 1.21          | (0.01)                                     | (0.11)            | (0.13)                   | —                    | (0.25)        | 11.34                               |
| Dec. 31 2016 <sup>3</sup>     | 10.00 <sup>†</sup>                     | 0.29                                             | (0.20)            | 0.23                          | 0.36                            | 0.68          | —                                          | (0.09)            | (0.14)                   | —                    | (0.23)        | 10.32                               |
| <b>Advisor T5 Series</b>      |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.78</b>                           | <b>0.29</b>                                      | <b>(0.23)</b>     | <b>0.33</b>                   | <b>(0.78)</b>                   | <b>(0.39)</b> | —                                          | <b>(0.07)</b>     | <b>(0.34)</b>            | <b>(0.13)</b>        | <b>(0.54)</b> | <b>10.05</b>                        |
| Dec. 31, 2017                 | 10.08                                  | 0.37                                             | (0.23)            | 0.42                          | 0.49                            | 1.05          | (0.02)                                     | (0.13)            | (0.29)                   | (0.06)               | (0.50)        | 10.78                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.29                                             | (0.20)            | 0.23                          | 0.37                            | 0.69          | —                                          | (0.09)            | (0.01)                   | (0.36)               | (0.46)        | 10.08                               |
| <b>Series T5</b>              |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.79</b>                           | <b>0.27</b>                                      | <b>(0.21)</b>     | <b>0.31</b>                   | <b>(0.82)</b>                   | <b>(0.45)</b> | —                                          | <b>(0.07)</b>     | <b>(0.32)</b>            | <b>(0.15)</b>        | <b>(0.54)</b> | <b>10.06</b>                        |
| Dec. 31, 2017                 | 10.08                                  | 0.35                                             | (0.21)            | 0.40                          | 0.56                            | 1.10          | (0.02)                                     | (0.16)            | (0.16)                   | (0.16)               | (0.50)        | 10.79                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.25                                             | (0.20)            | 0.20                          | 0.38                            | 0.63          | —                                          | (0.09)            | (0.15)                   | (0.22)               | (0.46)        | 10.08                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.49</b>                           | <b>0.30</b>                                      | <b>(0.11)</b>     | <b>0.35</b>                   | <b>(0.90)</b>                   | <b>(0.36)</b> | —                                          | <b>(0.15)</b>     | <b>(0.29)</b>            | —                    | <b>(0.44)</b> | <b>10.93</b>                        |
| Dec. 31, 2017                 | 10.37                                  | 0.34                                             | (0.11)            | 0.39                          | 0.68                            | 1.30          | (0.02)                                     | (0.12)            | (0.14)                   | —                    | (0.28)        | 11.49                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.27                                             | (0.09)            | 0.21                          | 0.33                            | 0.72          | —                                          | (0.14)            | (0.15)                   | —                    | (0.29)        | 10.37                               |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.02</b>                           | <b>0.31</b>                                      | <b>(0.10)</b>     | <b>0.36</b>                   | <b>(0.87)</b>                   | <b>(0.30)</b> | —                                          | <b>(0.18)</b>     | <b>(0.30)</b>            | <b>(0.07)</b>        | <b>(0.55)</b> | <b>10.39</b>                        |
| Dec. 31, 2017                 | 10.18                                  | 0.37                                             | (0.10)            | 0.43                          | 0.61                            | 1.31          | (0.04)                                     | (0.28)            | (0.17)                   | (0.02)               | (0.51)        | 11.02                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | (0.09)            | 0.19                          | 0.07                            | 0.41          | —                                          | (0.18)            | (0.25)                   | (0.03)               | (0.46)        | 10.18                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.59</b>                           | <b>0.25</b>                                      | —                 | <b>0.28</b>                   | <b>(1.58)</b>                   | <b>(1.05)</b> | —                                          | <b>(0.09)</b>     | <b>(0.30)</b>            | —                    | <b>(0.39)</b> | <b>11.19</b>                        |
| Dec. 31, 2017                 | 10.41                                  | 0.62                                             | —                 | 0.71                          | 0.86                            | 2.19          | (0.02)                                     | (0.15)            | (0.14)                   | —                    | (0.31)        | 11.59                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.33                                             | —                 | 0.26                          | 0.16                            | 0.75          | —                                          | (0.19)            | (0.15)                   | —                    | (0.34)        | 10.41                               |

<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 January 11, 2016.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.76</b>                     | <b>89 394</b>               | <b>8 310</b>                          | <b>2.10</b>                                  | <b>2.10</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 11.34                            | 39 981                      | 3 527                                 | 2.12                                         | 2.13                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.32                            | 9 084                       | 880                                   | 2.11                                         | 2.12                                      | 18.69                                       | 0.17                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.77</b>                     | <b>44 588</b>               | <b>4 142</b>                          | <b>2.07</b>                                  | <b>2.07</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 11.34                            | 14 223                      | 1 254                                 | 2.10                                         | 2.11                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.32                            | 4 893                       | 474                                   | 2.08                                         | 2.09                                      | 18.69                                       | 0.17                                      |
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.05</b>                     | <b>1 424</b>                | <b>142</b>                            | <b>2.03</b>                                  | <b>2.03</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 10.78                            | 509                         | 47                                    | 2.18                                         | 2.19                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.08                            | 1                           | —                                     | 2.18                                         | 2.19                                      | 18.69                                       | 0.17                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.06</b>                     | <b>2 754</b>                | <b>274</b>                            | <b>2.05</b>                                  | <b>2.05</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 10.79                            | 896                         | 83                                    | 2.09                                         | 2.10                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.08                            | 234                         | 23                                    | 2.10                                         | 2.12                                      | 18.69                                       | 0.17                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.93</b>                     | <b>85 240</b>               | <b>7 796</b>                          | <b>0.98</b>                                  | <b>0.98</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 11.49                            | 26 688                      | 2 323                                 | 1.01                                         | 1.02                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.37                            | 4 620                       | 446                                   | 0.99                                         | 1.01                                      | 18.69                                       | 0.17                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.39</b>                     | <b>7 934</b>                | <b>764</b>                            | <b>0.98</b>                                  | <b>0.98</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 11.02                            | 1 445                       | 131                                   | 0.98                                         | 0.99                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.18                            | 685                         | 67                                    | 1.02                                         | 1.03                                      | 18.69                                       | 0.17                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.19</b>                     | <b>15 726</b>               | <b>1 405</b>                          | <b>0.07</b>                                  | <b>0.07</b>                               | <b>14.20</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 11.59                            | 1                           | —                                     | 0.09                                         | 0.10                                      | 12.50                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.41                            | 2 144                       | 206                                   | 0.09                                         | 0.10                                      | 18.69                                       | 0.17                                      |

<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 January 11, 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          | 1.75%           | 57%                   | 43%    |
| Advisor Series    | 1.75%           | 57%                   | 43%    |
| Advisor T5 Series | 1.75%           | 57%                   | 43%    |
| Series T5         | 1.75%           | 57%                   | 43%    |
| Series F          | 0.75%           | —                     | 100%   |
| Series FT5        | 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.



**Series F (%)**



**Series FT5 (%)**



**Series O (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 60% MSCI World Total Return Net Index (CAD)
- 32% FTSE World Government Bond Index (hedged to CAD)
- 4% ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)
- 4% JPMorgan EMBI Global Diversified (hedged to CAD)

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -2.0         | —               | —               | —                | 5.2                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |
| Advisor Series      | -2.0         | —               | —               | —                | 5.2                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |



**PAST PERFORMANCE (cont.)**

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Advisor T5 Series   | -1.9         | —               | —               | —                | 5.2                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |
| Series T5           | -2.0         | —               | —               | —                | 5.2                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |
| Series F            | -0.9         | —               | —               | —                | 6.4                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |
| Series FT5          | -0.9         | —               | —               | —                | 6.4                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |
| Series O            | 0.0          | —               | —               | —                | 7.3                |
| Benchmark           | 0.1          | —               | —               | —                | 6.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 1.8                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 9.0                |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series A, Advisor Series, Advisor T5 Series, Series T5, Series F, Series FT5 and Series O units have been available for sale to unitholders since January 25, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE World Government Bond Index (hedged to CAD)\*** This index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index includes sovereign debt from about 20 countries and is hedged to Canadian dollars.

**ICE BofAML U.S. High Yield BB-B Index (hedged to CAD)†** This index tracks the performance of the majority of U.S. dollar-denominated corporate debt that is below investment grade and issued in the U.S. market. Qualifying securities must have at least one year remaining to maturity and a minimum amount outstanding of \$100 million. The index is hedged to Canadian dollars.

**JPMorgan EMBI Global Diversified (hedged to CAD)** This index is a broad measure of the performance of U.S. dollar-denominated emerging-market debt in the Americas, Europe, Asia, the Middle East and Africa. The index limits the weights of countries with larger amounts of debt by including only a specific portion of their debt outstanding. The index is hedged to Canadian dollars.

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* The FTSE World Government Bond Index (hedged to CAD) was known as the Citi World Government Bond Index (Currency-Hedged in CAD) before a name change.

† ICE BofAML benchmarks were known as the Bank of America Merrill Lynch benchmarks before a name change.

‡ 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 |
|----------------------------|----------------------|
| International Equity Funds | 59.1                 |
| Income Funds               | 35.4                 |
| United States Equity Funds | 5.0                  |
| Cash/Other                 | 0.5                  |

**Top 25 Holdings\***

|                                            | % of Net Asset Value |
|--------------------------------------------|----------------------|
| RBC Global Dividend Growth Fund            | 21.2                 |
| RBC Global Equity Focus Fund               | 21.2                 |
| RBC Global Bond Fund                       | 13.1                 |
| RBC Emerging Markets Equity Fund           | 11.1                 |
| RBC Global Corporate Bond Fund             | 10.9                 |
| RBC Global High Yield Bond Fund            | 6.8                  |
| RBC European Mid-Cap Equity Fund           | 5.5                  |
| RBC U.S. Mid-Cap Value Equity Fund         | 5.0                  |
| RBC Emerging Markets Foreign Exchange Fund | 2.3                  |
| BlueBay Global Monthly Income Bond Fund    | 2.3                  |
| Cash & Cash Equivalents                    | 0.6                  |
| <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).





PORTFOLIO SOLUTION

**RBC RETIREMENT INCOME SOLUTION**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 for investors who are approaching or are already in retirement. The Fund seeks to provide regular income with a potential for modest capital appreciation by investing primarily in units of other funds managed by RBC GAM or an affiliate (the “underlying funds”), emphasizing mutual funds whose investment objective is to generate income.

To achieve the Fund’s objectives, the portfolio manager selects underlying funds based on their ability to provide cash flow and complement other funds within the portfolio. The decision to invest in an underlying fund is based on the portfolio manager’s assessment of the market outlook and the underlying fund’s ability to meet its stated investment objectives. The Fund’s target weightings for fixed-income and equity assets are 75% and 25%, respectively. The portfolio manager manages the allocations so that they will not be more than 15% above or below the target weightings.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$21 million as of December 31, 2018, from \$14 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 0.6%, which underperformed the 0.6% rise in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Canadian Short-Term Income Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were bolstered by the RBC QUBE Low Volatility Global Equity Fund and the RBC Global Dividend Growth Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

#### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.06                                  | 0.28                                             | (0.17)            | 0.08                          | (0.24)                          | (0.05) | (0.05)                                     | (0.06)            | (0.09)                   | —                    | (0.20) | 9.80                                |
| Dec. 31, 2017                 | 9.95                                   | 0.29                                             | (0.17)            | 0.07                          | —                               | 0.19   | (0.05)                                     | (0.06)            | (0.06)                   | —                    | (0.17) | 10.06                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.06                                             | (0.06)            | 0.04                          | 0.04                            | 0.08   | (0.01)                                     | (0.02)            | (0.03)                   | —                    | (0.06) | 9.95                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.07                                  | 0.28                                             | (0.15)            | 0.08                          | (0.25)                          | (0.04) | (0.07)                                     | (0.07)            | (0.09)                   | —                    | (0.23) | 9.80                                |
| Dec. 31, 2017                 | 9.95                                   | 0.40                                             | (0.15)            | 0.10                          | (0.06)                          | 0.29   | (0.05)                                     | (0.06)            | (0.06)                   | —                    | (0.17) | 10.07                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.09)            | 0.14                          | (0.24)                          | 0.01   | (0.01)                                     | (0.02)            | (0.03)                   | —                    | (0.06) | 9.95                                |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.66                                   | 0.27                                             | (0.15)            | 0.08                          | (0.32)                          | (0.12) | (0.06)                                     | (0.06)            | (0.06)                   | (0.30)               | (0.48) | 9.13                                |
| Dec. 31, 2017                 | 9.88                                   | 0.23                                             | (0.17)            | 0.06                          | 0.21                            | 0.33   | (0.04)                                     | (0.06)            | (0.18)                   | (0.21)               | (0.49) | 9.66                                |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.19                                             | (0.10)            | 0.13                          | (0.26)                          | (0.04) | (0.05)                                     | (0.07)            | —                        | —                    | (0.12) | 9.88                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.07                                  | 0.27                                             | (0.08)            | 0.08                          | (0.23)                          | 0.04   | (0.09)                                     | (0.08)            | (0.09)                   | —                    | (0.26) | 9.83                                |
| Dec. 31, 2017                 | 9.96                                   | 0.28                                             | (0.09)            | 0.07                          | (0.02)                          | 0.24   | (0.08)                                     | (0.11)            | (0.06)                   | —                    | (0.25) | 10.07                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.03)            | 0.03                          | 0.13                            | 0.17   | (0.02)                                     | (0.02)            | (0.03)                   | —                    | (0.07) | 9.96                                |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.77                                   | 0.27                                             | (0.07)            | 0.08                          | (0.24)                          | 0.04   | (0.10)                                     | (0.11)            | (0.08)                   | (0.20)               | (0.49) | 9.33                                |
| Dec. 31, 2017                 | 9.90                                   | 0.39                                             | (0.07)            | 0.09                          | (0.05)                          | 0.36   | (0.11)                                     | (0.13)            | (0.06)                   | (0.19)               | (0.49) | 9.77                                |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.08)            | 0.14                          | (0.24)                          | 0.02   | (0.05)                                     | (0.07)            | —                        | —                    | (0.12) | 9.90                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.06                                  | 0.28                                             | —                 | 0.08                          | (0.25)                          | 0.11   | (0.19)                                     | (0.19)            | (0.09)                   | —                    | (0.47) | 9.70                                |
| Dec. 31, 2017                 | 9.95                                   | 0.80                                             | (0.01)            | 0.19                          | (0.19)                          | 0.79   | (0.12)                                     | (0.15)            | (0.06)                   | —                    | (0.33) | 10.06                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.06)            | 0.14                          | (0.24)                          | 0.04   | (0.03)                                     | (0.03)            | (0.03)                   | —                    | (0.09) | 9.95                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.80</b>                      | <b>13 668</b>               | <b>1 394</b>                          | <b>1.69</b>                                  | <b>1.70</b>                               | <b>13.61</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.06                            | 10 946                      | 1 088                                 | 1.71                                         | 1.74                                      | 11.85                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.95                             | 602                         | 60                                    | 1.72                                         | 2.16                                      | 0.95                                        | 0.04                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.80</b>                      | <b>1</b>                    | —                                     | <b>1.60</b>                                  | <b>1.61</b>                               | <b>13.61</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.07                            | 1                           | —                                     | 1.60                                         | 1.63                                      | 11.85                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.95                             | 1                           | —                                     | 1.72                                         | 2.16                                      | 0.95                                        | 0.04                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.13</b>                      | <b>45</b>                   | <b>5</b>                              | <b>1.63</b>                                  | <b>1.64</b>                               | <b>13.61</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 9.66                             | 115                         | 12                                    | 1.67                                         | 1.70                                      | 11.85                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.88                             | 2                           | —                                     | 1.72                                         | 2.16                                      | 0.95                                        | 0.04                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.83</b>                      | <b>7 215</b>                | <b>734</b>                            | <b>0.85</b>                                  | <b>0.86</b>                               | <b>13.61</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.07                            | 3 076                       | 306                                   | 0.86                                         | 0.89                                      | 11.85                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.96                             | 344                         | 35                                    | 0.87                                         | 1.31                                      | 0.95                                        | 0.04                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.33</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.81</b>                                  | <b>0.82</b>                               | <b>13.61</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 9.77                             | 1                           | —                                     | 0.81                                         | 0.84                                      | 11.85                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.90                             | 1                           | —                                     | 0.87                                         | 1.31                                      | 0.95                                        | 0.04                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.70</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.05</b>                                  | <b>0.06</b>                               | <b>13.61</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.06                            | 1                           | —                                     | 0.05                                         | 0.08                                      | 11.85                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.95                             | 146                         | 15                                    | 0.04                                         | 0.48                                      | 0.95                                        | 0.04                                      |

<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 September 23, 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       | 1.45%           | 52%                   | 48%    |
| Advisor Series | 1.45%           | 52%                   | 48%    |
| Series T5      | 1.45%           | 52%                   | 48%    |
| Series F       | 0.70%           | —                     | 100%   |
| Series FT5     | 0.70%           | —                     | 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

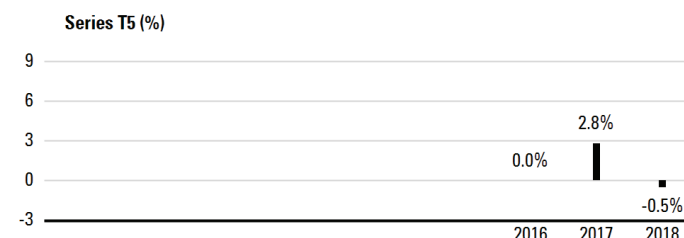
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Series O (%)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 55% FTSE Canada Short Term Bond Index
- 16% MSCI World Total Return Net Index (CAD)
- 11% FTSE World Government Bond Index (hedged to CAD)
- 9% FTSE Canada Universe Bond Index
- 9% S&P/TSX Capped Composite Total Return Index

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -0.6         | —               | —               | —                | 1.0                |
| Benchmark           | 0.6          | —               | —               | —                | 2.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.7                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series      | -0.4         | —               | —               | —                | 1.2                |
| Benchmark           | 0.6          | —               | —               | —                | 2.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.7                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 2.3                |
| Series T5           | -0.5         | —               | —               | —                | 1.0                |
| Benchmark           | 0.6          | —               | —               | —                | 2.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.7                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 2.3                |
| Series F            | 0.3          | —               | —               | —                | 1.9                |
| Benchmark           | 0.6          | —               | —               | —                | 2.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.7                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 2.3                |
| Series FT5          | 0.4          | —               | —               | —                | 2.0                |
| Benchmark           | 0.6          | —               | —               | —                | 2.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.7                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 2.3                |



## PAST PERFORMANCE (cont.)

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series O            | 1.1          | —               | —               | —                | 2.7                |
| Benchmark           | 0.6          | —               | —               | —                | 2.1                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.7                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series A, Advisor Series, Series T5, Series F, Series FT5 and Series O units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**FTSE Canada Short Term Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE World Government Bond Index (hedged to CAD)†** This index measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The index includes sovereign debt from about 20 countries and is hedged to Canadian dollars.

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

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

† The FTSE World Government Bond Index (hedged to CAD) was known as the Citi World Government Bond Index (Currency-Hedged in CAD) 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 |
|----------------------------|----------------------|
| Income Funds               | 78.5                 |
| International Equity Funds | 16.2                 |
| Canadian Equity Funds      | 4.6                  |
| Cash/Other                 | 0.7                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Canadian Short-Term Income Fund                          | 54.1                 |
| RBC Global Dividend Growth Fund                              | 11.2                 |
| RBC QUBE Low Volatility Global Equity Fund                   | 5.0                  |
| RBC Global High Yield Bond Fund                              | 4.9                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 4.6                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 4.6                  |
| Phillips, Hager & North Total Return Bond Fund               | 4.5                  |
| RBC Bond Fund                                                | 4.4                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.7                  |
| RBC Global Bond Fund                                         | 1.7                  |
| RBC Global Corporate Bond Fund                               | 1.2                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 1.2                  |
| Cash & Cash Equivalents                                      | 0.9                  |
| Total                                                        | 100.0                |

\* 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).



PORTFOLIO SOLUTION

**RBC RETIREMENT 2020 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2020 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2020. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$37 million as of December 31, 2018, from \$25 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 2.1%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Canadian Short-Term Income Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the Phillips, Hager & North Conservative Equity Income Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.





Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.33                                  | 0.30                                             | (0.18)            | 0.16                          | (0.54)                          | (0.26) | (0.03)                                     | (0.07)            | (0.14)                   | —                    | (0.24) | 9.86                                |
| Dec. 31, 2017                 | 9.90                                   | 0.37                                             | (0.18)            | 0.24                          | 0.12                            | 0.55   | (0.02)                                     | (0.07)            | (0.15)                   | —                    | (0.24) | 10.33                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.07)            | 0.13                          | (0.06)                          | 0.15   | (0.02)                                     | (0.05)            | (0.11)                   | —                    | (0.18) | 9.90                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.34                                  | 0.31                                             | (0.18)            | 0.16                          | (0.51)                          | (0.22) | (0.03)                                     | (0.10)            | (0.14)                   | —                    | (0.27) | 9.85                                |
| Dec. 31, 2017                 | 9.90                                   | 0.25                                             | (0.17)            | 0.16                          | 0.77                            | 1.01   | (0.03)                                     | (0.07)            | (0.15)                   | —                    | (0.25) | 10.34                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.44                                             | (0.10)            | 0.39                          | (0.65)                          | 0.08   | (0.02)                                     | (0.05)            | (0.11)                   | —                    | (0.18) | 9.90                                |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.13                                  | 0.31                                             | (0.17)            | 0.17                          | (0.60)                          | (0.29) | (0.03)                                     | (0.09)            | (0.05)                   | (0.33)               | (0.50) | 9.42                                |
| Dec. 31, 2017                 | 9.95                                   | 0.25                                             | (0.17)            | 0.17                          | 0.85                            | 1.10   | (0.04)                                     | (0.11)            | (0.32)                   | (0.03)               | (0.50) | 10.13                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.44                                             | (0.10)            | 0.39                          | (0.65)                          | 0.08   | (0.03)                                     | (0.09)            | —                        | —                    | (0.12) | 9.95                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.26                                  | 0.30                                             | (0.09)            | 0.16                          | (0.50)                          | (0.13) | (0.06)                                     | (0.15)            | (0.14)                   | —                    | (0.35) | 9.78                                |
| Dec. 31, 2017                 | 9.83                                   | 0.30                                             | (0.10)            | 0.20                          | 0.21                            | 0.61   | (0.04)                                     | (0.13)            | (0.15)                   | —                    | (0.32) | 10.26                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.44                                             | (0.08)            | 0.39                          | (0.65)                          | 0.10   | (0.04)                                     | (0.12)            | (0.11)                   | —                    | (0.27) | 9.83                                |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.24                                  | 0.30                                             | (0.07)            | 0.16                          | (0.50)                          | (0.11) | (0.06)                                     | (0.16)            | (0.08)                   | (0.21)               | (0.51) | 9.62                                |
| Dec. 31, 2017                 | 9.97                                   | 0.72                                             | (0.08)            | 0.48                          | (0.36)                          | 0.76   | (0.07)                                     | (0.24)            | (0.14)                   | (0.05)               | (0.50) | 10.24                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.44                                             | (0.08)            | 0.39                          | (0.65)                          | 0.10   | (0.03)                                     | (0.09)            | —                        | —                    | (0.12) | 9.97                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.19                                  | 0.30                                             | —                 | 0.16                          | (0.50)                          | (0.04) | (0.10)                                     | (0.27)            | (0.14)                   | —                    | (0.51) | 9.63                                |
| Dec. 31, 2017                 | 9.76                                   | 1.87                                             | (0.01)            | 1.24                          | (1.78)                          | 1.32   | (0.07)                                     | (0.20)            | (0.15)                   | —                    | (0.42) | 10.19                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.44                                             | (0.06)            | 0.39                          | (0.66)                          | 0.11   | (0.06)                                     | (0.19)            | (0.11)                   | —                    | (0.36) | 9.76                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.86</b>                      | <b>24 216</b>               | <b>2 455</b>                          | <b>1.75</b>                                  | <b>1.76</b>                               | <b>6.54</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.33                            | 14 229                      | 1 378                                 | 1.76                                         | 1.78                                      | 2.54                                        | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.90                             | 543                         | 55                                    | 1.79                                         | 2.27                                      | 3.79                                        | 0.09                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.85</b>                      | <b>139</b>                  | <b>14</b>                             | <b>1.79</b>                                  | <b>1.80</b>                               | <b>6.54</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.34                            | 142                         | 14                                    | 1.68                                         | 1.70                                      | 2.54                                        | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.90                             | 1                           | —                                     | 1.79                                         | 2.27                                      | 3.79                                        | 0.09                                      |



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data (cont.)**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.42</b>                      | <b>79</b>                   | <b>8</b>                              | <b>1.78</b>                                  | <b>1.79</b>                               | <b>6.54</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.13                            | 133                         | 13                                    | 1.67                                         | 1.69                                      | 2.54                                        | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.95                             | 1                           | —                                     | 1.79                                         | 2.27                                      | 3.79                                        | 0.09                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.78</b>                      | <b>12 560</b>               | <b>1 285</b>                          | <b>0.88</b>                                  | <b>0.89</b>                               | <b>6.54</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.26                            | 10 529                      | 1 026                                 | 0.95                                         | 0.97                                      | 2.54                                        | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.83                             | 1                           | —                                     | 0.94                                         | 1.42                                      | 3.79                                        | 0.09                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.62</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.88</b>                                  | <b>0.89</b>                               | <b>6.54</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.24                            | 1                           | —                                     | 0.88                                         | 0.90                                      | 2.54                                        | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.97                             | 1                           | —                                     | 0.94                                         | 1.42                                      | 3.79                                        | 0.09                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.63</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.06</b>                                  | <b>0.07</b>                               | <b>6.54</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.19                            | 1                           | —                                     | 0.06                                         | 0.08                                      | 2.54                                        | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.76                             | 147                         | 15                                    | 0.06                                         | 0.54                                      | 3.79                                        | 0.09                                      |

<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 September 23, 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series T5      | 1.50%           | 50%                   | 50%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.



## PAST PERFORMANCE (cont.)



**Series O (%)**



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -2.1      | —            | —            | —             | 2.4             |
| Benchmark 1    | 1.4       | —            | —            | —             | 0.7             |
| Benchmark 2    | -8.9      | —            | —            | —             | 2.3             |
| Advisor Series | -2.2      | —            | —            | —             | 2.4             |
| Benchmark 1    | 1.4       | —            | —            | —             | 0.7             |
| Benchmark 2    | -8.9      | —            | —            | —             | 2.3             |
| Series T5      | -2.2      | —            | —            | —             | 2.4             |
| Benchmark 1    | 1.4       | —            | —            | —             | 0.7             |
| Benchmark 2    | -8.9      | —            | —            | —             | 2.3             |
| Series F       | -1.3      | —            | —            | —             | 3.2             |
| Benchmark 1    | 1.4       | —            | —            | —             | 0.7             |
| Benchmark 2    | -8.9      | —            | —            | —             | 2.3             |
| Series FT5     | -1.1      | —            | —            | —             | 3.4             |
| Benchmark 1    | 1.4       | —            | —            | —             | 0.7             |
| Benchmark 2    | -8.9      | —            | —            | —             | 2.3             |
| Series O       | -0.4      | —            | —            | —             | 4.2             |
| Benchmark 1    | 1.4       | —            | —            | —             | 0.7             |
| Benchmark 2    | -8.9      | —            | —            | —             | 2.3             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series T5, Series F, Series FT5 and Series O units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 59.3                 |
| International Equity Funds | 21.7                 |
| Canadian Equity Funds      | 11.9                 |
| United States Equity Funds | 6.8                  |
| Cash/Other                 | 0.3                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Canadian Short-Term Income Fund                          | 13.6                 |
| RBC Bond Fund                                                | 9.3                  |
| Phillips, Hager & North Total Return Bond Fund               | 9.3                  |
| RBC Global Dividend Growth Fund                              | 7.9                  |
| RBC Global Equity Focus Fund                                 | 5.2                  |
| RBC Global High Yield Bond Fund                              | 5.0                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 4.9                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 4.2                  |
| RBC Global Bond Fund                                         | 4.2                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 4.2                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 4.2                  |
| RBC Global Corporate Bond Fund                               | 4.2                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 4.2                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 3.8                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 3.2                  |
| Phillips, Hager & North Canadian Equity Value Fund           | 2.7                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 2.2                  |
| RBC Emerging Markets Equity Fund                             | 1.6                  |
| RBC European Equity Fund                                     | 1.5                  |
| RBC U.S. Equity Value Fund                                   | 1.4                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 1.2                  |
| BlueBay European High Yield Bond Fund (Canada)               | 1.0                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.5                  |
| Cash & Cash Equivalents                                      | 0.5                  |
| Total                                                        | 100.0                |

\* 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).



PORTFOLIO SOLUTION

**RBC RETIREMENT 2025 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2025 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2025. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$36 million as of December 31, 2018, from \$20 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 3.1%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Canadian Short-Term Income Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the Phillips, Hager & North Conservative Equity Income Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.





Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

Effective January 1, 2020, the management fee will decline to 1.50% for Series A units, 1.50% for Advisor Series units and 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.43</b>                           | <b>0.31</b>                                      | <b>(0.22)</b>     | <b>0.21</b>                   | <b>(0.70)</b>                   | <b>(0.40)</b> | —                                          | <b>(0.08)</b>     | <b>(0.16)</b>            | —                    | <b>(0.24)</b> | <b>9.87</b>                         |
| Dec. 31, 2017                 | 9.94                                   | 0.34                                             | (0.21)            | 0.30                          | 0.28                            | 0.71          | —                                          | (0.08)            | (0.20)                   | —                    | (0.28)        | 10.43                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.08)            | 0.12                          | —                               | 0.19          | (0.01)                                     | (0.05)            | (0.12)                   | —                    | (0.18)        | 9.94                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.44</b>                           | <b>0.32</b>                                      | <b>(0.20)</b>     | <b>0.22</b>                   | <b>(0.67)</b>                   | <b>(0.33)</b> | —                                          | <b>(0.09)</b>     | <b>(0.16)</b>            | —                    | <b>(0.25)</b> | <b>9.87</b>                         |
| Dec. 31, 2017                 | 9.94                                   | 0.29                                             | (0.22)            | 0.26                          | (0.09)                          | 0.24          | —                                          | (0.09)            | (0.21)                   | —                    | (0.30)        | 10.44                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.32                                             | (0.11)            | 0.26                          | (0.35)                          | 0.12          | (0.01)                                     | (0.05)            | (0.12)                   | —                    | (0.18)        | 9.94                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.32</b>                           | <b>0.30</b>                                      | <b>(0.10)</b>     | <b>0.20</b>                   | <b>(0.80)</b>                   | <b>(0.40)</b> | —                                          | <b>(0.19)</b>     | <b>(0.16)</b>            | —                    | <b>(0.35)</b> | <b>9.75</b>                         |
| Dec. 31, 2017                 | 9.85                                   | 0.33                                             | (0.10)            | 0.29                          | 0.02                            | 0.54          | (0.01)                                     | (0.19)            | (0.21)                   | —                    | (0.41)        | 10.32                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.32                                             | (0.08)            | 0.26                          | (0.36)                          | 0.14          | (0.03)                                     | (0.15)            | (0.12)                   | —                    | (0.30)        | 9.85                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.24</b>                           | <b>0.31</b>                                      | —                 | <b>0.22</b>                   | <b>(0.64)</b>                   | <b>(0.11)</b> | <b>(0.01)</b>                              | <b>(0.27)</b>     | <b>(0.16)</b>            | —                    | <b>(0.44)</b> | <b>9.68</b>                         |
| Dec. 31, 2017                 | 9.77                                   | 1.82                                             | (0.01)            | 1.62                          | (1.94)                          | 1.49          | (0.01)                                     | (0.30)            | (0.21)                   | —                    | (0.52)        | 10.24                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.32                                             | (0.06)            | 0.26                          | (0.36)                          | 0.16          | (0.05)                                     | (0.22)            | (0.12)                   | —                    | (0.39)        | 9.77                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.87</b>                      | <b>28 026</b>               | <b>2 839</b>                          | <b>2.09</b>                                  | <b>2.10</b>                               | <b>3.16</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017              | 10.43                            | 16 841                      | 1 615                                 | 2.08                                         | 2.10                                      | 8.38                                        | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.94                             | 251                         | 25                                    | 2.13                                         | 2.70                                      | 3.77                                        | 0.11                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.87</b>                      | <b>68</b>                   | <b>7</b>                              | <b>1.98</b>                                  | <b>1.99</b>                               | <b>3.16</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017              | 10.44                            | 69                          | 7                                     | 1.99                                         | 2.01                                      | 8.38                                        | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.94                             | 1                           | —                                     | 2.13                                         | 2.70                                      | 3.77                                        | 0.11                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.75</b>                      | <b>8 261</b>                | <b>847</b>                            | <b>0.95</b>                                  | <b>0.96</b>                               | <b>3.16</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017              | 10.32                            | 2 786                       | 270                                   | 0.94                                         | 0.96                                      | 8.38                                        | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.85                             | 1                           | —                                     | 1.00                                         | 1.57                                      | 3.77                                        | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.68</b>                      | <b>1</b>                    | —                                     | <b>0.06</b>                                  | <b>0.07</b>                               | <b>3.16</b>                                 | <b>0.04</b>                               |
| Dec. 31, 2017              | 10.24                            | 1                           | —                                     | 0.06                                         | 0.08                                      | 8.38                                        | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.77                             | 149                         | 15                                    | 0.06                                         | 0.63                                      | 3.77                                        | 0.11                                      |

<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 September 23, 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       | 1.80%           | 56%                   | 44%    |
| Advisor Series | 1.80%           | 56%                   | 44%    |
| Series F       | 0.80%           | —                     | 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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.1         | —               | —               | —                | 2.5                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series | -3.0         | —               | —               | —                | 2.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series F       | -2.1         | —               | —               | —                | 3.6                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series 0       | -1.1         | —               | —               | —                | 4.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series F and Series 0 units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 47.3                 |
| International Equity Funds | 25.3                 |
| Canadian Equity Funds      | 16.2                 |
| United States Equity Funds | 10.9                 |
| Cash/Other                 | 0.3                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| Phillips, Hager & North Total Return Bond Fund               | 7.9                  |
| RBC Bond Fund                                                | 7.9                  |
| RBC Global Dividend Growth Fund                              | 7.8                  |
| RBC Canadian Short-Term Income Fund                          | 7.6                  |
| RBC Global Equity Focus Fund                                 | 6.5                  |
| RBC Global High Yield Bond Fund                              | 5.0                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 4.9                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 4.8                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 4.7                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 4.6                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 4.4                  |
| Phillips, Hager & North Canadian Equity Value Fund           | 3.7                  |
| RBC Global Bond Fund                                         | 3.6                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.6                  |
| RBC Global Corporate Bond Fund                               | 3.6                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 3.6                  |
| RBC U.S. Equity Value Fund                                   | 3.1                  |
| RBC Emerging Markets Equity Fund                             | 3.1                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 3.1                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 2.3                  |
| RBC European Equity Fund                                     | 1.9                  |
| Phillips, Hager & North Canadian Growth Fund                 | 0.9                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.7                  |
| Cash & Cash Equivalents                                      | 0.4                  |
| RBC Japanese Equity Fund                                     | 0.3                  |
| Top 25 Holdings                                              | 100.0                |

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).



PORTFOLIO SOLUTION

**RBC RETIREMENT 2030 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2030 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2030. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value rose to \$48 million as of December 31, 2018, from \$28 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 3.5%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the Phillips, Hager & North Total Return Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC U.S. Mid-Cap Value Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

Effective January 1, 2025, the management fee will decline to 1.50% for Series A units, 1.50% for Advisor Series units and 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.56</b>                           | <b>0.32</b>                                      | <b>(0.22)</b>     | <b>0.26</b>                   | <b>(0.83)</b>                   | <b>(0.47)</b> | —                                          | <b>(0.08)</b>     | <b>(0.19)</b>            | —                    | <b>(0.27)</b> | <b>9.92</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.36                                             | (0.22)            | 0.31                          | 0.29                            | 0.74          | —                                          | (0.09)            | (0.19)                   | —                    | (0.28)        | 10.56                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.08)            | 0.12                          | (0.21)                          | (0.03)        | (0.01)                                     | (0.04)            | (0.08)                   | —                    | (0.13)        | 10.01                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.56</b>                           | <b>0.32</b>                                      | <b>(0.21)</b>     | <b>0.27</b>                   | <b>(0.74)</b>                   | <b>(0.36)</b> | —                                          | <b>(0.08)</b>     | <b>(0.19)</b>            | —                    | <b>(0.27)</b> | <b>9.91</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.60                                             | (0.22)            | 0.52                          | (0.20)                          | 0.70          | —                                          | (0.08)            | (0.20)                   | —                    | (0.28)        | 10.56                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.32                                             | (0.10)            | 0.28                          | (0.07)                          | 0.43          | (0.01)                                     | (0.04)            | (0.08)                   | —                    | (0.13)        | 10.01                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.45</b>                           | <b>0.31</b>                                      | <b>(0.10)</b>     | <b>0.26</b>                   | <b>(0.90)</b>                   | <b>(0.43)</b> | —                                          | <b>(0.19)</b>     | <b>(0.19)</b>            | —                    | <b>(0.38)</b> | <b>9.81</b>                         |
| Dec. 31, 2017                 | 9.91                                   | 0.30                                             | (0.10)            | 0.26                          | 0.46                            | 0.92          | —                                          | (0.20)            | (0.20)                   | —                    | (0.40)        | 10.45                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.42                                             | (0.08)            | 0.36                          | (0.53)                          | 0.17          | (0.03)                                     | (0.15)            | (0.08)                   | —                    | (0.26)        | 9.91                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.37</b>                           | <b>0.32</b>                                      | —                 | <b>0.26</b>                   | <b>(0.73)</b>                   | <b>(0.15)</b> | <b>(0.01)</b>                              | <b>(0.28)</b>     | <b>(0.19)</b>            | —                    | <b>(0.48)</b> | <b>9.73</b>                         |
| Dec. 31, 2017                 | 9.84                                   | 2.02                                             | (0.01)            | 1.75                          | (2.25)                          | 1.51          | (0.01)                                     | (0.29)            | (0.20)                   | —                    | (0.50)        | 10.37                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.42                                             | (0.06)            | 0.36                          | (0.54)                          | 0.18          | (0.05)                                     | (0.22)            | (0.08)                   | —                    | (0.35)        | 9.84                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.92</b>                      | <b>39 773</b>               | <b>4 010</b>                          | <b>2.09</b>                                  | <b>2.10</b>                               | <b>1.61</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.56                            | 22 615                      | 2 141                                 | 2.08                                         | 2.10                                      | 1.53                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 670                         | 67                                    | 2.14                                         | 2.63                                      | 2.45                                        | 0.10                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.91</b>                      | <b>19</b>                   | <b>2</b>                              | <b>2.05</b>                                  | <b>2.06</b>                               | <b>1.61</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.56                            | 19                          | 2                                     | 2.12                                         | 2.14                                      | 1.53                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 9                           | 1                                     | 2.14                                         | 2.63                                      | 2.45                                        | 0.10                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.81</b>                      | <b>8 185</b>                | <b>835</b>                            | <b>0.97</b>                                  | <b>0.98</b>                               | <b>1.61</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.45                            | 4 874                       | 467                                   | 0.94                                         | 0.96                                      | 1.53                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.91                             | 1                           | —                                     | 1.01                                         | 1.50                                      | 2.45                                        | 0.10                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.73</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.06</b>                                  | <b>0.07</b>                               | <b>1.61</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.37                            | 1                           | —                                     | 0.07                                         | 0.09                                      | 1.53                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.84                             | 150                         | 15                                    | 0.07                                         | 0.56                                      | 2.45                                        | 0.10                                      |

<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 September 23, 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       | 1.80%           | 56%                   | 44%    |
| Advisor Series | 1.80%           | 56%                   | 44%    |
| Series F       | 0.80%           | —                     | 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.







**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.5         | —               | —               | —                | 2.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series | -3.5         | —               | —               | —                | 2.6                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series F       | -2.4         | —               | —               | —                | 3.8                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series 0       | -1.5         | —               | —               | —                | 4.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series F and Series 0 units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 39.3                 |
| International Equity Funds | 28.4                 |
| Canadian Equity Funds      | 19.2                 |
| United States Equity Funds | 12.7                 |
| Cash/Other                 | 0.4                  |

**Top 25 Holdings**

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Global Equity Focus Fund                                 | 8.3                  |
| RBC Global Dividend Growth Fund                              | 8.1                  |
| RBC Bond Fund                                                | 6.6                  |
| Phillips, Hager & North Total Return Bond Fund               | 6.6                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 6.0                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 5.8                  |
| RBC Global High Yield Bond Fund                              | 5.0                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 4.9                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 4.3                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 4.3                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 3.8                  |
| RBC Canadian Short-Term Income Fund                          | 3.5                  |
| RBC Emerging Markets Equity Fund                             | 3.3                  |
| Phillips, Hager & North Canadian Equity Value Fund           | 3.2                  |
| RBC U.S. Equity Value Fund                                   | 3.1                  |
| RBC Global Bond Fund                                         | 3.1                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.1                  |
| RBC Global Corporate Bond Fund                               | 3.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 3.0                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 3.0                  |
| Phillips, Hager & North Canadian Growth Fund                 | 2.7                  |
| RBC European Equity Fund                                     | 2.3                  |
| BlueBay European High Yield Bond Fund (Canada)               | 1.0                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.8                  |
| Cash & Cash Equivalents                                      | 0.6                  |
| Top 25 Holdings                                              | 99.4                 |

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](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).



PORTFOLIO SOLUTION

**RBC RETIREMENT 2035 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2035 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2035. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$37 million as of December 31, 2018, from \$21 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 3.6%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the Phillips, Hager & North Total Return Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the RBC U.S. Mid-Cap Value Equity Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

Effective January 1, 2030, the management fee will decline to 1.50% for Series A units, 1.50% for Advisor Series units and 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.42</b>                           | <b>0.31</b>                                      | <b>(0.21)</b>     | <b>0.25</b>                   | <b>(0.84)</b>                   | <b>(0.49)</b> | —                                          | <b>(0.08)</b>     | <b>(0.19)</b>            | —                    | <b>(0.27)</b> | <b>9.77</b>                         |
| Dec. 31, 2017                 | 9.87                                   | 0.35                                             | (0.21)            | 0.30                          | 0.31                            | 0.75          | —                                          | (0.09)            | (0.19)                   | —                    | (0.28)        | 10.42                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.06)            | 0.15                          | (0.07)                          | 0.19          | (0.02)                                     | (0.09)            | (0.13)                   | —                    | (0.24)        | 9.87                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.43</b>                           | <b>0.32</b>                                      | <b>(0.19)</b>     | <b>0.26</b>                   | <b>(0.74)</b>                   | <b>(0.35)</b> | —                                          | <b>(0.10)</b>     | <b>(0.19)</b>            | —                    | <b>(0.29)</b> | <b>9.78</b>                         |
| Dec. 31, 2017                 | 9.87                                   | 0.54                                             | (0.19)            | 0.47                          | 0.04                            | 0.86          | —                                          | (0.11)            | (0.19)                   | —                    | (0.30)        | 10.43                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 1.22                                             | (0.10)            | 1.08                          | (2.08)                          | 0.12          | (0.02)                                     | (0.09)            | (0.13)                   | —                    | (0.24)        | 9.87                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.32</b>                           | <b>0.31</b>                                      | <b>(0.10)</b>     | <b>0.25</b>                   | <b>(0.70)</b>                   | <b>(0.24)</b> | —                                          | <b>(0.20)</b>     | <b>(0.19)</b>            | —                    | <b>(0.39)</b> | <b>9.67</b>                         |
| Dec. 31, 2017                 | 9.77                                   | 0.27                                             | (0.10)            | 0.24                          | 0.48                            | 0.89          | —                                          | (0.21)            | (0.20)                   | —                    | (0.41)        | 10.32                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 1.22                                             | (0.08)            | 1.08                          | (2.08)                          | 0.14          | (0.04)                                     | (0.20)            | (0.13)                   | —                    | (0.37)        | 9.77                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.23</b>                           | <b>0.32</b>                                      | —                 | <b>0.25</b>                   | <b>(0.73)</b>                   | <b>(0.16)</b> | <b>(0.01)</b>                              | <b>(0.28)</b>     | <b>(0.19)</b>            | —                    | <b>(0.48)</b> | <b>9.58</b>                         |
| Dec. 31, 2017                 | 9.70                                   | 1.17                                             | (0.01)            | 1.02                          | (0.65)                          | 1.53          | (0.01)                                     | (0.30)            | (0.20)                   | —                    | (0.51)        | 10.23                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 1.22                                             | (0.06)            | 1.08                          | (2.08)                          | 0.16          | (0.05)                                     | (0.28)            | (0.13)                   | —                    | (0.46)        | 9.70                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.77</b>                      | <b>34 030</b>               | <b>3 482</b>                          | <b>2.09</b>                                  | <b>2.10</b>                               | <b>1.88</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.42                            | 19 259                      | 1 848                                 | 2.07                                         | 2.09                                      | —                                           | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.87                             | 1 499                       | 152                                   | 2.14                                         | 2.40                                      | 1.36                                        | 0.11                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.78</b>                      | <b>1</b>                    | —                                     | <b>1.99</b>                                  | <b>2.00</b>                               | <b>1.88</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.43                            | 1                           | —                                     | 1.99                                         | 2.01                                      | —                                           | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.87                             | 1                           | —                                     | 2.14                                         | 2.40                                      | 1.36                                        | 0.11                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.67</b>                      | <b>3 053</b>                | <b>316</b>                            | <b>0.96</b>                                  | <b>0.97</b>                               | <b>1.88</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.32                            | 1 819                       | 176                                   | 0.95                                         | 0.97                                      | —                                           | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.77                             | 1                           | —                                     | 1.01                                         | 1.27                                      | 1.36                                        | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.58</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.07</b>                                  | <b>0.08</b>                               | <b>1.88</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.23                            | 1                           | —                                     | 0.07                                         | 0.09                                      | —                                           | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.70                             | 149                         | 15                                    | 0.07                                         | 0.33                                      | 1.36                                        | 0.11                                      |

<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 September 23, 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       | 1.80%           | 56%                   | 44%    |
| Advisor Series | 1.80%           | 56%                   | 44%    |
| Series F       | 0.80%           | —                     | 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.

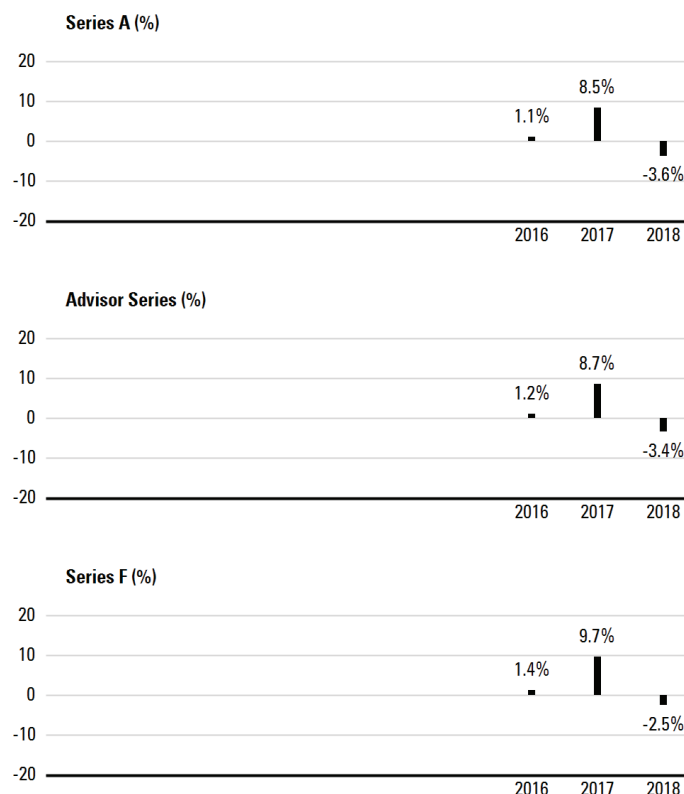
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.





**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.6         | —               | —               | —                | 2.6                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series | -3.4         | —               | —               | —                | 2.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series F       | -2.5         | —               | —               | —                | 3.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series O       | -1.6         | —               | —               | —                | 4.6                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series F and Series O units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 38.2                 |
| International Equity Funds | 28.2                 |
| Canadian Equity Funds      | 19.8                 |
| United States Equity Funds | 13.3                 |
| Cash/Other                 | 0.5                  |

**Top 25 Holdings**

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Global Equity Focus Fund                                 | 9.0                  |
| RBC Global Dividend Growth Fund                              | 6.7                  |
| Phillips, Hager & North Total Return Bond Fund               | 6.5                  |
| RBC Bond Fund                                                | 6.5                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 6.3                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 6.3                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 5.0                  |
| RBC Global High Yield Bond Fund                              | 4.9                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 4.1                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 3.9                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 3.8                  |
| Phillips, Hager & North Canadian Growth Fund                 | 3.7                  |
| RBC Emerging Markets Equity Fund                             | 3.4                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 3.2                  |
| RBC Global Bond Fund                                         | 3.0                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 3.0                  |
| RBC Global Corporate Bond Fund                               | 3.0                  |
| RBC U.S. Equity Value Fund                                   | 2.8                  |
| Phillips, Hager & North Canadian Equity Value Fund           | 2.7                  |
| RBC Canadian Short-Term Income Fund                          | 2.5                  |
| RBC European Equity Fund                                     | 2.5                  |
| BlueBay European High Yield Bond Fund (Canada)               | 2.0                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.8                  |
| Cash & Cash Equivalents                                      | 0.7                  |
| Top 25 Holdings                                              | 99.3                 |

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).





PORTFOLIO SOLUTION

**RBC RETIREMENT 2040 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2040 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2040. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$32 million as of December 31, 2018, from \$15 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 3.7%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the Phillips, Hager & North Total Return Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the Phillips, Hager & North Canadian Growth Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

Effective January 1, 2035, the management fee will decline to 1.50% for Series A units, 1.50% for Advisor Series units and 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.49</b>                           | <b>0.33</b>                                      | <b>(0.22)</b>     | <b>0.29</b>                   | <b>(0.94)</b>                   | <b>(0.54)</b> | —                                          | <b>(0.09)</b>     | <b>(0.20)</b>            | —                    | <b>(0.29)</b> | <b>9.80</b>                         |
| Dec. 31, 2017                 | 9.96                                   | 0.36                                             | (0.22)            | 0.33                          | 0.30                            | 0.77          | —                                          | (0.10)            | (0.20)                   | —                    | (0.30)        | 10.49                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.10)            | 0.17                          | (0.13)                          | 0.14          | (0.01)                                     | (0.04)            | (0.13)                   | —                    | (0.18)        | 9.96                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.50</b>                           | <b>0.34</b>                                      | <b>(0.20)</b>     | <b>0.30</b>                   | <b>(0.81)</b>                   | <b>(0.37)</b> | —                                          | <b>(0.11)</b>     | <b>(0.21)</b>            | —                    | <b>(0.32)</b> | <b>9.81</b>                         |
| Dec. 31, 2017                 | 9.96                                   | 0.61                                             | (0.19)            | 0.56                          | (0.12)                          | 0.86          | —                                          | (0.12)            | (0.20)                   | —                    | (0.32)        | 10.50                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.29                                             | (0.10)            | 0.26                          | (0.31)                          | 0.14          | (0.01)                                     | (0.04)            | (0.13)                   | —                    | (0.18)        | 9.96                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.38</b>                           | <b>0.33</b>                                      | <b>(0.10)</b>     | <b>0.29</b>                   | <b>(0.87)</b>                   | <b>(0.35)</b> | <b>(0.01)</b>                              | <b>(0.19)</b>     | <b>(0.21)</b>            | —                    | <b>(0.41)</b> | <b>9.68</b>                         |
| Dec. 31, 2017                 | 9.86                                   | 0.37                                             | (0.10)            | 0.34                          | 0.34                            | 0.95          | (0.01)                                     | (0.22)            | (0.20)                   | —                    | (0.43)        | 10.38                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.29                                             | (0.08)            | 0.26                          | (0.31)                          | 0.16          | (0.03)                                     | (0.14)            | (0.13)                   | —                    | (0.30)        | 9.86                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.30</b>                           | <b>0.34</b>                                      | —                 | <b>0.30</b>                   | <b>(0.82)</b>                   | <b>(0.18)</b> | <b>(0.01)</b>                              | <b>(0.29)</b>     | <b>(0.21)</b>            | —                    | <b>(0.51)</b> | <b>9.61</b>                         |
| Dec. 31, 2017                 | 9.79                                   | 1.36                                             | (0.01)            | 1.25                          | (1.09)                          | 1.51          | (0.01)                                     | (0.31)            | (0.20)                   | —                    | (0.52)        | 10.30                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.29                                             | (0.06)            | 0.26                          | (0.31)                          | 0.18          | (0.05)                                     | (0.21)            | (0.13)                   | —                    | (0.39)        | 9.79                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.80</b>                      | <b>30 096</b>               | <b>3 072</b>                          | <b>2.09</b>                                  | <b>2.10</b>                               | <b>1.70</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.49                            | 13 987                      | 1 334                                 | 2.12                                         | 2.15                                      | 3.31                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.96                             | 472                         | 47                                    | 2.14                                         | 2.70                                      | 3.98                                        | 0.11                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.81</b>                      | <b>1</b>                    | —                                     | <b>1.99</b>                                  | <b>2.00</b>                               | <b>1.70</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.50                            | 1                           | —                                     | 2.00                                         | 2.03                                      | 3.31                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.96                             | 1                           | —                                     | 2.14                                         | 2.70                                      | 3.98                                        | 0.11                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.68</b>                      | <b>1 910</b>                | <b>197</b>                            | <b>0.97</b>                                  | <b>0.98</b>                               | <b>1.70</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.38                            | 882                         | 85                                    | 0.95                                         | 0.98                                      | 3.31                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.86                             | 1                           | —                                     | 1.01                                         | 1.57                                      | 3.98                                        | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.61</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.07</b>                                  | <b>0.08</b>                               | <b>1.70</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.30                            | 1                           | —                                     | 0.07                                         | 0.10                                      | 3.31                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.79                             | 150                         | 15                                    | 0.07                                         | 0.63                                      | 3.98                                        | 0.11                                      |

<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 September 23, 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       | 1.80%           | 56%                   | 44%    |
| Advisor Series | 1.80%           | 56%                   | 44%    |
| Series F       | 0.80%           | —                     | 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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.7         | —               | —               | —                | 2.5                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series | -3.5         | —               | —               | —                | 2.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series F       | -2.7         | —               | —               | —                | 3.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series O       | -1.7         | —               | —               | —                | 4.6                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series F and Series O units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 38.2                 |
| International Equity Funds | 28.2                 |
| Canadian Equity Funds      | 19.8                 |
| United States Equity Funds | 13.3                 |
| Cash/Other                 | 0.5                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Global Equity Focus Fund                                 | 9.5                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 6.8                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 6.8                  |
| RBC Bond Fund                                                | 6.5                  |
| Phillips, Hager & North Total Return Bond Fund               | 6.5                  |
| RBC Global Dividend Growth Fund                              | 5.1                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 5.0                  |
| RBC Global High Yield Bond Fund                              | 5.0                  |
| Phillips, Hager & North Canadian Growth Fund                 | 4.7                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 4.5                  |
| BlueBay European High Yield Bond Fund (Canada)               | 4.0                  |
| RBC Emerging Markets Equity Fund                             | 3.5                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 3.4                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 3.4                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 3.4                  |
| RBC Global Bond Fund                                         | 3.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 3.0                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.0                  |
| RBC Global Corporate Bond Fund                               | 3.0                  |
| RBC European Equity Fund                                     | 2.6                  |
| RBC U.S. Equity Value Fund                                   | 2.6                  |
| Phillips, Hager & North Canadian Equity Value Fund           | 2.0                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.9                  |
| Cash & Cash Equivalents                                      | 0.7                  |
| RBC Canadian Short-Term Income Fund                          | 0.5                  |
| <b>Top 25 Holdings</b>                                       | <b>99.4</b>          |

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).



PORTFOLIO SOLUTION

**RBC RETIREMENT 2045 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2045 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2045. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$28 million as of December 31, 2018, from \$13 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 3.8%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the Phillips, Hager & North Total Return Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the Phillips, Hager & North Canadian Growth Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

Effective January 1, 2040, the management fee will decline to 1.50% for Series A units, 1.50% for Advisor Series units and 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.58</b>                           | <b>0.33</b>                                      | <b>(0.22)</b>     | <b>0.29</b>                   | <b>(0.93)</b>                   | <b>(0.53)</b> | —                                          | <b>(0.09)</b>     | <b>(0.21)</b>            | —                    | <b>(0.30)</b> | <b>9.87</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.38                                             | (0.22)            | 0.36                          | 0.30                            | 0.82          | —                                          | (0.10)            | (0.21)                   | —                    | (0.31)        | 10.58                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.10)            | 0.13                          | (0.25)                          | (0.07)        | (0.01)                                     | (0.02)            | (0.09)                   | —                    | (0.12)        | 10.01                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.59</b>                           | <b>0.34</b>                                      | <b>(0.20)</b>     | <b>0.30</b>                   | <b>(0.82)</b>                   | <b>(0.38)</b> | —                                          | <b>(0.10)</b>     | <b>(0.22)</b>            | —                    | <b>(0.32)</b> | <b>9.88</b>                         |
| Dec. 31, 2017                 | 10.01                                  | 0.72                                             | (0.20)            | 0.69                          | (0.31)                          | 0.90          | —                                          | (0.11)            | (0.21)                   | —                    | (0.32)        | 10.59                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.25                                             | (0.11)            | 0.22                          | (0.23)                          | 0.13          | (0.01)                                     | (0.02)            | (0.09)                   | —                    | (0.12)        | 10.01                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.48</b>                           | <b>0.32</b>                                      | <b>(0.10)</b>     | <b>0.29</b>                   | <b>(1.05)</b>                   | <b>(0.54)</b> | —                                          | <b>(0.20)</b>     | <b>(0.22)</b>            | —                    | <b>(0.42)</b> | <b>9.77</b>                         |
| Dec. 31, 2017                 | 9.92                                   | 0.29                                             | (0.10)            | 0.27                          | 0.84                            | 1.30          | (0.01)                                     | (0.22)            | (0.21)                   | —                    | (0.44)        | 10.48                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.25                                             | (0.08)            | 0.22                          | (0.23)                          | 0.16          | (0.03)                                     | (0.12)            | (0.09)                   | —                    | (0.24)        | 9.92                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.40</b>                           | <b>0.34</b>                                      | —                 | <b>0.30</b>                   | <b>(0.83)</b>                   | <b>(0.19)</b> | <b>(0.01)</b>                              | <b>(0.28)</b>     | <b>(0.22)</b>            | —                    | <b>(0.51)</b> | <b>9.69</b>                         |
| Dec. 31, 2017                 | 9.85                                   | 1.73                                             | (0.02)            | 1.64                          | (1.74)                          | 1.61          | (0.01)                                     | (0.32)            | (0.21)                   | —                    | (0.54)        | 10.40                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.25                                             | (0.07)            | 0.22                          | (0.22)                          | 0.18          | (0.05)                                     | (0.19)            | (0.09)                   | —                    | (0.33)        | 9.85                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.87</b>                      | <b>27 241</b>               | <b>2 759</b>                          | <b>2.08</b>                                  | <b>2.09</b>                               | <b>0.86</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.58                            | 12 722                      | 1 202                                 | 2.11                                         | 2.15                                      | 3.99                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 263                         | 26                                    | 2.15                                         | 2.76                                      | 3.87                                        | 0.11                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.88</b>                      | <b>1</b>                    | —                                     | <b>1.99</b>                                  | <b>2.00</b>                               | <b>0.86</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.59                            | 1                           | —                                     | 2.00                                         | 2.04                                      | 3.99                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 1                           | —                                     | 2.15                                         | 2.76                                      | 3.87                                        | 0.11                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.77</b>                      | <b>1 032</b>                | <b>106</b>                            | <b>0.99</b>                                  | <b>1.00</b>                               | <b>0.86</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.48                            | 586                         | 56                                    | 0.96                                         | 1.00                                      | 3.99                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.92                             | 1                           | —                                     | 1.02                                         | 1.63                                      | 3.87                                        | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.69</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.07</b>                                  | <b>0.08</b>                               | <b>0.86</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.40                            | 1                           | —                                     | 0.08                                         | 0.12                                      | 3.99                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.85                             | 150                         | 15                                    | 0.07                                         | 0.69                                      | 3.87                                        | 0.11                                      |

<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 September 23, 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       | 1.80%           | 56%                   | 44%    |
| Advisor Series | 1.80%           | 56%                   | 44%    |
| Series F       | 0.80%           | —                     | 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.





**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.8         | —               | —               | —                | 2.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series | -3.6         | —               | —               | —                | 2.9                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series F       | -2.7         | —               | —               | —                | 3.8                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series O       | -1.8         | —               | —               | —                | 4.8                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series F and Series O units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 37.7                 |
| International Equity Funds | 28.8                 |
| Canadian Equity Funds      | 19.7                 |
| United States Equity Funds | 13.2                 |
| Cash/Other                 | 0.6                  |

**Top 25 Holdings**

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Global Equity Focus Fund                                 | 10.0                 |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 7.1                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 6.9                  |
| Phillips, Hager & North Total Return Bond Fund               | 6.5                  |
| RBC Bond Fund                                                | 6.0                  |
| Phillips, Hager & North Canadian Growth Fund                 | 5.7                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 5.0                  |
| BlueBay European High Yield Bond Fund (Canada)               | 5.0                  |
| RBC Global High Yield Bond Fund                              | 4.9                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 4.7                  |
| RBC Global Dividend Growth Fund                              | 4.5                  |
| RBC Emerging Markets Equity Fund                             | 3.8                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 3.5                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 3.2                  |
| RBC Global Bond Fund                                         | 3.0                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.0                  |
| RBC Global Corporate Bond Fund                               | 3.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 3.0                  |
| RBC European Equity Fund                                     | 2.6                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 2.4                  |
| RBC U.S. Equity Value Fund                                   | 1.4                  |
| Phillips, Hager & North Canadian Equity Value Fund           | 1.2                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 1.0                  |
| Cash & Cash Equivalents                                      | 0.8                  |
| RBC European Mid-Cap Equity Fund                             | 0.6                  |
| <b>Top 25 Holdings</b>                                       | <b>98.8</b>          |

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).



PORTFOLIO SOLUTION

**RBC RETIREMENT 2050 PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 retirement that commences around 2050 (the “target date”). It seeks to provide total returns comprised of income and modest capital appreciation.

The Fund invests primarily in a diversified portfolio of equity, fixed-income and/or money market securities from anywhere in the world, gradually shifting its asset mix to emphasize fixed-income and/or money market investments. The Fund invests up to 100% of its NAV in funds managed by RBC GAM or an affiliate.

Ten years after the target date of the Fund is reached, it is expected that the Fund’s asset allocation will be substantially similar to the RBC Retirement Income Solution.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund uses an asset allocation strategy that adjusts the portfolio’s asset mix relative to a target retirement date of 2050. Ten years after the Fund’s target date is reached, the Fund’s asset allocation is expected to be 75% in fixed-income funds and 25% in equity funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value rose to \$24 million as of December 31, 2018, from \$9 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 3.7%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines.

In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the “EU”), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the “Fed”) boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Canadian Short-Term Income Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada’s equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Phillips, Hager & North Canadian Equity Underlying Fund and the Phillips, Hager & North Canadian Growth Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.



Effective June 28, 2018, the Fund's risk rating changed from low to low-to-medium.

Effective January 1, 2045, the management fee will decline to 1.50% for Series A units, 1.50% for Advisor Series units and 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.41</b>                           | <b>0.33</b>                                      | <b>(0.21)</b>     | <b>0.29</b>                   | <b>(0.96)</b>                   | <b>(0.55)</b> | —                                          | <b>(0.09)</b>     | <b>(0.19)</b>            | —                    | <b>(0.28)</b> | <b>9.74</b>                         |
| Dec. 31, 2017                 | 9.97                                   | 0.33                                             | (0.22)            | 0.29                          | 0.25                            | 0.65          | —                                          | (0.09)            | (0.18)                   | —                    | (0.27)        | 10.41                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | (0.09)            | 0.11                          | (0.01)                          | 0.13          | (0.01)                                     | (0.01)            | (0.09)                   | —                    | (0.11)        | 9.97                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.42</b>                           | <b>0.36</b>                                      | <b>(0.19)</b>     | <b>0.31</b>                   | <b>(0.84)</b>                   | <b>(0.36)</b> | —                                          | <b>(0.10)</b>     | <b>(0.19)</b>            | —                    | <b>(0.29)</b> | <b>9.76</b>                         |
| Dec. 31, 2017                 | 9.97                                   | 0.58                                             | (0.20)            | 0.49                          | (0.14)                          | 0.73          | —                                          | (0.10)            | (0.18)                   | —                    | (0.28)        | 10.42                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | (0.11)            | 0.21                          | (0.27)                          | 0.07          | (0.01)                                     | (0.01)            | (0.09)                   | —                    | (0.11)        | 9.97                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.29</b>                           | <b>0.32</b>                                      | <b>(0.10)</b>     | <b>0.28</b>                   | <b>(1.04)</b>                   | <b>(0.54)</b> | <b>(0.01)</b>                              | <b>(0.19)</b>     | <b>(0.19)</b>            | —                    | <b>(0.39)</b> | <b>9.62</b>                         |
| Dec. 31, 2017                 | 9.86                                   | 0.31                                             | (0.10)            | 0.27                          | 0.28                            | 0.76          | (0.01)                                     | (0.20)            | (0.18)                   | —                    | (0.39)        | 10.29                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | (0.08)            | 0.21                          | (0.27)                          | 0.10          | (0.04)                                     | (0.11)            | (0.09)                   | —                    | (0.24)        | 9.86                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.22</b>                           | <b>0.35</b>                                      | —                 | <b>0.31</b>                   | <b>(0.83)</b>                   | <b>(0.17)</b> | <b>(0.01)</b>                              | <b>(0.28)</b>     | <b>(0.19)</b>            | —                    | <b>(0.48)</b> | <b>9.56</b>                         |
| Dec. 31, 2017                 | 9.80                                   | 1.30                                             | (0.02)            | 1.11                          | (1.02)                          | 1.37          | (0.01)                                     | (0.30)            | (0.18)                   | —                    | (0.49)        | 10.22                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | (0.07)            | 0.21                          | (0.26)                          | 0.12          | (0.06)                                     | (0.17)            | (0.09)                   | —                    | (0.32)        | 9.80                                |

<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 September 23, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.74</b>                      | <b>23 366</b>               | <b>2 398</b>                          | <b>2.09</b>                                  | <b>2.10</b>                               | <b>2.52</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.41                            | 8 926                       | 858                                   | 2.11                                         | 2.16                                      | 4.78                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.97                             | 297                         | 30                                    | 2.14                                         | 2.73                                      | 3.40                                        | 0.08                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.76</b>                      | <b>1</b>                    | —                                     | <b>2.00</b>                                  | <b>2.01</b>                               | <b>2.52</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.42                            | 1                           | —                                     | 2.00                                         | 2.05                                      | 4.78                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.97                             | 1                           | —                                     | 2.14                                         | 2.73                                      | 3.40                                        | 0.08                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.62</b>                      | <b>298</b>                  | <b>31</b>                             | <b>0.97</b>                                  | <b>0.98</b>                               | <b>2.52</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.29                            | 119                         | 12                                    | 0.95                                         | 1.00                                      | 4.78                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.86                             | 1                           | —                                     | 1.01                                         | 1.60                                      | 3.40                                        | 0.08                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.56</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.07</b>                                  | <b>0.08</b>                               | <b>2.52</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 10.22                            | 1                           | —                                     | 0.08                                         | 0.13                                      | 4.78                                        | 0.07                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.80                             | 149                         | 15                                    | 0.07                                         | 0.66                                      | 3.40                                        | 0.08                                      |

<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 September 23, 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       | 1.80%           | 56%                   | 44%    |
| Advisor Series | 1.80%           | 56%                   | 44%    |
| Series F       | 0.80%           | —                     | 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.







**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.7         | —               | —               | —                | 1.7                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Advisor Series | -3.5         | —               | —               | —                | 1.9                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series F       | -2.6         | —               | —               | —                | 2.9                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |
| Series 0       | -1.7         | —               | —               | —                | 3.8                |
| Benchmark 1    | 1.4          | —               | —               | —                | 0.7                |
| Benchmark 2    | -8.9         | —               | —               | —                | 2.3                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Advisor Series, Series F and Series 0 units have been available for sale to unitholders since October 11, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 45.2                 |
| International Equity Funds | 23.5                 |
| Canadian Equity Funds      | 17.6                 |
| United States Equity Funds | 12.9                 |
| Cash/Other                 | 0.8                  |

**Top 25 Holdings**

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Global Equity Focus Fund                                 | 10.0                 |
| RBC Canadian Short-Term Income Fund                          | 8.4                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 7.6                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 7.0                  |
| Phillips, Hager & North Canadian Growth Fund                 | 6.6                  |
| RBC Bond Fund                                                | 6.4                  |
| Phillips, Hager & North Total Return Bond Fund               | 6.4                  |
| RBC Global High Yield Bond Fund (Canada)                     | 5.0                  |
| BlueBay European High Yield Bond Fund (Canada)               | 5.0                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 4.9                  |
| RBC Emerging Markets Equity Fund                             | 4.0                  |
| RBC QUBE Low Volatility Global Equity Fund                   | 3.5                  |
| RBC Private Canadian Mid-Cap Equity Pool                     | 3.5                  |
| RBC Global Bond Fund                                         | 3.0                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.0                  |
| RBC Global Corporate Bond Fund                               | 3.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 3.0                  |
| RBC European Equity Fund                                     | 2.5                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 2.1                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 1.1                  |
| Cash & Cash Equivalents                                      | 0.9                  |
| RBC European Mid-Cap Equity Fund                             | 0.8                  |
| RBC Japanese Equity Fund                                     | 0.5                  |
| RBC Emerging Markets Dividend Fund                           | 0.5                  |
| RBC Emerging Markets Small-Cap Equity Fund                   | 0.5                  |
| Top 25 Holdings                                              | 99.2                 |

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).



PORTFOLIO SOLUTION

**RBC SELECT VERY  
CONSERVATIVE PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing income and the potential for modest capital growth. The Fund maintains a balance of investments across several asset classes by investing in funds managed by RBC GAM or an affiliate.

The Fund's target weightings for each asset class are 80% fixed income, 10% Canadian equities, 5% U.S. equities and 5% international equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed-income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$12.2 billion as of December 31, 2018, from \$13.1 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 2.0%, which underperformed the 0.2% rise in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following

renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Global Bond Fund and the Phillips, Hager & North Bond Fund.

The sell-off in equities was led by emerging markets and Europe earlier in the year, and while U.S. equities had been quite resilient throughout most of 2018, they joined the declines later in the year. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the Phillips, Hager & North Conservative Equity Income Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.



## **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.42                                  | 0.35                                             | (0.20)            | 0.15                          | (0.54)                          | (0.24) | (0.08)                                     | (0.07)            | (0.19)                   | —                    | (0.34) | 11.83                               |
| Dec. 31, 2017                 | 12.13                                  | 0.33                                             | (0.20)            | 0.19                          | 0.16                            | 0.48   | (0.06)                                     | (0.06)            | (0.07)                   | —                    | (0.19) | 12.42                               |
| Dec. 31, 2016                 | 12.04                                  | 0.35                                             | (0.20)            | 0.26                          | 0.02                            | 0.43   | (0.06)                                     | (0.07)            | (0.22)                   | —                    | (0.35) | 12.13                               |
| Dec. 31, 2015                 | 12.14                                  | 0.38                                             | (0.21)            | 0.34                          | (0.22)                          | 0.29   | (0.10)                                     | (0.06)            | (0.27)                   | —                    | (0.43) | 12.04                               |
| Dec. 31, 2014                 | 11.83                                  | 0.35                                             | (0.20)            | 0.48                          | 0.15                            | 0.78   | (0.08)                                     | (0.05)            | (0.35)                   | —                    | (0.48) | 12.14                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.48                                  | 0.35                                             | (0.21)            | 0.16                          | (0.54)                          | (0.24) | (0.08)                                     | (0.07)            | (0.19)                   | —                    | (0.34) | 11.89                               |
| Dec. 31, 2017                 | 12.19                                  | 0.33                                             | (0.21)            | 0.19                          | 0.15                            | 0.46   | (0.06)                                     | (0.06)            | (0.07)                   | —                    | (0.19) | 12.48                               |
| Dec. 31, 2016                 | 12.10                                  | 0.36                                             | (0.21)            | 0.26                          | 0.02                            | 0.43   | (0.06)                                     | (0.07)            | (0.21)                   | —                    | (0.34) | 12.19                               |
| Dec. 31, 2015                 | 12.20                                  | 0.38                                             | (0.21)            | 0.34                          | (0.22)                          | 0.29   | (0.09)                                     | (0.07)            | (0.27)                   | —                    | (0.43) | 12.10                               |
| Dec. 31, 2014                 | 11.87                                  | 0.35                                             | (0.21)            | 0.47                          | 0.15                            | 0.76   | (0.06)                                     | (0.05)            | (0.35)                   | —                    | (0.46) | 12.20                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.19                                  | 0.31                                             | (0.18)            | 0.14                          | (0.48)                          | (0.21) | (0.07)                                     | (0.06)            | (0.15)                   | (0.28)               | (0.56) | 10.42                               |
| Dec. 31, 2017                 | 11.31                                  | 0.30                                             | (0.19)            | 0.17                          | 0.16                            | 0.44   | (0.05)                                     | (0.07)            | (0.06)                   | (0.38)               | (0.56) | 11.19                               |
| Dec. 31, 2016                 | 11.48                                  | 0.33                                             | (0.19)            | 0.24                          | 0.02                            | 0.40   | (0.06)                                     | (0.07)            | (0.22)                   | (0.23)               | (0.58) | 11.31                               |
| Dec. 31, 2015                 | 11.74                                  | 0.36                                             | (0.19)            | 0.32                          | (0.20)                          | 0.29   | (0.09)                                     | (0.08)            | (0.29)                   | (0.13)               | (0.59) | 11.48                               |
| Dec. 31, 2014                 | 11.56                                  | 0.34                                             | (0.19)            | 0.45                          | 0.15                            | 0.75   | (0.08)                                     | (0.05)            | (0.40)                   | (0.05)               | (0.58) | 11.74                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.46                                  | 0.35                                             | (0.10)            | 0.16                          | (0.55)                          | (0.14) | (0.13)                                     | (0.11)            | (0.19)                   | —                    | (0.43) | 11.89                               |
| Dec. 31, 2017                 | 12.16                                  | 0.33                                             | (0.10)            | 0.19                          | 0.13                            | 0.55   | (0.10)                                     | (0.11)            | (0.07)                   | —                    | (0.28) | 12.46                               |
| Dec. 31, 2016                 | 12.13                                  | 0.35                                             | (0.10)            | 0.26                          | (0.23)                          | 0.28   | (0.14)                                     | (0.16)            | (0.21)                   | —                    | (0.51) | 12.16                               |
| Dec. 31, 2015                 | 12.24                                  | 0.38                                             | (0.09)            | 0.34                          | (0.22)                          | 0.41   | (0.16)                                     | (0.12)            | (0.29)                   | —                    | (0.57) | 12.13                               |
| Dec. 31, 2014                 | 11.90                                  | 0.35                                             | (0.09)            | 0.47                          | 0.15                            | 0.88   | (0.14)                                     | (0.09)            | (0.35)                   | —                    | (0.58) | 12.24                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.13                                  | 0.34                                             | (0.10)            | 0.15                          | (0.54)                          | (0.15) | (0.13)                                     | (0.11)            | (0.17)                   | (0.20)               | (0.61) | 11.39                               |
| Dec. 31, 2017                 | 12.16                                  | 0.32                                             | (0.10)            | 0.19                          | 0.11                            | 0.52   | (0.10)                                     | (0.12)            | (0.10)                   | (0.29)               | (0.61) | 12.13                               |
| Dec. 31, 2016 <sup>3</sup>    | 12.40 <sup>†</sup>                     | 0.16                                             | (0.05)            | 0.12                          | (0.28)                          | (0.05) | (0.05)                                     | (0.05)            | (0.28)                   | —                    | (0.38) | 12.16                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.12                                  | 0.28                                             | —                 | 0.13                          | (0.50)                          | (0.09) | (0.15)                                     | (0.15)            | (0.16)                   | —                    | (0.46) | 9.63                                |
| Dec. 31, 2017                 | 9.88                                   | 0.27                                             | —                 | 0.16                          | 0.27                            | 0.70   | (0.12)                                     | (0.14)            | (0.06)                   | —                    | (0.32) | 10.12                               |
| Dec. 31, 2016                 | 9.91                                   | 0.29                                             | —                 | 0.22                          | 0.02                            | 0.53   | (0.17)                                     | (0.19)            | (0.19)                   | —                    | (0.55) | 9.88                                |
| Dec. 31, 2015                 | 9.99                                   | 0.30                                             | —                 | 0.27                          | (0.17)                          | 0.40   | (0.18)                                     | (0.13)            | (0.22)                   | —                    | (0.53) | 9.91                                |
| Dec. 31, 2014 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | —                 | 0.32                          | 0.10                            | 0.66   | (0.16)                                     | (0.11)            | (0.30)                   | —                    | (0.57) | 9.99                                |

<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>4</sup> From February 24, 2014.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.83</b>                     | <b>10 898 731</b>           | <b>921 191</b>                        | <b>1.69</b>                                  | <b>1.69</b>                               | <b>5.56</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.42                            | 11 973 747                  | 964 460                               | 1.69                                         | 1.69                                      | 7.76                                        | 0.02                                      |
| Dec. 31, 2016              | 12.13                            | 11 232 629                  | 926 411                               | 1.69                                         | 1.69                                      | 9.88                                        | 0.04                                      |
| Dec. 31, 2015              | 12.04                            | 9 632 305                   | 799 747                               | 1.69                                         | 1.69                                      | 11.22                                       | 0.04                                      |
| Dec. 31, 2014              | 12.14                            | 7 742 891                   | 637 751                               | 1.69                                         | 1.69                                      | 24.72                                       | 0.04                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.89</b>                     | <b>66 844</b>               | <b>5 620</b>                          | <b>1.72</b>                                  | <b>1.72</b>                               | <b>5.56</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.48                            | 71 328                      | 5 715                                 | 1.73                                         | 1.73                                      | 7.76                                        | 0.02                                      |
| Dec. 31, 2016              | 12.19                            | 74 347                      | 6 099                                 | 1.73                                         | 1.73                                      | 9.88                                        | 0.04                                      |
| Dec. 31, 2015              | 12.10                            | 70 223                      | 5 803                                 | 1.73                                         | 1.73                                      | 11.22                                       | 0.04                                      |
| Dec. 31, 2014              | 12.20                            | 50 737                      | 4 159                                 | 1.71                                         | 1.71                                      | 24.72                                       | 0.04                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.42</b>                     | <b>245 067</b>              | <b>23 513</b>                         | <b>1.67</b>                                  | <b>1.67</b>                               | <b>5.56</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.19                            | 303 228                     | 27 097                                | 1.68                                         | 1.68                                      | 7.76                                        | 0.02                                      |
| Dec. 31, 2016              | 11.31                            | 285 641                     | 25 257                                | 1.67                                         | 1.67                                      | 9.88                                        | 0.04                                      |
| Dec. 31, 2015              | 11.48                            | 220 953                     | 19 246                                | 1.68                                         | 1.68                                      | 11.22                                       | 0.04                                      |
| Dec. 31, 2014              | 11.74                            | 135 201                     | 11 513                                | 1.69                                         | 1.69                                      | 24.72                                       | 0.04                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.89</b>                     | <b>971 781</b>              | <b>81 711</b>                         | <b>0.85</b>                                  | <b>0.85</b>                               | <b>5.56</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.46                            | 725 190                     | 58 187                                | 0.86                                         | 0.86                                      | 7.76                                        | 0.02                                      |
| Dec. 31, 2016              | 12.16                            | 327 263                     | 26 914                                | 0.84                                         | 0.84                                      | 9.88                                        | 0.04                                      |
| Dec. 31, 2015              | 12.13                            | 69 807                      | 5 755                                 | 0.74                                         | 0.74                                      | 11.22                                       | 0.04                                      |
| Dec. 31, 2014              | 12.24                            | 77 195                      | 6 305                                 | 0.75                                         | 0.75                                      | 24.72                                       | 0.04                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.39</b>                     | <b>58 664</b>               | <b>5 148</b>                          | <b>0.85</b>                                  | <b>0.85</b>                               | <b>5.56</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 12.13                            | 51 024                      | 4 206                                 | 0.86                                         | 0.86                                      | 7.76                                        | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 12.16                            | 19 665                      | 1 617                                 | 0.85                                         | 0.85                                      | 9.88                                        | 0.04                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.63</b>                      | <b>4 108</b>                | <b>427</b>                            | <b>0.06</b>                                  | <b>0.06</b>                               | <b>5.56</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 10.12                            | 6 506                       | 643                                   | 0.06                                         | 0.06                                      | 7.76                                        | 0.02                                      |
| Dec. 31, 2016              | 9.88                             | 2 623                       | 265                                   | 0.05                                         | 0.05                                      | 9.88                                        | 0.04                                      |
| Dec. 31, 2015              | 9.91                             | 2 573                       | 260                                   | 0.05                                         | 0.05                                      | 11.22                                       | 0.04                                      |
| Dec. 31, 2014 <sup>5</sup> | 9.99                             | 8                           | 1                                     | 0.04                                         | 0.04                                      | 24.72                                       | 0.04                                      |

<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 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 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.

<sup>5</sup> From February 24, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F – 0.87%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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, Advisor Series and Series T5 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, Advisor Series and Series T5 units is 1.60%.

The management fee payable to RBC GAM in respect of Series F and Series FT5 units of the Fund is a fixed fee and the MER of each of these series 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† |
| Series A       | 1.44%            | 52%                   | 48%    |
| Advisor Series | 1.44%            | 52%                   | 48%    |
| Series T5      | 1.44%            | 52%                   | 48%    |
| Series F       | 0.70%            | —                     | 100%   |
| Series FT5     | 0.70%            | —                     | 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.

\* Management fees for Series A, Advisor Series and Series T5 units represent the actual average management fee rate for the period ended December 31, 2018.

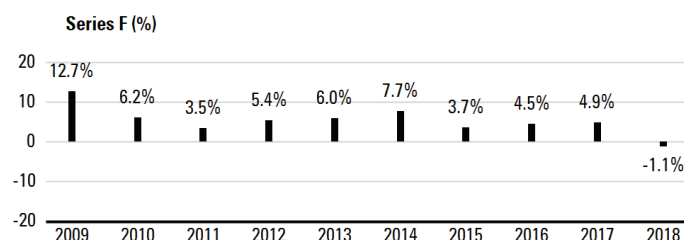
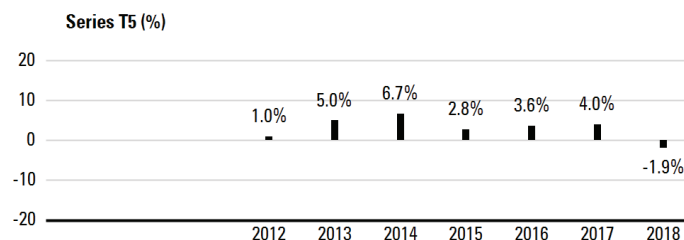
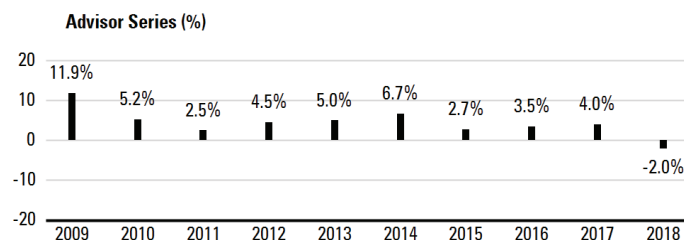
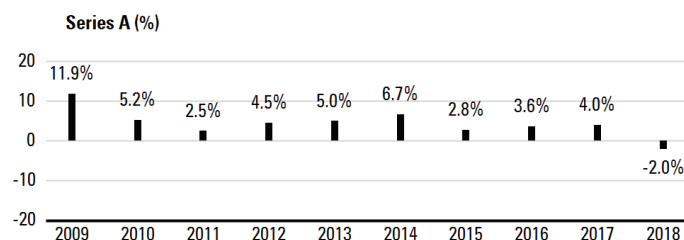
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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 (%)

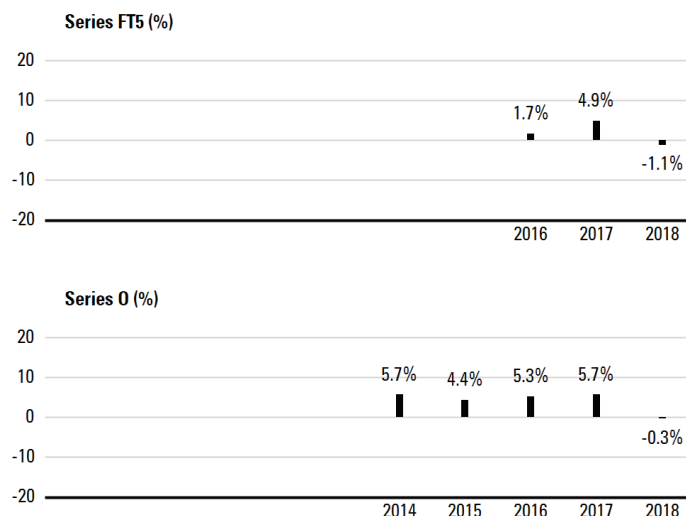
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.







## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 78% FTSE Canada Universe Bond Index
- 10% S&P/TSX Capped Composite Total Return Index
- 5% S&P 500 Total Return Index (CAD)
- 5% MSCI EAFE Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 80% FTSE Canada Universe Bond Index
- 10% S&P/TSX Capped Composite Total Return Index
- 5% S&P 500 Total Return Index (CAD)
- 5% MSCI EAFE Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                       | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------------------|--------------|-----------------|-----------------|------------------|--------------------|
| <b>Series A</b>       | -2.0         | 1.8             | 3.0             | —                | 4.5                |
| New benchmark         | 0.2          | 2.7             | 4.2             | —                | 5.7                |
| Old benchmark         | 0.2          | 2.7             | 4.3             | —                | 5.8                |
| Broad-based index 1   | 1.4          | 1.9             | 3.5             | —                | 4.2                |
| Broad-based index 2   | -8.9         | 6.4             | 4.1             | —                | 9.9                |
| <b>Advisor Series</b> | -2.0         | 1.8             | 2.9             | —                | 4.4                |
| New benchmark         | 0.2          | 2.7             | 4.2             | —                | 5.7                |
| Old benchmark         | 0.2          | 2.7             | 4.3             | —                | 5.8                |
| Broad-based index 1   | 1.4          | 1.9             | 3.5             | —                | 4.2                |
| Broad-based index 2   | -8.9         | 6.4             | 4.1             | —                | 9.9                |
| <b>Series T5</b>      | -1.9         | 1.9             | 3.0             | —                | 3.3                |
| New benchmark         | 0.2          | 2.7             | 4.2             | —                | 4.1                |
| Old benchmark         | 0.2          | 2.7             | 4.3             | —                | 4.2                |
| Broad-based index 1   | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Broad-based index 2   | -8.9         | 6.4             | 4.1             | —                | 5.6                |
| <b>Series F</b>       | -1.1         | 2.7             | 3.9             | —                | 5.4                |
| New benchmark         | 0.2          | 2.7             | 4.2             | —                | 5.7                |
| Old benchmark         | 0.2          | 2.7             | 4.3             | —                | 5.8                |
| Broad-based index 1   | 1.4          | 1.9             | 3.5             | —                | 4.2                |
| Broad-based index 2   | -8.9         | 6.4             | 4.1             | —                | 9.9                |
| <b>Series FT5</b>     | -1.1         | —               | —               | —                | 2.2                |
| New benchmark         | 0.2          | —               | —               | —                | 1.8                |
| Old benchmark         | 0.2          | —               | —               | —                | 1.8                |
| Broad-based index 1   | 1.4          | —               | —               | —                | 0.5                |
| Broad-based index 2   | -8.9         | —               | —               | —                | 3.2                |
| <b>Series O</b>       | -0.3         | 3.5             | —               | —                | 4.3                |
| New benchmark         | 0.2          | 2.7             | —               | —                | 3.8                |
| Old benchmark         | 0.2          | 2.7             | —               | —                | 3.8                |
| Broad-based index 1   | 1.4          | 1.9             | —               | —                | 3.2                |
| Broad-based index 2   | -8.9         | 6.4             | —               | —                | 3.2                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series FT5 units have been available for sale to unitholders since July 4, 2016, Series O units since February 24, 2014, Series T5 units since September 24, 2012, and Series A, Advisor Series and Series F units since March 9, 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 79.8                 |
| Canadian Equity Funds      | 8.1                  |
| International Equity Funds | 6.8                  |
| United States Equity Funds | 5.1                  |
| Cash/Other                 | 0.2                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| Phillips, Hager & North Bond Fund                            | 14.3                 |
| RBC Global Corporate Bond Fund                               | 13.2                 |
| RBC Global Bond Fund                                         | 11.8                 |
| Phillips, Hager & North Total Return Bond Fund               | 10.3                 |
| RBC Canadian Short-Term Income Fund                          | 7.7                  |
| RBC Bond Fund                                                | 6.5                  |
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 6.1                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 5.1                  |
| RBC European Equity Fund                                     | 4.3                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 3.5                  |
| RBC Canadian Dividend Fund                                   | 3.5                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 2.9                  |
| RBC Private Canadian Equity Pool                             | 2.3                  |
| RBC Global High Yield Bond Fund                              | 2.1                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.5                  |
| Phillips, Hager & North Canadian Equity Underlying Fund II   | 1.4                  |
| RBC Global Equity Fund                                       | 1.2                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 0.9                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.8                  |
| RBC Japanese Equity Fund                                     | 0.5                  |
| Cash & Cash Equivalents                                      | 0.2                  |
| Mini MSCI EAFE Index Future, March 2019                      | 0.1                  |
| The S&P/TSX 60 Index Future, March 2019                      | —                    |
| The S&P 500 Mini Index Future, March 2019                    | (0.2)                |
| <b>Total</b>                                                 | <b>100.0</b>         |

\* The Fund holds fewer than 25 holdings.

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



PORTFOLIO SOLUTION

**RBC SELECT CONSERVATIVE PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing income and the potential for moderate capital growth. The Fund maintains a balance of investments across several asset classes by investing in other funds managed by RBC GAM or an affiliate.

The Fund's target weightings for each asset class are 65% fixed income, 15% Canadian equities, 10% U.S. equities and 10% international equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed-income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$28.2 billion as of December 31, 2018, from \$27.1 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 3.0%, which underperformed the 0.6% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Canadian Dividend Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

#### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.52                                  | 0.61                                             | (0.39)            | 0.37                          | (1.23)                          | (0.64) | (0.05)                                     | (0.17)            | (0.34)                   | —                    | (0.56) | 20.31                               |
| Dec. 31, 2017                 | 20.65                                  | 0.57                                             | (0.38)            | 0.40                          | 0.59                            | 1.18   | (0.01)                                     | (0.16)            | (0.15)                   | —                    | (0.32) | 21.52                               |
| Dec. 31, 2016                 | 20.37                                  | 0.59                                             | (0.37)            | 0.49                          | 0.15                            | 0.86   | (0.02)                                     | (0.18)            | (0.36)                   | —                    | (0.56) | 20.65                               |
| Dec. 31, 2015                 | 20.50                                  | 0.61                                             | (0.38)            | 0.90                          | (0.35)                          | 0.78   | (0.02)                                     | (0.20)            | (0.74)                   | —                    | (0.96) | 20.37                               |
| Dec. 31, 2014                 | 20.06                                  | 0.57                                             | (0.38)            | 1.25                          | 0.12                            | 1.56   | (0.02)                                     | (0.14)            | (0.98)                   | —                    | (1.14) | 20.50                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.73                                  | 0.62                                             | (0.39)            | 0.38                          | (1.27)                          | (0.66) | (0.05)                                     | (0.17)            | (0.34)                   | —                    | (0.56) | 20.52                               |
| Dec. 31, 2017                 | 20.85                                  | 0.57                                             | (0.39)            | 0.41                          | 0.60                            | 1.19   | (0.01)                                     | (0.16)            | (0.15)                   | —                    | (0.32) | 21.73                               |
| Dec. 31, 2016                 | 20.56                                  | 0.60                                             | (0.38)            | 0.49                          | 0.18                            | 0.89   | (0.02)                                     | (0.18)            | (0.36)                   | —                    | (0.56) | 20.85                               |
| Dec. 31, 2015                 | 20.68                                  | 0.61                                             | (0.39)            | 0.90                          | (0.35)                          | 0.77   | (0.02)                                     | (0.20)            | (0.74)                   | —                    | (0.96) | 20.56                               |
| Dec. 31, 2014                 | 20.21                                  | 0.57                                             | (0.38)            | 1.26                          | 0.12                            | 1.57   | (0.02)                                     | (0.14)            | (0.96)                   | —                    | (1.12) | 20.68                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 19.59                                  | 0.55                                             | (0.34)            | 0.33                          | (1.11)                          | (0.57) | (0.04)                                     | (0.17)            | (0.28)                   | (0.49)               | (0.98) | 18.06                               |
| Dec. 31, 2017                 | 19.46                                  | 0.52                                             | (0.35)            | 0.37                          | 0.56                            | 1.10   | (0.01)                                     | (0.18)            | (0.13)                   | (0.65)               | (0.97) | 19.59                               |
| Dec. 31, 2016                 | 19.66                                  | 0.56                                             | (0.35)            | 0.46                          | 0.17                            | 0.84   | (0.02)                                     | (0.19)            | (0.32)                   | (0.45)               | (0.98) | 19.46                               |
| Dec. 31, 2015                 | 19.91                                  | 0.58                                             | (0.36)            | 0.85                          | (0.33)                          | 0.74   | (0.02)                                     | (0.19)            | (0.85)                   | —                    | (1.06) | 19.66                               |
| Dec. 31, 2014                 | 19.62                                  | 0.54                                             | (0.36)            | 1.19                          | 0.11                            | 1.48   | (0.02)                                     | (0.14)            | (1.07)                   | —                    | (1.23) | 19.91                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.75                                  | 0.62                                             | (0.19)            | 0.38                          | (1.34)                          | (0.53) | (0.08)                                     | (0.30)            | (0.34)                   | —                    | (0.72) | 20.58                               |
| Dec. 31, 2017                 | 20.86                                  | 0.57                                             | (0.19)            | 0.40                          | 0.58                            | 1.36   | (0.02)                                     | (0.34)            | (0.15)                   | —                    | (0.51) | 21.75                               |
| Dec. 31, 2016                 | 20.67                                  | 0.59                                             | (0.18)            | 0.48                          | (0.17)                          | 0.72   | (0.06)                                     | (0.45)            | (0.36)                   | —                    | (0.87) | 20.86                               |
| Dec. 31, 2015                 | 20.74                                  | 0.62                                             | (0.16)            | 0.90                          | (0.35)                          | 1.01   | (0.04)                                     | (0.35)            | (0.75)                   | —                    | (1.14) | 20.67                               |
| Dec. 31, 2014                 | 20.25                                  | 0.57                                             | (0.16)            | 1.26                          | 0.12                            | 1.79   | (0.04)                                     | (0.30)            | (0.99)                   | —                    | (1.33) | 20.74                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.18                                  | 0.59                                             | (0.18)            | 0.36                          | (1.30)                          | (0.53) | (0.08)                                     | (0.32)            | (0.36)                   | (0.30)               | (1.06) | 19.71                               |
| Dec. 31, 2017                 | 20.84                                  | 0.55                                             | (0.18)            | 0.39                          | 0.59                            | 1.35   | (0.02)                                     | (0.35)            | (0.21)                   | (0.46)               | (1.04) | 21.18                               |
| Dec. 31, 2016 <sup>3</sup>    | 20.93 <sup>†</sup>                     | 0.28                                             | (0.09)            | 0.23                          | (0.19)                          | 0.23   | (0.02)                                     | (0.13)            | (0.51)                   | —                    | (0.66) | 20.84                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.98                                  | 0.63                                             | —                 | 0.38                          | (1.27)                          | (0.26) | (0.13)                                     | (0.45)            | (0.34)                   | —                    | (0.92) | 20.79                               |
| Dec. 31, 2017                 | 21.08                                  | 0.58                                             | —                 | 0.41                          | 0.62                            | 1.61   | (0.03)                                     | (0.52)            | (0.15)                   | —                    | (0.70) | 21.98                               |
| Dec. 31, 2016                 | 20.97                                  | 0.61                                             | —                 | 0.50                          | 0.14                            | 1.25   | (0.09)                                     | (0.69)            | (0.36)                   | —                    | (1.14) | 21.08                               |
| Dec. 31, 2015                 | 21.01                                  | 0.63                                             | —                 | 0.92                          | (0.36)                          | 1.19   | (0.05)                                     | (0.47)            | (0.77)                   | —                    | (1.29) | 20.97                               |
| Dec. 31, 2014                 | 20.51                                  | 0.58                                             | —                 | 1.27                          | 0.12                            | 1.97   | (0.05)                                     | (0.44)            | (1.00)                   | —                    | (1.49) | 21.01                               |

<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<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.31</b>                     | <b>22 337 927</b>           | <b>1 099 753</b>                      | <b>1.84</b>                                  | <b>1.84</b>                               | <b>4.72</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 21.52                            | 23 294 946                  | 1 082 685                             | 1.84                                         | 1.84                                      | 6.57                                        | 0.04                                      |
| Dec. 31, 2016              | 20.65                            | 21 234 899                  | 1 028 279                             | 1.84                                         | 1.84                                      | 12.26                                       | 0.06                                      |
| Dec. 31, 2015              | 20.37                            | 19 307 267                  | 947 789                               | 1.84                                         | 1.84                                      | 16.35                                       | 0.06                                      |
| Dec. 31, 2014              | 20.50                            | 16 325 444                  | 796 534                               | 1.84                                         | 1.84                                      | 33.00                                       | 0.07                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.52</b>                     | <b>59 916</b>               | <b>2 920</b>                          | <b>1.85</b>                                  | <b>1.85</b>                               | <b>4.72</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 21.73                            | 58 339                      | 2 685                                 | 1.85                                         | 1.85                                      | 6.57                                        | 0.04                                      |
| Dec. 31, 2016              | 20.85                            | 55 642                      | 2 669                                 | 1.84                                         | 1.84                                      | 12.26                                       | 0.06                                      |
| Dec. 31, 2015              | 20.56                            | 38 102                      | 1 853                                 | 1.84                                         | 1.84                                      | 16.35                                       | 0.06                                      |
| Dec. 31, 2014              | 20.68                            | 28 791                      | 1 392                                 | 1.84                                         | 1.84                                      | 33.00                                       | 0.07                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.06</b>                     | <b>479 712</b>              | <b>26 564</b>                         | <b>1.83</b>                                  | <b>1.83</b>                               | <b>4.72</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 19.59                            | 507 950                     | 25 927                                | 1.83                                         | 1.83                                      | 6.57                                        | 0.04                                      |
| Dec. 31, 2016              | 19.46                            | 448 787                     | 23 060                                | 1.82                                         | 1.82                                      | 12.26                                       | 0.06                                      |
| Dec. 31, 2015              | 19.66                            | 376 825                     | 19 169                                | 1.83                                         | 1.83                                      | 16.35                                       | 0.06                                      |
| Dec. 31, 2014              | 19.91                            | 209 456                     | 10 520                                | 1.83                                         | 1.83                                      | 33.00                                       | 0.07                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.58</b>                     | <b>4 211 384</b>            | <b>204 635</b>                        | <b>0.90</b>                                  | <b>0.90</b>                               | <b>4.72</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 21.75                            | 2 436 280                   | 112 025                               | 0.91                                         | 0.91                                      | 6.57                                        | 0.04                                      |
| Dec. 31, 2016              | 20.86                            | 756 080                     | 36 255                                | 0.90                                         | 0.90                                      | 12.26                                       | 0.06                                      |
| Dec. 31, 2015              | 20.67                            | 62 316                      | 3 016                                 | 0.79                                         | 0.79                                      | 16.35                                       | 0.06                                      |
| Dec. 31, 2014              | 20.74                            | 35 950                      | 1 734                                 | 0.79                                         | 0.79                                      | 33.00                                       | 0.07                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.71</b>                     | <b>292 117</b>              | <b>14 823</b>                         | <b>0.90</b>                                  | <b>0.90</b>                               | <b>4.72</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 21.18                            | 167 137                     | 7 894                                 | 0.91                                         | 0.91                                      | 6.57                                        | 0.04                                      |
| Dec. 31, 2016 <sup>4</sup> | 20.84                            | 51 066                      | 2 450                                 | 0.90                                         | 0.90                                      | 12.26                                       | 0.06                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.79</b>                     | <b>808 125</b>              | <b>38 872</b>                         | <b>0.06</b>                                  | <b>0.06</b>                               | <b>4.72</b>                                 | <b>0.03</b>                               |
| Dec. 31, 2017              | 21.98                            | 626 035                     | 28 486                                | 0.06                                         | 0.06                                      | 6.57                                        | 0.04                                      |
| Dec. 31, 2016              | 21.08                            | 438 308                     | 20 796                                | 0.05                                         | 0.05                                      | 12.26                                       | 0.06                                      |
| Dec. 31, 2015              | 20.97                            | 235 913                     | 11 248                                | 0.05                                         | 0.05                                      | 16.35                                       | 0.06                                      |
| Dec. 31, 2014              | 21.01                            | 173 167                     | 8 241                                 | 0.05                                         | 0.05                                      | 33.00                                       | 0.07                                      |

<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 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 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.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F – 0.92%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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, Advisor Series and Series T5 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, Advisor Series and Series T5 units is 1.75%.

The management fee payable to RBC GAM in respect of Series F and Series FT5 units of the Fund is a fixed fee and the MER of each of these series 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† |
| Series A       | 1.58%            | 47%                   | 53%    |
| Advisor Series | 1.58%            | 47%                   | 53%    |
| Series T5      | 1.58%            | 47%                   | 53%    |
| Series F       | 0.75%            | —                     | 100%   |
| Series FT5     | 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.

\* Management fees for Series A, Advisor Series and Series T5 units represent the actual average management fee rate for the period ended December 31, 2018.

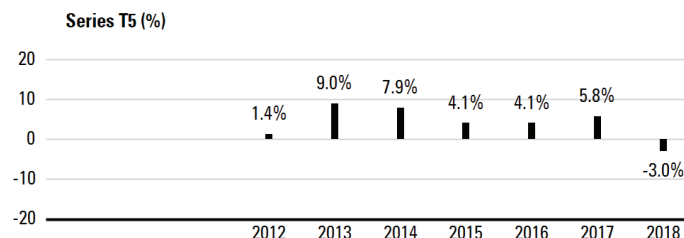
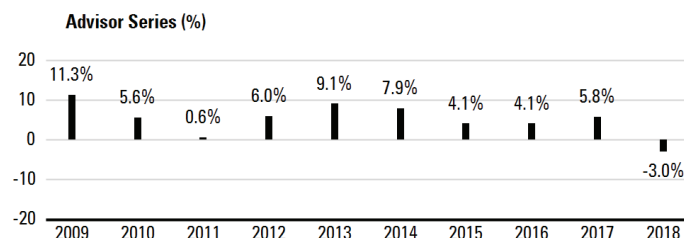
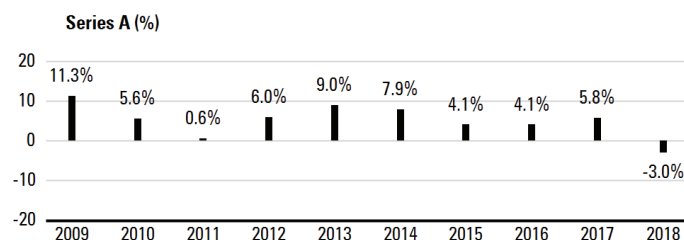
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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 (%)

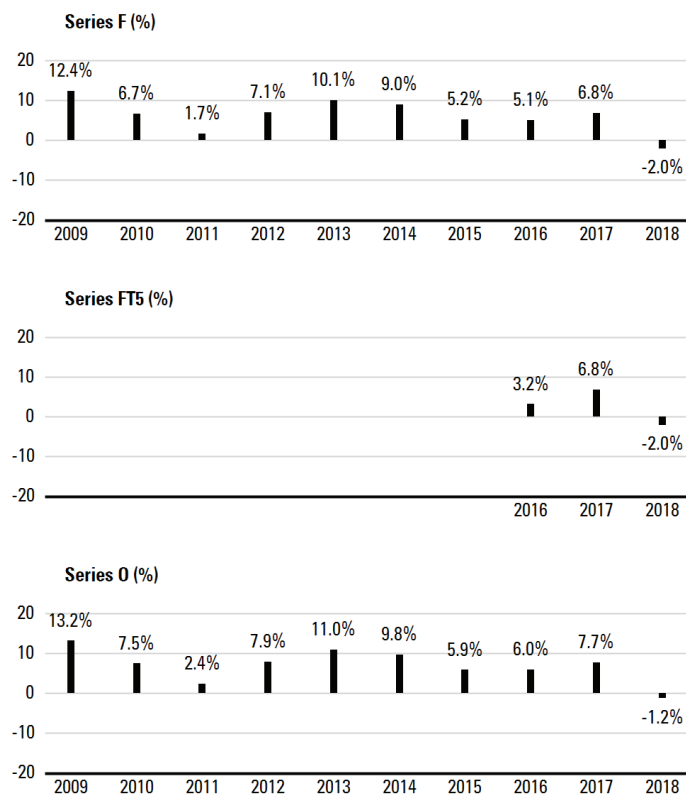
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.







**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 63% FTSE Canada Universe Bond Index
- 15% S&P/TSX Capped Composite Total Return Index
- 10% S&P 500 Total Return Index (CAD)
- 10% MSCI EAFE Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the “Old benchmark”) is composed of:

- 65% FTSE Canada Universe Bond Index
- 15% S&P/TSX Capped Composite Total Return Index
- 10% S&P 500 Total Return Index (CAD)
- 10% MSCI EAFE Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|---------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A            | -3.0      | 2.2          | 3.7          | 5.1           | —               |
| New benchmark       | -0.6      | 3.4          | 4.9          | 6.1           | —               |
| Old benchmark       | -0.6      | 3.4          | 5.0          | 6.2           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Advisor Series      | -3.0      | 2.2          | 3.7          | 5.1           | —               |
| New benchmark       | -0.6      | 3.4          | 4.9          | 6.1           | —               |
| Old benchmark       | -0.6      | 3.4          | 5.0          | 6.2           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series T5           | -3.0      | 2.2          | 3.7          | —             | 4.6             |
| New benchmark       | -0.6      | 3.4          | 4.9          | —             | 5.4             |
| Old benchmark       | -0.6      | 3.4          | 5.0          | —             | 5.4             |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | —             | 2.7             |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | —             | 5.6             |
| Series F            | -2.0      | 3.2          | 4.7          | 6.1           | —               |
| New benchmark       | -0.6      | 3.4          | 4.9          | 6.1           | —               |
| Old benchmark       | -0.6      | 3.4          | 5.0          | 6.2           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series FT5          | -2.0      | —            | —            | —             | 3.1             |
| New benchmark       | -0.6      | —            | —            | —             | 2.9             |
| Old benchmark       | -0.6      | —            | —            | —             | 2.9             |
| Broad-based index 1 | 1.4       | —            | —            | —             | 0.5             |
| Broad-based index 2 | -8.9      | —            | —            | —             | 3.2             |
| Series O            | -1.2      | 4.1          | 5.6          | 7.0           | —               |
| New benchmark       | -0.6      | 3.4          | 4.9          | 6.1           | —               |
| Old benchmark       | -0.6      | 3.4          | 5.0          | 6.2           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |

The returns of each series may vary because of differences in management fees and expenses.

The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series FT5 units have been available for sale to unitholders since July 4, 2016 and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 65.6                 |
| Canadian Equity Funds      | 12.1                 |
| International Equity Funds | 11.7                 |
| United States Equity Funds | 10.1                 |
| Cash/Other                 | 0.5                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 16.5                 |
| Phillips, Hager & North Total Return Bond Fund               | 9.5                  |
| RBC Canadian Short-Term Income Fund                          | 8.6                  |
| RBC Global Corporate Bond Fund                               | 7.9                  |
| RBC European Equity Fund                                     | 7.5                  |
| RBC Global Bond Fund                                         | 7.2                  |
| RBC Canadian Dividend Fund                                   | 4.9                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 4.7                  |
| Phillips, Hager & North Conservative Equity Income Fund      | 4.3                  |
| RBC Private Canadian Equity Pool                             | 3.7                  |
| RBC Global High Yield Bond Fund                              | 3.3                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 2.6                  |
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 2.5                  |
| RBC QUBE U.S. Equity Fund                                    | 2.2                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 2.1                  |
| RBC U.S. Dividend Fund                                       | 2.1                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.8                  |
| Phillips, Hager & North Canadian Equity Underlying Fund II   | 1.6                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 1.4                  |
| BlueBay European High Yield Bond Fund (Canada)               | 1.3                  |
| RBC Japanese Equity Fund                                     | 1.3                  |
| RBC Global Equity Fund                                       | 1.2                  |
| RBC U.S. Equity Fund                                         | 1.1                  |
| Mini MSCI EAFE Index Future, March 2019                      | 0.3                  |
| Cash & Cash Equivalents                                      | 0.2                  |
| Top 25 Holdings                                              | 99.8                 |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



PORTFOLIO SOLUTION

**RBC SELECT BALANCED PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing long-term capital growth and modest income. The Fund maintains a balance of investments across several asset classes by investing in other funds managed by RBC GAM or an affiliate.

The Fund's target weightings for each asset class are 45% for fixed income, 19% for Canadian equities, 20% for U.S. equities, 12% for international equities and 4% for emerging markets equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed-income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$31.1 billion as of December 31, 2018, from \$28.2 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 3.6%, which underperformed the 1.2% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a neutral impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Private Canadian Equity Pool.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.23                                  | 0.74                                             | (0.52)            | 0.70                          | (1.92)                          | (1.00) | —                                          | (0.22)            | (0.52)                   | —                    | (0.74) | 25.49                               |
| Dec. 31, 2017                 | 25.45                                  | 0.68                                             | (0.50)            | 0.61                          | 1.42                            | 2.21   | —                                          | (0.19)            | (0.25)                   | —                    | (0.44) | 27.23                               |
| Dec. 31, 2016                 | 24.70                                  | 0.71                                             | (0.47)            | 0.42                          | 0.59                            | 1.25   | —                                          | (0.24)            | (0.20)                   | —                    | (0.44) | 25.45                               |
| Dec. 31, 2015                 | 24.65                                  | 0.72                                             | (0.49)            | 1.34                          | (0.36)                          | 1.21   | —                                          | (0.24)            | (1.07)                   | —                    | (1.31) | 24.70                               |
| Dec. 31, 2014                 | 24.26                                  | 0.62                                             | (0.48)            | 2.28                          | (0.04)                          | 2.38   | (0.05)                                     | (0.05)            | (1.92)                   | —                    | (2.02) | 24.65                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.61                                  | 0.75                                             | (0.52)            | 0.71                          | (1.99)                          | (1.05) | —                                          | (0.23)            | (0.52)                   | —                    | (0.75) | 25.86                               |
| Dec. 31, 2017                 | 25.80                                  | 0.69                                             | (0.51)            | 0.62                          | 1.47                            | 2.27   | —                                          | (0.19)            | (0.25)                   | —                    | (0.44) | 27.61                               |
| Dec. 31, 2016                 | 25.03                                  | 0.72                                             | (0.48)            | 0.42                          | 0.56                            | 1.22   | —                                          | (0.24)            | (0.20)                   | —                    | (0.44) | 25.80                               |
| Dec. 31, 2015                 | 24.97                                  | 0.73                                             | (0.50)            | 1.36                          | (0.36)                          | 1.23   | —                                          | (0.24)            | (1.07)                   | —                    | (1.31) | 25.03                               |
| Dec. 31, 2014                 | 24.54                                  | 0.61                                             | (0.49)            | 2.26                          | (0.03)                          | 2.35   | (0.03)                                     | (0.04)            | (1.92)                   | —                    | (1.99) | 24.97                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.72                                  | 0.66                                             | (0.46)            | 0.62                          | (1.79)                          | (0.97) | —                                          | (0.21)            | (0.46)                   | (0.57)               | (1.24) | 22.64                               |
| Dec. 31, 2017                 | 23.88                                  | 0.63                                             | (0.46)            | 0.56                          | 1.31                            | 2.04   | —                                          | (0.20)            | (0.22)                   | (0.77)               | (1.19) | 24.72                               |
| Dec. 31, 2016                 | 23.97                                  | 0.68                                             | (0.45)            | 0.40                          | 0.60                            | 1.23   | —                                          | (0.23)            | (0.16)                   | (0.81)               | (1.20) | 23.88                               |
| Dec. 31, 2015                 | 24.05                                  | 0.68                                             | (0.47)            | 1.28                          | (0.34)                          | 1.15   | —                                          | (0.23)            | (1.16)                   | —                    | (1.39) | 23.97                               |
| Dec. 31, 2014                 | 23.61                                  | 0.59                                             | (0.47)            | 2.17                          | (0.03)                          | 2.26   | (0.04)                                     | (0.05)            | (1.78)                   | —                    | (1.87) | 24.05                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 28.53                                  | 0.78                                             | (0.26)            | 0.73                          | (2.33)                          | (1.08) | —                                          | (0.41)            | (0.54)                   | —                    | (0.95) | 26.80                               |
| Dec. 31, 2017                 | 26.46                                  | 0.71                                             | (0.26)            | 0.63                          | 1.47                            | 2.55   | —                                          | (0.25)            | (0.26)                   | —                    | (0.51) | 28.53                               |
| Dec. 31, 2016                 | 25.47                                  | 0.72                                             | (0.25)            | 0.42                          | 0.53                            | 1.42   | —                                          | (0.30)            | (0.20)                   | —                    | (0.50) | 26.46                               |
| Dec. 31, 2015                 | 25.27                                  | 0.73                                             | (0.23)            | 1.38                          | (0.37)                          | 1.51   | (0.01)                                     | (0.37)            | (1.09)                   | —                    | (1.47) | 25.47                               |
| Dec. 31, 2014                 | 24.70                                  | 0.62                                             | (0.22)            | 2.29                          | (0.04)                          | 2.65   | (0.11)                                     | (0.13)            | (1.91)                   | —                    | (2.15) | 25.27                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.44                                  | 0.73                                             | (0.25)            | 0.69                          | (2.23)                          | (1.06) | —                                          | (0.46)            | (0.63)                   | (0.28)               | (1.37) | 25.38                               |
| Dec. 31, 2017                 | 26.24                                  | 0.68                                             | (0.25)            | 0.61                          | 1.49                            | 2.53   | —                                          | (0.46)            | (0.39)                   | (0.46)               | (1.31) | 27.44                               |
| Dec. 31, 2016 <sup>3</sup>    | 25.76 <sup>†</sup>                     | 0.35                                             | (0.12)            | 0.20                          | 0.16                            | 0.59   | —                                          | (0.19)            | (0.31)                   | (0.14)               | (0.64) | 26.24                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 29.06                                  | 0.80                                             | (0.01)            | 0.75                          | (2.16)                          | (0.62) | —                                          | (0.73)            | (0.55)                   | —                    | (1.28) | 27.23                               |
| Dec. 31, 2017                 | 26.77                                  | 0.72                                             | (0.01)            | 0.65                          | 1.49                            | 2.85   | —                                          | (0.33)            | (0.26)                   | —                    | (0.59) | 29.06                               |
| Dec. 31, 2016                 | 25.62                                  | 0.75                                             | (0.01)            | 0.44                          | 0.63                            | 1.81   | —                                          | (0.38)            | (0.20)                   | —                    | (0.58) | 26.77                               |
| Dec. 31, 2015                 | 25.32                                  | 0.74                                             | (0.01)            | 1.38                          | (0.37)                          | 1.74   | (0.01)                                     | (0.48)            | (1.10)                   | —                    | (1.59) | 25.62                               |
| Dec. 31, 2014                 | 24.87                                  | 0.64                                             | (0.01)            | 2.35                          | (0.04)                          | 2.94   | (0.26)                                     | (0.30)            | (1.96)                   | —                    | (2.52) | 25.32                               |

<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<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>25.49</b>                     | <b>24 913 187</b>           | <b>977 240</b>                        | <b>1.94</b>                                  | <b>1.94</b>                               | <b>4.30</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 27.23                            | 24 759 947                  | 909 287                               | 1.94                                         | 1.94                                      | 3.34                                        | 0.06                                      |
| Dec. 31, 2016              | 25.45                            | 21 185 655                  | 832 369                               | 1.94                                         | 1.94                                      | 5.91                                        | 0.10                                      |
| Dec. 31, 2015              | 24.70                            | 18 504 874                  | 749 112                               | 1.94                                         | 1.94                                      | 16.43                                       | 0.09                                      |
| Dec. 31, 2014              | 24.65                            | 14 592 897                  | 591 902                               | 1.94                                         | 1.94                                      | 35.26                                       | 0.10                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>25.86</b>                     | <b>139 409</b>              | <b>5 392</b>                          | <b>1.94</b>                                  | <b>1.94</b>                               | <b>4.30</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 27.61                            | 127 611                     | 4 623                                 | 1.94                                         | 1.94                                      | 3.34                                        | 0.06                                      |
| Dec. 31, 2016              | 25.80                            | 110 721                     | 4 292                                 | 1.94                                         | 1.94                                      | 5.91                                        | 0.10                                      |
| Dec. 31, 2015              | 25.03                            | 105 271                     | 4 205                                 | 1.94                                         | 1.94                                      | 16.43                                       | 0.09                                      |
| Dec. 31, 2014              | 24.97                            | 99 506                      | 3 985                                 | 1.94                                         | 1.94                                      | 35.26                                       | 0.10                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.64</b>                     | <b>207 233</b>              | <b>9 152</b>                          | <b>1.94</b>                                  | <b>1.94</b>                               | <b>4.30</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 24.72                            | 196 613                     | 7 953                                 | 1.93                                         | 1.93                                      | 3.34                                        | 0.06                                      |
| Dec. 31, 2016              | 23.88                            | 181 601                     | 7 605                                 | 1.93                                         | 1.93                                      | 5.91                                        | 0.10                                      |
| Dec. 31, 2015              | 23.97                            | 173 316                     | 7 230                                 | 1.95                                         | 1.95                                      | 16.43                                       | 0.09                                      |
| Dec. 31, 2014              | 24.05                            | 106 581                     | 4 431                                 | 1.95                                         | 1.95                                      | 35.26                                       | 0.10                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>26.80</b>                     | <b>5 216 993</b>            | <b>194 630</b>                        | <b>0.97</b>                                  | <b>0.97</b>                               | <b>4.30</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 28.53                            | 2 638 820                   | 92 507                                | 0.97                                         | 0.97                                      | 3.34                                        | 0.06                                      |
| Dec. 31, 2016              | 26.46                            | 683 497                     | 25 836                                | 0.98                                         | 0.98                                      | 5.91                                        | 0.10                                      |
| Dec. 31, 2015              | 25.47                            | 44 100                      | 1 731                                 | 0.90                                         | 0.90                                      | 16.43                                       | 0.09                                      |
| Dec. 31, 2014              | 25.27                            | 27 272                      | 1 079                                 | 0.89                                         | 0.89                                      | 35.26                                       | 0.10                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>25.38</b>                     | <b>249 312</b>              | <b>9 824</b>                          | <b>0.97</b>                                  | <b>0.97</b>                               | <b>4.30</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 27.44                            | 126 654                     | 4 617                                 | 0.96                                         | 0.96                                      | 3.34                                        | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 26.24                            | 33 175                      | 1 264                                 | 0.96                                         | 0.96                                      | 5.91                                        | 0.10                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>27.23</b>                     | <b>363 163</b>              | <b>13 335</b>                         | <b>0.07</b>                                  | <b>0.07</b>                               | <b>4.30</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017              | 29.06                            | 304 017                     | 10 464                                | 0.07                                         | 0.07                                      | 3.34                                        | 0.06                                      |
| Dec. 31, 2016              | 26.77                            | 235 251                     | 8 787                                 | 0.07                                         | 0.07                                      | 5.91                                        | 0.10                                      |
| Dec. 31, 2015              | 25.62                            | 179 680                     | 7 014                                 | 0.07                                         | 0.07                                      | 16.43                                       | 0.09                                      |
| Dec. 31, 2014              | 25.32                            | 122 851                     | 4 852                                 | 0.06                                         | 0.06                                      | 35.26                                       | 0.10                                      |

<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 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 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.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F – 0.98%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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, Advisor Series and Series T5 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, Advisor Series and Series T5 units is 1.85%.

The management fee payable to RBC GAM in respect of Series F and Series FT5 units of the Fund is a fixed fee and the MER of each of these series 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† |
| Series A       | 1.67%            | 60%                   | 40%    |
| Advisor Series | 1.67%            | 60%                   | 40%    |
| Series T5      | 1.67%            | 60%                   | 40%    |
| Series F       | 0.80%            | —                     | 100%   |
| Series FT5     | 0.80%            | —                     | 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.

\* Management fees for Series A, Advisor Series and Series T5 units represent the actual average management fee rate for the period ended December 31, 2018.

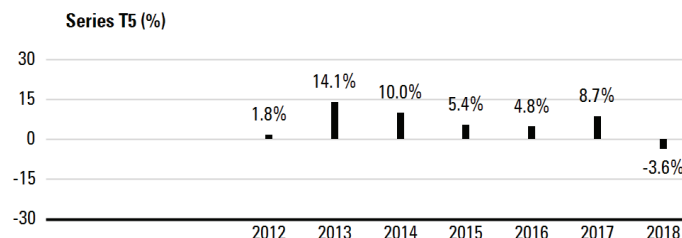
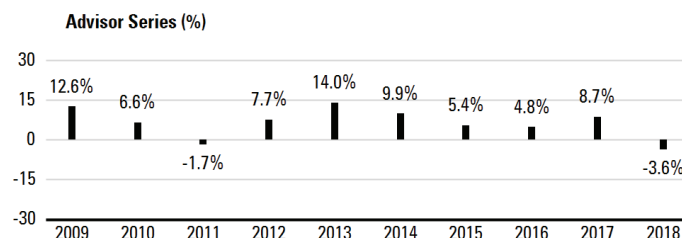
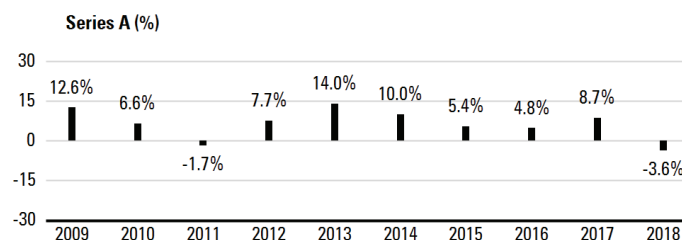
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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 (%)

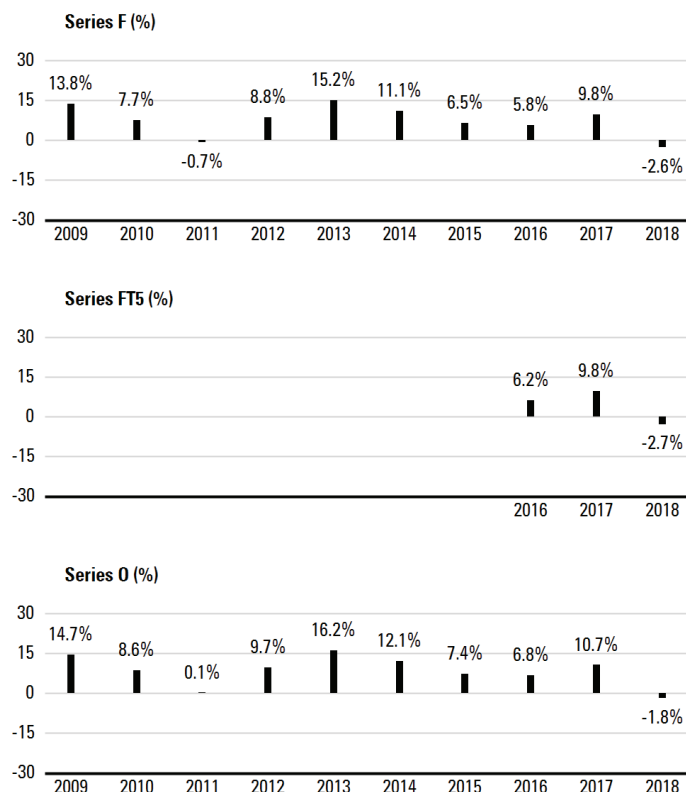
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.







**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 43% FTSE Canada Universe Bond Index
- 20% S&P 500 Total Return Index (CAD)
- 19% S&P/TSX Capped Composite Total Return Index
- 12% MSCI EAFE Total Return Net Index (CAD)
- 4% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 45% FTSE Canada Universe Bond Index
- 20% S&P 500 Total Return Index (CAD)
- 19% S&P/TSX Capped Composite Total Return Index
- 12% MSCI EAFE Total Return Net Index (CAD)
- 4% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -3.6         | 3.2             | 5.0             | 6.3              | —                  |
| New benchmark       | -1.2         | 4.5             | 6.2             | 7.6              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -3.6         | 3.2             | 4.9             | 6.3              | —                  |
| New benchmark       | -1.2         | 4.5             | 6.2             | 7.6              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series T5           | -3.6         | 3.2             | 5.0             | —                | 6.4                |
| New benchmark       | -1.2         | 4.5             | 6.2             | —                | 7.3                |
| Old benchmark       | -1.2         | 4.6             | 6.2             | —                | 7.3                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.6                |
| Series F            | -2.6         | 4.2             | 6.0             | 7.4              | —                  |
| New benchmark       | -1.2         | 4.5             | 6.2             | 7.6              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series FT5          | -2.7         | —               | —               | —                | 5.2                |
| New benchmark       | -1.2         | —               | —               | —                | 4.7                |
| Old benchmark       | -1.2         | —               | —               | —                | 4.7                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.5                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 3.2                |
| Series O            | -1.8         | 5.1             | 6.9             | 8.3              | —                  |
| New benchmark       | -1.2         | 4.5             | 6.2             | 7.6              | —                  |
| Old benchmark       | -1.2         | 4.6             | 6.2             | 7.7              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses.

The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series FT5 units have been available for sale to unitholders since July 4, 2016 and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.





## PAST PERFORMANCE (cont.)

### INDEX DESCRIPTIONS

**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.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 41.3                 |
| International Equity Funds | 20.5                 |
| Canadian Equity Funds      | 19.5                 |
| United States Equity Funds | 17.7                 |
| Cash/Other                 | 1.0                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 19.4                 |
| RBC Global Corporate Bond Fund                               | 9.6                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 5.5                  |
| RBC Private Canadian Equity Pool                             | 5.4                  |
| RBC Canadian Dividend Fund                                   | 5.3                  |
| RBC European Equity Fund                                     | 5.3                  |
| RBC QUBE U.S. Equity Fund                                    | 5.1                  |
| RBC Global Bond Fund                                         | 4.1                  |
| RBC Emerging Markets Equity Fund                             | 3.5                  |
| RBC QUBE Canadian Equity Fund                                | 3.3                  |
| BlueBay Global Monthly Income Bond Fund                      | 2.9                  |
| RBC Global Dividend Growth Fund                              | 2.9                  |
| RBC Global Equity Focus Fund                                 | 2.8                  |
| Phillips, Hager & North Canadian Equity Underlying Fund II   | 2.8                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 2.6                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 2.5                  |
| RBC U.S. Dividend Fund                                       | 2.0                  |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 2.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 2.0                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.3                  |
| RBC Japanese Equity Fund                                     | 1.2                  |
| RBC European Mid-Cap Equity Fund                             | 1.1                  |
| RBC Global High Yield Bond Fund                              | 1.1                  |
| RBC U.S. Mid-Cap Growth Equity Fund                          | 1.1                  |
| RBC U.S. Equity Fund                                         | 1.0                  |
| Top 25 Holdings                                              | 95.8                 |

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).



PORTFOLIO SOLUTION

**RBC SELECT GROWTH PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing long-term capital growth. The Fund maintains a balance of investments across several asset classes by investing in other funds managed by RBC GAM or an affiliate.

The Fund's target weightings for each asset class are 30% for fixed income, 23% for Canadian equities, 25% for U.S. equities, 16% for international equities and 6% for emerging markets equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed-income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$9.2 billion as of December 31, 2018, from \$8.7 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 4.3%, which underperformed the 2.0% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a positive impact on performance. The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve (the "Fed") and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Private Canadian Equity Pool.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The Fed boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the RBC Global Bond Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 29.64                                  | 0.74                                             | (0.59)            | 0.97                          | (2.39)                          | (1.27) | —                                          | (0.14)            | (0.67)                   | —                    | (0.81) | 27.56                               |
| Dec. 31, 2017                 | 27.15                                  | 0.67                                             | (0.57)            | 0.78                          | 1.96                            | 2.84   | —                                          | (0.08)            | (0.27)                   | —                    | (0.35) | 29.64                               |
| Dec. 31, 2016                 | 26.19                                  | 0.68                                             | (0.52)            | 0.48                          | 0.72                            | 1.36   | (0.01)                                     | (0.15)            | (0.17)                   | —                    | (0.33) | 27.15                               |
| Dec. 31, 2015                 | 26.02                                  | 0.70                                             | (0.55)            | 1.75                          | (0.28)                          | 1.62   | (0.01)                                     | (0.16)            | (1.43)                   | —                    | (1.60) | 26.19                               |
| Dec. 31, 2014                 | 25.90                                  | 0.57                                             | (0.54)            | 3.07                          | (0.39)                          | 2.71   | —                                          | (0.01)            | (2.61)                   | —                    | (2.62) | 26.02                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.22                                  | 0.75                                             | (0.60)            | 0.99                          | (2.41)                          | (1.27) | —                                          | (0.14)            | (0.68)                   | —                    | (0.82) | 28.09                               |
| Dec. 31, 2017                 | 27.67                                  | 0.69                                             | (0.58)            | 0.80                          | 2.00                            | 2.91   | —                                          | (0.09)            | (0.27)                   | —                    | (0.36) | 30.22                               |
| Dec. 31, 2016                 | 26.69                                  | 0.69                                             | (0.53)            | 0.49                          | 0.63                            | 1.28   | (0.01)                                     | (0.15)            | (0.17)                   | —                    | (0.33) | 27.67                               |
| Dec. 31, 2015                 | 26.51                                  | 0.71                                             | (0.56)            | 1.79                          | (0.29)                          | 1.65   | (0.01)                                     | (0.15)            | (1.46)                   | —                    | (1.62) | 26.69                               |
| Dec. 31, 2014                 | 26.47                                  | 0.57                                             | (0.56)            | 3.04                          | (0.39)                          | 2.66   | —                                          | —                 | (2.71)                   | —                    | (2.71) | 26.51                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.33                                  | 0.64                                             | (0.52)            | 0.85                          | (2.18)                          | (1.21) | —                                          | (0.12)            | (0.59)                   | (0.60)               | (1.31) | 23.95                               |
| Dec. 31, 2017                 | 25.02                                  | 0.61                                             | (0.51)            | 0.70                          | 1.71                            | 2.51   | —                                          | (0.10)            | (0.23)                   | (0.92)               | (1.25) | 26.33                               |
| Dec. 31, 2016                 | 25.10                                  | 0.64                                             | (0.49)            | 0.45                          | 0.64                            | 1.24   | (0.01)                                     | (0.13)            | (0.13)                   | (0.98)               | (1.25) | 25.02                               |
| Dec. 31, 2015                 | 25.23                                  | 0.66                                             | (0.53)            | 1.65                          | (0.27)                          | 1.51   | (0.01)                                     | (0.13)            | (1.67)                   | —                    | (1.81) | 25.10                               |
| Dec. 31, 2014                 | 24.98                                  | 0.54                                             | (0.52)            | 2.89                          | (0.37)                          | 2.54   | —                                          | —                 | (2.35)                   | —                    | (2.35) | 25.23                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 29.55                                  | 0.74                                             | (0.29)            | 0.97                          | (2.83)                          | (1.41) | (0.01)                                     | (0.34)            | (0.67)                   | —                    | (1.02) | 27.55                               |
| Dec. 31, 2017                 | 27.08                                  | 0.67                                             | (0.28)            | 0.78                          | 1.95                            | 3.12   | —                                          | (0.40)            | (0.26)                   | —                    | (0.66) | 29.55                               |
| Dec. 31, 2016                 | 26.10                                  | 0.67                                             | (0.27)            | 0.47                          | 1.10                            | 1.97   | (0.03)                                     | (0.39)            | (0.17)                   | —                    | (0.59) | 27.08                               |
| Dec. 31, 2015                 | 25.95                                  | 0.70                                             | (0.26)            | 1.75                          | (0.28)                          | 1.91   | (0.02)                                     | (0.43)            | (1.44)                   | —                    | (1.89) | 26.10                               |
| Dec. 31, 2014                 | 25.77                                  | 0.56                                             | (0.26)            | 3.00                          | (0.38)                          | 2.92   | (0.01)                                     | (0.16)            | (2.66)                   | —                    | (2.83) | 25.95                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 28.73                                  | 0.70                                             | (0.28)            | 0.92                          | (2.81)                          | (1.47) | —                                          | (0.38)            | (0.73)                   | (0.32)               | (1.43) | 26.41                               |
| Dec. 31, 2017                 | 27.02                                  | 0.65                                             | (0.27)            | 0.75                          | 1.55                            | 2.68   | —                                          | (0.40)            | (0.29)                   | (0.66)               | (1.35) | 28.73                               |
| Dec. 31, 2016 <sup>3</sup>    | 26.11 <sup>†</sup>                     | 0.33                                             | (0.13)            | 0.23                          | 1.43                            | 1.86   | (0.01)                                     | (0.16)            | (0.33)                   | (0.15)               | (0.65) | 27.02                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.60                                  | 0.77                                             | (0.01)            | 1.01                          | (2.61)                          | (0.84) | (0.01)                                     | (0.70)            | (0.70)                   | —                    | (1.41) | 28.45                               |
| Dec. 31, 2017                 | 28.05                                  | 0.70                                             | (0.01)            | 0.81                          | 2.03                            | 3.53   | —                                          | (0.72)            | (0.28)                   | —                    | (1.00) | 30.60                               |
| Dec. 31, 2016                 | 27.05                                  | 0.71                                             | (0.01)            | 0.50                          | 0.78                            | 1.98   | (0.05)                                     | (0.68)            | (0.17)                   | —                    | (0.90) | 28.05                               |
| Dec. 31, 2015                 | 26.92                                  | 0.73                                             | (0.01)            | 1.83                          | (0.29)                          | 2.26   | (0.04)                                     | (0.71)            | (1.51)                   | —                    | (2.26) | 27.05                               |
| Dec. 31, 2014                 | 26.77                                  | 0.60                                             | (0.01)            | 3.20                          | (0.40)                          | 3.39   | (0.03)                                     | (0.49)            | (2.74)                   | —                    | (3.26) | 26.92                               |

<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<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>27.56</b>                     | <b>7 712 799</b>            | <b>279 905</b>                        | <b>2.04</b>                                  | <b>2.04</b>                               | <b>5.05</b>                                 | <b>0.08</b>                               |
| Dec. 31, 2017              | 29.64                            | 7 911 048                   | 266 894                               | 2.04                                         | 2.04                                      | 2.35                                        | 0.08                                      |
| Dec. 31, 2016              | 27.15                            | 6 990 245                   | 257 460                               | 2.04                                         | 2.04                                      | 6.80                                        | 0.12                                      |
| Dec. 31, 2015              | 26.19                            | 6 290 444                   | 240 217                               | 2.04                                         | 2.04                                      | 18.97                                       | 0.12                                      |
| Dec. 31, 2014              | 26.02                            | 5 138 120                   | 197 442                               | 2.04                                         | 2.04                                      | 42.85                                       | 0.14                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>28.09</b>                     | <b>63 077</b>               | <b>2 246</b>                          | <b>2.04</b>                                  | <b>2.04</b>                               | <b>5.05</b>                                 | <b>0.08</b>                               |
| Dec. 31, 2017              | 30.22                            | 67 480                      | 2 233                                 | 2.04                                         | 2.04                                      | 2.35                                        | 0.08                                      |
| Dec. 31, 2016              | 27.67                            | 66 257                      | 2 394                                 | 2.05                                         | 2.05                                      | 6.80                                        | 0.12                                      |
| Dec. 31, 2015              | 26.69                            | 66 786                      | 2 503                                 | 2.04                                         | 2.04                                      | 18.97                                       | 0.12                                      |
| Dec. 31, 2014              | 26.51                            | 66 135                      | 2 494                                 | 2.04                                         | 2.04                                      | 42.85                                       | 0.14                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>23.95</b>                     | <b>13 613</b>               | <b>568</b>                            | <b>2.05</b>                                  | <b>2.05</b>                               | <b>5.05</b>                                 | <b>0.08</b>                               |
| Dec. 31, 2017              | 26.33                            | 14 262                      | 542                                   | 2.05                                         | 2.05                                      | 2.35                                        | 0.08                                      |
| Dec. 31, 2016              | 25.02                            | 13 850                      | 554                                   | 2.06                                         | 2.06                                      | 6.80                                        | 0.12                                      |
| Dec. 31, 2015              | 25.10                            | 14 176                      | 565                                   | 2.07                                         | 2.07                                      | 18.97                                       | 0.12                                      |
| Dec. 31, 2014              | 25.23                            | 7 634                       | 303                                   | 2.08                                         | 2.08                                      | 42.85                                       | 0.14                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>27.55</b>                     | <b>1 264 505</b>            | <b>45 902</b>                         | <b>1.02</b>                                  | <b>1.02</b>                               | <b>5.05</b>                                 | <b>0.08</b>                               |
| Dec. 31, 2017              | 29.55                            | 622 441                     | 21 063                                | 1.03                                         | 1.03                                      | 2.35                                        | 0.08                                      |
| Dec. 31, 2016              | 27.08                            | 158 037                     | 5 837                                 | 1.04                                         | 1.04                                      | 6.80                                        | 0.12                                      |
| Dec. 31, 2015              | 26.10                            | 16 976                      | 650                                   | 1.00                                         | 1.00                                      | 18.97                                       | 0.12                                      |
| Dec. 31, 2014              | 25.95                            | 11 555                      | 445                                   | 1.00                                         | 1.00                                      | 42.85                                       | 0.14                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>26.41</b>                     | <b>13 757</b>               | <b>521</b>                            | <b>1.04</b>                                  | <b>1.04</b>                               | <b>5.05</b>                                 | <b>0.08</b>                               |
| Dec. 31, 2017              | 28.73                            | 5 803                       | 202                                   | 1.02                                         | 1.02                                      | 2.35                                        | 0.08                                      |
| Dec. 31, 2016 <sup>4</sup> | 27.02                            | 530                         | 20                                    | 1.02                                         | 1.02                                      | 6.80                                        | 0.12                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>28.45</b>                     | <b>113 072</b>              | <b>3 975</b>                          | <b>0.07</b>                                  | <b>0.07</b>                               | <b>5.05</b>                                 | <b>0.08</b>                               |
| Dec. 31, 2017              | 30.60                            | 98 043                      | 3 204                                 | 0.07                                         | 0.07                                      | 2.35                                        | 0.08                                      |
| Dec. 31, 2016              | 28.05                            | 76 169                      | 2 716                                 | 0.07                                         | 0.07                                      | 6.80                                        | 0.12                                      |
| Dec. 31, 2015              | 27.05                            | 64 969                      | 2 402                                 | 0.07                                         | 0.07                                      | 18.97                                       | 0.12                                      |
| Dec. 31, 2014              | 26.92                            | 43 467                      | 1 615                                 | 0.07                                         | 0.07                                      | 42.85                                       | 0.14                                      |

<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 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 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.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F – 1.04%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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, Advisor Series and Series T5 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, Advisor Series and Series T5 units is 1.95%.

The management fee payable to RBC GAM in respect of Series F and Series FT5 units of the Fund is a fixed fee and the MER of each of these series 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† |
| Series A       | 1.76%            | 57%                   | 43%    |
| Advisor Series | 1.76%            | 57%                   | 43%    |
| Series T5      | 1.76%            | 57%                   | 43%    |
| Series F       | 0.85%            | —                     | 100%   |
| Series FT5     | 0.85%            | —                     | 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.

\* Management fees for Series A, Advisor Series and Series T5 units represent the actual average management fee rate for the period ended December 31, 2018.

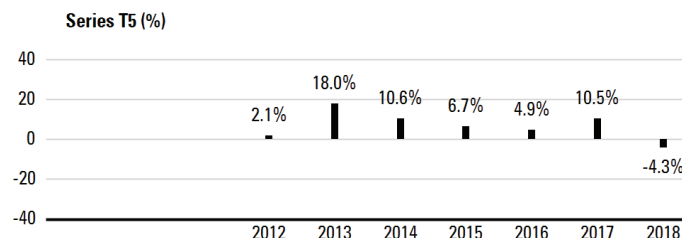
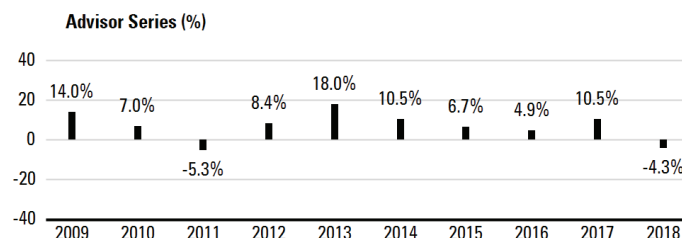
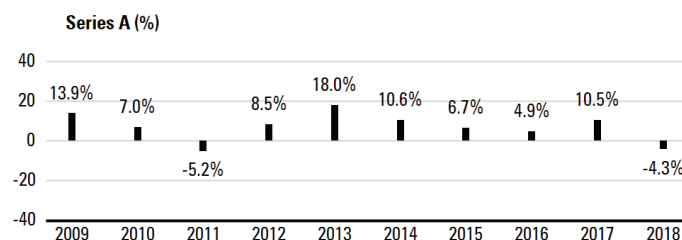
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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 (%)

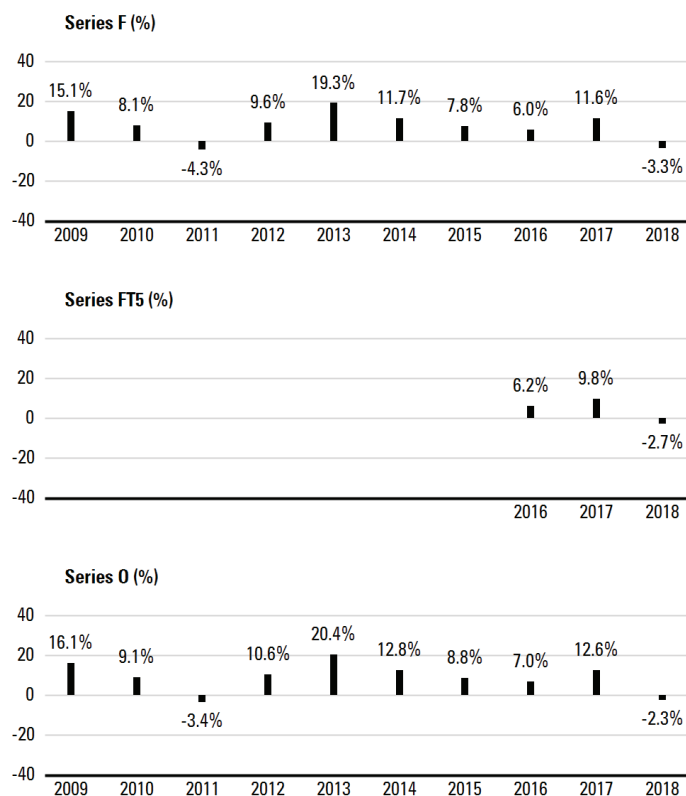
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.







**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the “New benchmark”) is composed of:

- 28% FTSE Canada Universe Bond Index
- 25% S&P 500 Total Return Index (CAD)
- 23% S&P/TSX Capped Composite Total Return Index
- 16% MSCI EAFE Total Return Net Index (CAD)
- 6% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the “Old benchmark”) is composed of:

- 30% FTSE Canada Universe Bond Index
- 25% S&P 500 Total Return Index (CAD)
- 23% S&P/TSX Capped Composite Total Return Index
- 16% MSCI EAFE Total Return Net Index (CAD)
- 6% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -4.3         | 3.5             | 5.5             | 6.8              | —                  |
| New benchmark       | -2.0         | 5.2             | 6.9             | 8.5              | —                  |
| Old benchmark       | -2.0         | 5.3             | 7.0             | 8.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -4.3         | 3.5             | 5.5             | 6.8              | —                  |
| New benchmark       | -2.0         | 5.2             | 6.9             | 8.5              | —                  |
| Old benchmark       | -2.0         | 5.3             | 7.0             | 8.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series T5           | -4.3         | 3.5             | 5.5             | —                | 7.5                |
| New benchmark       | -2.0         | 5.2             | 6.9             | —                | 8.5                |
| Old benchmark       | -2.0         | 5.3             | 7.0             | —                | 8.6                |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 5.6                |
| Series F            | -3.3         | 4.6             | 6.6             | 7.9              | —                  |
| New benchmark       | -2.0         | 5.2             | 6.9             | 8.5              | —                  |
| Old benchmark       | -2.0         | 5.3             | 7.0             | 8.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series FT5          | -2.7         | —               | —               | —                | 5.2                |
| New benchmark       | -2.0         | —               | —               | —                | 5.9                |
| Old benchmark       | -2.0         | —               | —               | —                | 5.9                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.5                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 3.2                |
| Series O            | -2.3         | 5.6             | 7.6             | 8.9              | —                  |
| New benchmark       | -2.0         | 5.2             | 6.9             | 8.5              | —                  |
| Old benchmark       | -2.0         | 5.3             | 7.0             | 8.6              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses.

The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series FT5 units have been available for sale to unitholders since July 4, 2016 and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.





## PAST PERFORMANCE (cont.)

### INDEX DESCRIPTIONS

**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.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| International Equity Funds | 28.3                 |
| Income Funds               | 26.2                 |
| Canadian Equity Funds      | 23.4                 |
| United States Equity Funds | 21.1                 |
| Cash/Other                 | 1.0                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 10.2                 |
| RBC Global Corporate Bond Fund                               | 7.4                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 6.5                  |
| RBC European Equity Fund                                     | 6.4                  |
| RBC Private Canadian Equity Pool                             | 6.3                  |
| RBC QUBE U.S. Equity Fund                                    | 5.1                  |
| RBC Emerging Markets Equity Fund                             | 4.6                  |
| RBC Global Dividend Growth Fund                              | 4.5                  |
| RBC Global Equity Focus Fund                                 | 4.5                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 4.3                  |
| Phillips, Hager & North Canadian Growth Fund                 | 4.2                  |
| RBC Canadian Dividend Fund                                   | 4.2                  |
| RBC Global Bond Fund                                         | 3.8                  |
| RBC QUBE Canadian Equity Fund                                | 3.1                  |
| RBC U.S. Dividend Fund                                       | 3.0                  |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 3.0                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 2.8                  |
| BlueBay Global Monthly Income Bond Fund                      | 1.9                  |
| RBC Japanese Equity Fund                                     | 1.8                  |
| RBC U.S. Equity Fund                                         | 1.6                  |
| RBC European Mid-Cap Equity Fund                             | 1.6                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.4                  |
| Phillips, Hager & North Canadian Equity Underlying Fund II   | 1.3                  |
| RBC Emerging Markets Small-Cap Equity Fund                   | 1.2                  |
| RBC Emerging Markets Dividend Fund                           | 1.1                  |
| Top 25 Holdings                                              | 95.8                 |

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).



PORTFOLIO SOLUTION

**RBC SELECT AGGRESSIVE  
GROWTH PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset-allocation fund that focuses on providing long-term capital growth. The Fund maintains a balance of investments in other funds managed by RBC GAM or an affiliate.

The Fund's target weightings for each asset class are 33% for Canadian equities, 35% for U.S. equities, 23% for international equities and 9% for emerging markets equities. The actual allocation to each asset class will not be more than 10% above or below its target weighting.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund's asset allocation model is aimed at achieving maximum growth and directs almost all assets to equity funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$2.0 billion as of December 31, 2018, from \$1.9 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 5.6%, which underperformed the 3.4% decline in the benchmark. The broad-based index declined 0.5%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following

renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Private Canadian Equity Pool.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019, although further gradual tightening of monetary policy is expected. While the portfolio manager anticipates more equity-market volatility, stocks still offer modest return potential, as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.45                                  | 0.28                                             | (0.26)            | 0.55                          | (1.29)                          | (0.72) | —                                          | (0.02)            | (0.36)                   | —                    | (0.38) | 11.36                               |
| Dec. 31, 2017                 | 11.11                                  | 0.26                                             | (0.25)            | 0.42                          | 1.02                            | 1.45   | —                                          | (0.01)            | (0.10)                   | —                    | (0.11) | 12.45                               |
| Dec. 31, 2016                 | 10.56                                  | 0.25                                             | (0.22)            | 0.21                          | 0.43                            | 0.67   | —                                          | (0.03)            | (0.03)                   | —                    | (0.06) | 11.11                               |
| Dec. 31, 2015                 | 10.43                                  | 0.25                                             | (0.23)            | 0.88                          | (0.12)                          | 0.78   | —                                          | (0.03)            | (0.68)                   | —                    | (0.71) | 10.56                               |
| Dec. 31, 2014                 | 10.41                                  | 0.21                                             | (0.23)            | 1.54                          | (0.34)                          | 1.18   | —                                          | —                 | (1.17)                   | —                    | (1.17) | 10.43                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.33                                  | 0.28                                             | (0.26)            | 0.55                          | (1.23)                          | (0.66) | —                                          | (0.02)            | (0.36)                   | —                    | (0.38) | 11.24                               |
| Dec. 31, 2017                 | 11.01                                  | 0.26                                             | (0.25)            | 0.42                          | 1.00                            | 1.43   | —                                          | (0.01)            | (0.10)                   | —                    | (0.11) | 12.33                               |
| Dec. 31, 2016                 | 10.47                                  | 0.25                                             | (0.22)            | 0.21                          | 0.33                            | 0.57   | —                                          | (0.03)            | (0.03)                   | —                    | (0.06) | 11.01                               |
| Dec. 31, 2015                 | 10.34                                  | 0.25                                             | (0.23)            | 0.87                          | (0.12)                          | 0.77   | —                                          | (0.04)            | (0.68)                   | —                    | (0.72) | 10.47                               |
| Dec. 31, 2014                 | 10.35                                  | 0.20                                             | (0.24)            | 1.46                          | (0.32)                          | 1.10   | —                                          | —                 | (1.17)                   | —                    | (1.17) | 10.34                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.97                                  | 0.24                                             | (0.23)            | 0.48                          | (1.09)                          | (0.60) | —                                          | (0.02)            | (0.31)                   | (0.22)               | (0.55) | 9.84                                |
| Dec. 31, 2017                 | 10.18                                  | 0.24                                             | (0.22)            | 0.38                          | 0.82                            | 1.22   | —                                          | (0.01)            | (0.10)                   | (0.40)               | (0.51) | 10.97                               |
| Dec. 31, 2016                 | 10.13                                  | 0.24                                             | (0.21)            | 0.19                          | 0.41                            | 0.63   | —                                          | (0.02)            | (0.02)                   | (0.46)               | (0.50) | 10.18                               |
| Dec. 31, 2015                 | 10.06                                  | 0.24                                             | (0.22)            | 0.82                          | (0.11)                          | 0.73   | —                                          | (0.03)            | (0.71)                   | —                    | (0.74) | 10.13                               |
| Dec. 31, 2014                 | 9.89                                   | 0.20                                             | (0.21)            | 1.44                          | (0.31)                          | 1.12   | —                                          | —                 | (0.94)                   | —                    | (0.94) | 10.06                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.27                                  | 0.30                                             | (0.14)            | 0.59                          | (1.65)                          | (0.90) | —                                          | (0.13)            | (0.39)                   | —                    | (0.52) | 12.13                               |
| Dec. 31, 2017                 | 11.85                                  | 0.28                                             | (0.13)            | 0.45                          | 1.10                            | 1.70   | —                                          | (0.16)            | (0.11)                   | —                    | (0.27) | 13.27                               |
| Dec. 31, 2016                 | 11.27                                  | 0.27                                             | (0.12)            | 0.22                          | 0.69                            | 1.06   | (0.02)                                     | (0.14)            | (0.03)                   | —                    | (0.19) | 11.85                               |
| Dec. 31, 2015                 | 11.13                                  | 0.27                                             | (0.13)            | 0.94                          | (0.13)                          | 0.95   | (0.02)                                     | (0.14)            | (0.74)                   | —                    | (0.90) | 11.27                               |
| Dec. 31, 2014                 | 11.00                                  | 0.21                                             | (0.13)            | 1.58                          | (0.34)                          | 1.32   | —                                          | —                 | (1.25)                   | —                    | (1.25) | 11.13                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.81                                  | 0.29                                             | (0.13)            | 0.56                          | (1.33)                          | (0.61) | —                                          | (0.14)            | (0.42)                   | (0.08)               | (0.64) | 11.62                               |
| Dec. 31, 2017                 | 11.76                                  | 0.27                                             | (0.12)            | 0.43                          | 1.24                            | 1.82   | —                                          | (0.15)            | (0.17)                   | (0.27)               | (0.59) | 12.81                               |
| Dec. 31, 2016 <sup>3</sup>    | 11.13 <sup>†</sup>                     | 0.13                                             | (0.06)            | 0.11                          | 0.33                            | 0.51   | (0.01)                                     | (0.05)            | (0.05)                   | (0.17)               | (0.28) | 11.76                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.77                                  | 0.32                                             | —                 | 0.62                          | (1.54)                          | (0.60) | (0.01)                                     | (0.29)            | (0.41)                   | —                    | (0.71) | 12.54                               |
| Dec. 31, 2017                 | 12.29                                  | 0.29                                             | —                 | 0.47                          | 1.11                            | 1.87   | —                                          | (0.31)            | (0.11)                   | —                    | (0.42) | 13.77                               |
| Dec. 31, 2016                 | 11.70                                  | 0.28                                             | —                 | 0.23                          | 0.50                            | 1.01   | (0.04)                                     | (0.26)            | (0.04)                   | —                    | (0.34) | 12.29                               |
| Dec. 31, 2015                 | 11.56                                  | 0.28                                             | —                 | 0.98                          | (0.13)                          | 1.13   | (0.03)                                     | (0.27)            | (0.77)                   | —                    | (1.07) | 11.70                               |
| Dec. 31, 2014                 | 11.30                                  | 0.23                                             | —                 | 1.69                          | (0.37)                          | 1.55   | —                                          | —                 | (1.30)                   | —                    | (1.30) | 11.56                               |

<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<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.36</b>                     | <b>1 727 317</b>            | <b>152 117</b>                        | <b>2.14</b>                                  | <b>2.14</b>                               | <b>5.62</b>                                 | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.45                            | 1 708 200                   | 137 231                               | 2.14                                         | 2.14                                      | 1.68                                        | 0.11                                      |
| Dec. 31, 2016              | 11.11                            | 1 412 173                   | 127 087                               | 2.14                                         | 2.14                                      | 4.70                                        | 0.15                                      |
| Dec. 31, 2015              | 10.56                            | 1 215 268                   | 115 071                               | 2.13                                         | 2.13                                      | 14.81                                       | 0.14                                      |
| Dec. 31, 2014              | 10.43                            | 952 321                     | 91 349                                | 2.13                                         | 2.13                                      | 46.08                                       | 0.18                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.24</b>                     | <b>23 242</b>               | <b>2 068</b>                          | <b>2.18</b>                                  | <b>2.18</b>                               | <b>5.62</b>                                 | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.33                            | 26 411                      | 2 142                                 | 2.18                                         | 2.18                                      | 1.68                                        | 0.11                                      |
| Dec. 31, 2016              | 11.01                            | 26 892                      | 2 442                                 | 2.18                                         | 2.18                                      | 4.70                                        | 0.15                                      |
| Dec. 31, 2015              | 10.47                            | 28 628                      | 2 734                                 | 2.17                                         | 2.17                                      | 14.81                                       | 0.14                                      |
| Dec. 31, 2014              | 10.34                            | 29 362                      | 2 838                                 | 2.17                                         | 2.17                                      | 46.08                                       | 0.18                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.84</b>                      | <b>3 876</b>                | <b>394</b>                            | <b>2.15</b>                                  | <b>2.15</b>                               | <b>5.62</b>                                 | <b>0.12</b>                               |
| Dec. 31, 2017              | 10.97                            | 3 879                       | 354                                   | 2.16                                         | 2.16                                      | 1.68                                        | 0.11                                      |
| Dec. 31, 2016              | 10.18                            | 3 527                       | 346                                   | 2.17                                         | 2.17                                      | 4.70                                        | 0.15                                      |
| Dec. 31, 2015              | 10.13                            | 2 814                       | 278                                   | 2.14                                         | 2.14                                      | 14.81                                       | 0.14                                      |
| Dec. 31, 2014              | 10.06                            | 1 679                       | 167                                   | 2.12                                         | 2.12                                      | 46.08                                       | 0.18                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.13</b>                     | <b>223 740</b>              | <b>18 441</b>                         | <b>1.07</b>                                  | <b>1.07</b>                               | <b>5.62</b>                                 | <b>0.12</b>                               |
| Dec. 31, 2017              | 13.27                            | 115 144                     | 8 675                                 | 1.09                                         | 1.09                                      | 1.68                                        | 0.11                                      |
| Dec. 31, 2016              | 11.85                            | 32 124                      | 2 710                                 | 1.11                                         | 1.11                                      | 4.70                                        | 0.15                                      |
| Dec. 31, 2015              | 11.27                            | 6 026                       | 535                                   | 1.11                                         | 1.11                                      | 14.81                                       | 0.14                                      |
| Dec. 31, 2014              | 11.13                            | 5 460                       | 491                                   | 1.11                                         | 1.11                                      | 46.08                                       | 0.18                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.62</b>                     | <b>1 556</b>                | <b>134</b>                            | <b>1.05</b>                                  | <b>1.05</b>                               | <b>5.62</b>                                 | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.81                            | 1 375                       | 107                                   | 1.06                                         | 1.06                                      | 1.68                                        | 0.11                                      |
| Dec. 31, 2016 <sup>4</sup> | 11.76                            | 53                          | 5                                     | 1.06                                         | 1.06                                      | 4.70                                        | 0.15                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.54</b>                     | <b>38 221</b>               | <b>3 048</b>                          | <b>0.07</b>                                  | <b>0.07</b>                               | <b>5.62</b>                                 | <b>0.12</b>                               |
| Dec. 31, 2017              | 13.77                            | 33 174                      | 2 410                                 | 0.08                                         | 0.08                                      | 1.68                                        | 0.11                                      |
| Dec. 31, 2016              | 12.29                            | 22 872                      | 1 861                                 | 0.08                                         | 0.08                                      | 4.70                                        | 0.15                                      |
| Dec. 31, 2015              | 11.70                            | 18 500                      | 1 582                                 | 0.08                                         | 0.08                                      | 14.81                                       | 0.14                                      |
| Dec. 31, 2014              | 11.56                            | 11 247                      | 973                                   | 0.07                                         | 0.07                                      | 46.08                                       | 0.18                                      |

<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 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 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.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F – 1.11%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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, Advisor Series and Series T5 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, Advisor Series and Series T5 units is 2.05%.

The management fee payable to RBC GAM in respect of Series F and Series FT5 units of the Fund is a fixed fee and the MER of each of these series 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† |
| Series A       | 1.86%            | 54%                   | 46%    |
| Advisor Series | 1.85%            | 54%                   | 46%    |
| Series T5      | 1.85%            | 54%                   | 46%    |
| Series F       | 0.90%            | —                     | 100%   |
| Series FT5     | 0.90%            | —                     | 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.

\* Management fees for Series A, Advisor Series and Series T5 units represent the actual average management fee rate for the period ended December 31, 2018.

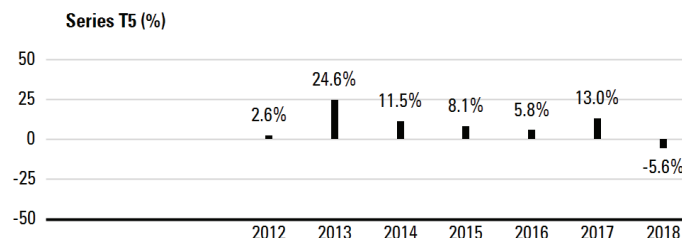
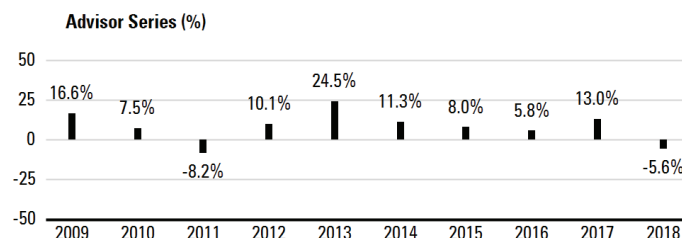
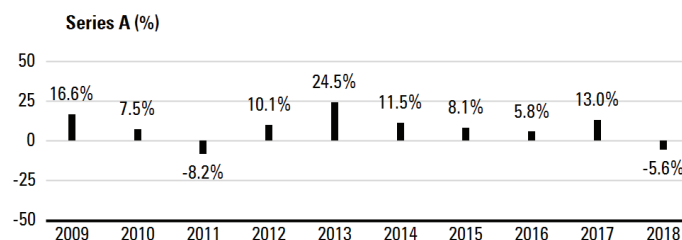
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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 (%)

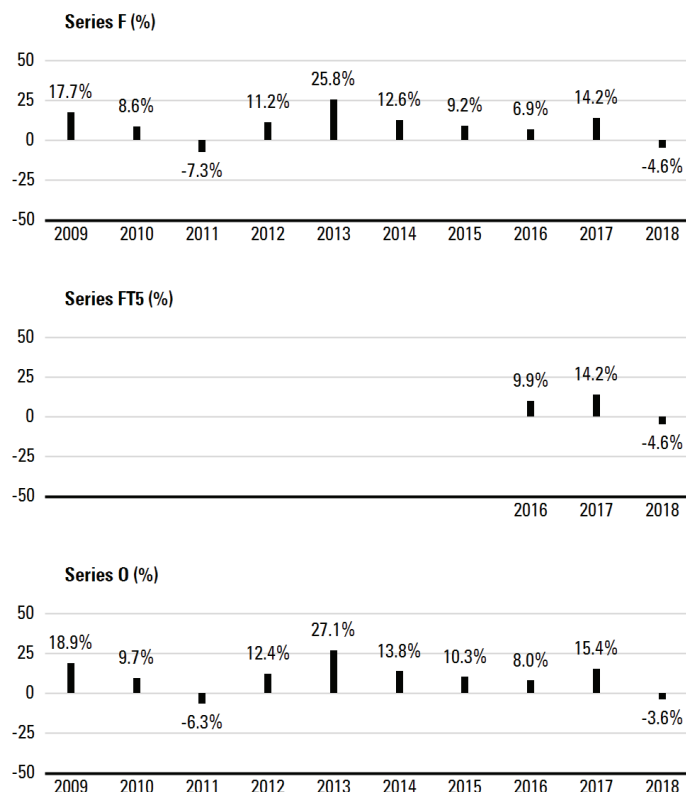
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.







**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 35% S&P 500 Total Return Index (CAD)
- 32.5% S&P/TSX Capped Composite Total Return Index
- 21.5% MSCI EAFE Total Return Net Index (CAD)
- 9% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 35% S&P/TSX Capped Composite Total Return Index
- 35% S&P 500 Total Return Index (CAD)
- 20% MSCI EAFE Total Return Net Index (CAD)
- 10% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based index is the MSCI World Total Return Net Index (CAD).

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -5.6         | 4.1             | 6.4             | 7.9              | —                  |
| New benchmark     | -3.4         | 6.6             | 8.2             | 10.2             | —                  |
| Old benchmark     | -3.7         | 6.8             | 8.3             | 10.4             | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Advisor Series    | -5.6         | 4.1             | 6.3             | 7.9              | —                  |
| New benchmark     | -3.4         | 6.6             | 8.2             | 10.2             | —                  |
| Old benchmark     | -3.7         | 6.8             | 8.3             | 10.4             | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series T5         | -5.6         | 4.1             | 6.3             | —                | 9.2                |
| New benchmark     | -3.4         | 6.6             | 8.2             | —                | 10.8               |
| Old benchmark     | -3.7         | 6.8             | 8.3             | —                | 10.9               |
| Broad-based index | -0.5         | 5.7             | 9.9             | —                | 13.7               |
| Series F          | -4.6         | 5.2             | 7.4             | 9.0              | —                  |
| New benchmark     | -3.4         | 6.6             | 8.2             | 10.2             | —                  |
| Old benchmark     | -3.7         | 6.8             | 8.3             | 10.4             | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series FT5        | -4.6         | —               | —               | —                | 7.5                |
| New benchmark     | -3.4         | —               | —               | —                | 8.0                |
| Old benchmark     | -3.7         | —               | —               | —                | 8.1                |
| Broad-based index | -0.5         | —               | —               | —                | 9.9                |
| Series O          | -3.6         | 6.3             | 8.6             | 10.2             | —                  |
| New benchmark     | -3.4         | 6.6             | 8.2             | 10.2             | —                  |
| Old benchmark     | -3.7         | 6.8             | 8.3             | 10.4             | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based index.

Series FT5 units have been available for sale to unitholders since July 4, 2016 and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.





## PAST PERFORMANCE (cont.)

### INDEX DESCRIPTIONS

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| International Equity Funds | 37.9                 |
| Canadian Equity Funds      | 32.2                 |
| United States Equity Funds | 29.4                 |
| Cash/Other                 | 0.5                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC European Equity Fund                                     | 9.8                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 9.0                  |
| RBC Private Canadian Equity Pool                             | 7.9                  |
| RBC QUBE U.S. Equity Fund                                    | 7.7                  |
| RBC Emerging Markets Equity Fund                             | 6.6                  |
| Phillips, Hager & North Canadian Growth Fund                 | 6.0                  |
| RBC QUBE Canadian Equity Fund                                | 5.9                  |
| RBC Canadian Dividend Fund                                   | 4.9                  |
| RBC Global Dividend Growth Fund                              | 4.6                  |
| RBC Global Equity Focus Fund                                 | 4.6                  |
| Phillips, Hager & North Canadian Equity Underlying Fund      | 4.3                  |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 3.9                  |
| RBC U.S. Dividend Fund                                       | 3.8                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 3.4                  |
| RBC European Mid-Cap Equity Fund                             | 3.4                  |
| Phillips, Hager & North Canadian Equity Underlying Fund II   | 3.0                  |
| RBC Japanese Equity Fund                                     | 2.1                  |
| RBC U.S. Equity Fund                                         | 2.0                  |
| RBC Emerging Markets Small-Cap Equity Fund                   | 1.7                  |
| RBC Emerging Markets Dividend Fund                           | 1.6                  |
| RBC U.S. Mid-Cap Growth Equity Fund                          | 1.5                  |
| RBC U.S. Mid-Cap Value Equity Fund                           | 1.4                  |
| Cash & Cash Equivalents                                      | 0.5                  |
| The S&P/TSX 60 Index Future, March 2019                      | 0.1                  |
| The S&P 500 Mini Index Future, March 2019                    | (0.1)                |
| Top 25 Holdings                                              | 99.6                 |

The Fund may use futures contracts as an asset substitution or as a way to reduce interest-rate risk.

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).



PORTFOLIO SOLUTION

**RBC SELECT CHOICES  
CONSERVATIVE PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing income and the potential for moderate capital growth. The Fund maintains a balance of investments across several asset classes by investing in mutual funds managed by RBC GAM or an affiliate, as well as mutual funds of other companies.

The Fund's target weightings for each asset class are 65% for fixed income, 15% for Canadian equities, 10% for U.S. equities and 10% for international equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed-income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$137 million as of December 31, 2018, from \$158 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 3.3%, which underperformed the 0.6% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the TD Canadian Bond Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the Bissett Canadian Equity Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.84                                  | 0.34                                             | (0.25)            | 0.48                          | (0.98)                          | (0.41) | —                                          | (0.09)            | (0.40)                   | —                    | (0.49) | 11.91                               |
| Dec. 31, 2017                 | 12.62                                  | 0.30                                             | (0.25)            | 0.57                          | (0.02)                          | 0.60   | —                                          | (0.04)            | (0.34)                   | —                    | (0.38) | 12.84                               |
| Dec. 31, 2016                 | 12.37                                  | 0.31                                             | (0.24)            | 0.38                          | 0.04                            | 0.49   | (0.02)                                     | (0.06)            | (0.16)                   | —                    | (0.24) | 12.62                               |
| Dec. 31, 2015                 | 12.43                                  | 0.32                                             | (0.25)            | 0.47                          | (0.23)                          | 0.31   | —                                          | (0.08)            | (0.29)                   | —                    | (0.37) | 12.37                               |
| Dec. 31, 2014                 | 12.00                                  | 0.44                                             | (0.24)            | 0.50                          | 0.24                            | 0.94   | (0.01)                                     | (0.18)            | (0.31)                   | —                    | (0.50) | 12.43                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.89                                  | 0.34                                             | (0.25)            | 0.49                          | (0.97)                          | (0.39) | —                                          | (0.09)            | (0.40)                   | —                    | (0.49) | 11.96                               |
| Dec. 31, 2017                 | 12.67                                  | 0.30                                             | (0.25)            | 0.57                          | (0.05)                          | 0.57   | —                                          | (0.04)            | (0.34)                   | —                    | (0.38) | 12.89                               |
| Dec. 31, 2016                 | 12.41                                  | 0.31                                             | (0.25)            | 0.38                          | 0.04                            | 0.48   | (0.02)                                     | (0.06)            | (0.16)                   | —                    | (0.24) | 12.67                               |
| Dec. 31, 2015                 | 12.49                                  | 0.33                                             | (0.25)            | 0.47                          | (0.23)                          | 0.32   | —                                          | (0.08)            | (0.29)                   | —                    | (0.37) | 12.41                               |
| Dec. 31, 2014                 | 12.04                                  | 0.44                                             | (0.25)            | 0.50                          | 0.24                            | 0.93   | (0.01)                                     | (0.17)            | (0.31)                   | —                    | (0.49) | 12.49                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.24                                  | 0.27                                             | (0.11)            | 0.39                          | (0.83)                          | (0.28) | —                                          | (0.09)            | (0.32)                   | —                    | (0.41) | 9.56                                |
| Dec. 31, 2017                 | 10.01                                  | 0.24                                             | (0.12)            | 0.46                          | (0.01)                          | 0.57   | —                                          | (0.05)            | (0.28)                   | —                    | (0.33) | 10.24                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.06)            | 0.16                          | (0.12)                          | 0.11   | (0.02)                                     | (0.06)            | (0.16)                   | —                    | (0.24) | 10.01                               |

<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.

## Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.91</b>                     | <b>124 314</b>              | <b>10 438</b>                         | <b>1.95</b>                                  | <b>1.95</b>                               | <b>26.90</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 12.84                            | 147 230                     | 11 469                                | 1.95                                         | 1.95                                      | 1.82                                        | 0.01                                      |
| Dec. 31, 2016         | 12.62                            | 163 458                     | 12 950                                | 1.96                                         | 1.96                                      | 7.57                                        | 0.02                                      |
| Dec. 31, 2015         | 12.37                            | 181 118                     | 14 647                                | 1.95                                         | 1.95                                      | 12.64                                       | 0.02                                      |
| Dec. 31, 2014         | 12.43                            | 195 046                     | 15 686                                | 1.95                                         | 1.95                                      | 17.76                                       | 0.03                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.96</b>                     | <b>1 614</b>                | <b>135</b>                            | <b>1.95</b>                                  | <b>1.95</b>                               | <b>26.90</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 12.89                            | 1 636                       | 127                                   | 1.96                                         | 1.96                                      | 1.82                                        | 0.01                                      |
| Dec. 31, 2016         | 12.67                            | 1 745                       | 138                                   | 1.98                                         | 1.98                                      | 7.57                                        | 0.02                                      |
| Dec. 31, 2015         | 12.41                            | 1 822                       | 147                                   | 1.98                                         | 1.98                                      | 12.64                                       | 0.02                                      |
| Dec. 31, 2014         | 12.49                            | 1 570                       | 126                                   | 1.98                                         | 1.98                                      | 17.76                                       | 0.03                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.56</b>                      | <b>10 739</b>               | <b>1 124</b>                          | <b>1.14</b>                                  | <b>1.14</b>                               | <b>26.90</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 10.24                            | 8 749                       | 855                                   | 1.16                                         | 1.16                                      | 1.82                                        | 0.01                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.01                            | 3 448                       | 345                                   | 1.14                                         | 1.14                                      | 7.57                                        | 0.02                                      |

<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 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 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 Advisor Series 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 and Advisor Series units is 1.85%.

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       | 1.69%            | 44%                   | 56%                |
| Advisor Series | 1.69%            | 44%                   | 56%                |
| Series F       | 0.95%            | —                     | 100%               |

\* Management fees for Series A and Advisor Series units represent the actual average management fee rate for the period ended December 31, 2018.

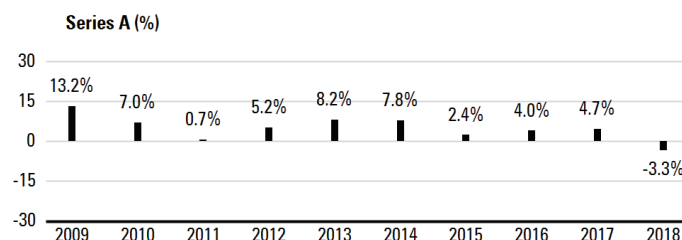
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

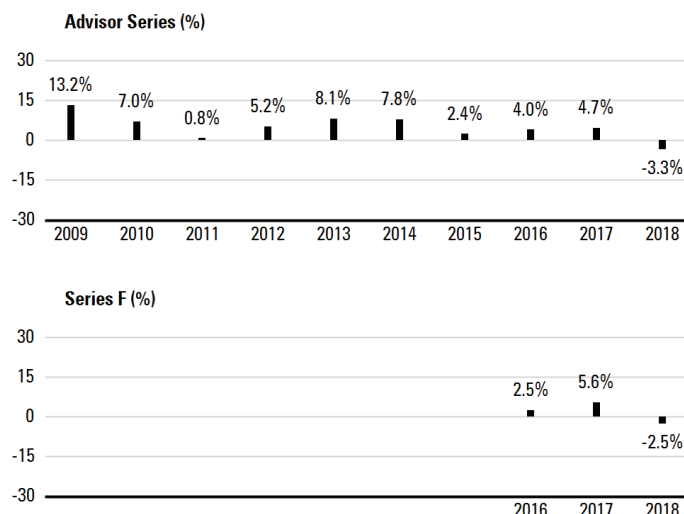
#### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018 compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 63% FTSE Canada Universe Bond Index
- 15% S&P/TSX Capped Composite Total Return Index
- 10% S&P 500 Total Return Index (CAD)
- 10% MSCI EAFE Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 65% FTSE Canada Universe Bond Index
- 15% S&P/TSX Capped Composite Total Return Index
- 10% S&P 500 Total Return Index (CAD)
- 10% MSCI EAFE Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -3.3         | 1.7             | 3.1             | 4.9              | —                  |
| New benchmark       | -0.6         | 3.4             | 4.9             | 6.1              | —                  |
| Old benchmark       | -0.6         | 3.4             | 5.0             | 6.2              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -3.3         | 1.7             | 3.0             | 4.9              | —                  |
| New benchmark       | -0.6         | 3.4             | 4.9             | 6.1              | —                  |
| Old benchmark       | -0.6         | 3.4             | 5.0             | 6.2              | —                  |
| Broad-based index 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -2.5         | —               | —               | —                | 2.1                |
| New benchmark       | -0.6         | —               | —               | —                | 2.9                |
| Old benchmark       | -0.6         | —               | —               | —                | 2.9                |
| Broad-based index 1 | 1.4          | —               | —               | —                | 0.5                |
| Broad-based index 2 | -8.9         | —               | —               | —                | 3.2                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 61.8                 |
| Canadian Equity Funds      | 16.4                 |
| International Equity Funds | 11.7                 |
| United States Equity Funds | 9.7                  |
| Cash/Other                 | 0.4                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| TD Canadian Bond Fund                                        | 14.5                 |
| Phillips, Hager & North Total Return Bond Fund               | 10.0                 |
| RBC Bond Fund                                                | 9.9                  |
| RBC Global Corporate Bond Fund                               | 7.0                  |
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 5.9                  |
| Renaissance International Equity Fund                        | 5.9                  |
| RBC Canadian Equity Fund                                     | 5.3                  |
| Franklin Bissett Canadian Equity Fund                        | 5.3                  |
| RBC Canadian Dividend Fund                                   | 5.3                  |
| Invesco International Growth Fund                            | 4.5                  |
| RBC Global Bond Fund                                         | 4.1                  |
| CI American Value Fund                                       | 3.3                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 3.2                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 3.2                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 3.2                  |
| RBC Global High Yield Bond Fund                              | 3.0                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 2.6                  |
| BlueBay European High Yield Bond Fund (Canada)               | 1.5                  |
| Invesco International Growth Class                           | 1.3                  |
| RBC Canadian Money Market Fund                               | 0.5                  |
| Cash & Cash Equivalents                                      | 0.5                  |
| <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).





PORTFOLIO SOLUTION

**RBC SELECT CHOICES  
BALANCED PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing long-term capital growth and modest income. The Fund maintains a balance of investments across several asset classes by investing in mutual funds managed by RBC GAM or an affiliate, as well as in mutual funds of other companies.

The Fund's target weightings for each asset class are 45% for fixed income, 19% for Canadian equities, 20% for U.S. equities, 12% for international equities and 4% for emerging markets equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$293 million as of December 31, 2018, from \$322 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 4.6%, which underperformed the 1.2% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher

spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a negative impact on performance. Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Global Bond Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC O'Shaughnessy U.S. Value Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.47                                  | 0.34                                             | (0.31)            | 0.88                          | (1.54)                          | (0.63) | —                                          | (0.03)            | (0.67)                   | —                    | (0.70) | 13.10                               |
| Dec. 31, 2017                 | 13.79                                  | 0.31                                             | (0.30)            | 0.77                          | 0.30                            | 1.08   | —                                          | —                 | (0.40)                   | —                    | (0.40) | 14.47                               |
| Dec. 31, 2016                 | 13.11                                  | 0.30                                             | (0.28)            | 0.49                          | 0.23                            | 0.74   | (0.02)                                     | (0.01)            | (0.06)                   | —                    | (0.09) | 13.79                               |
| Dec. 31, 2015                 | 13.12                                  | 0.32                                             | (0.29)            | 0.63                          | (0.24)                          | 0.42   | —                                          | (0.05)            | (0.36)                   | —                    | (0.41) | 13.11                               |
| Dec. 31, 2014                 | 12.18                                  | 0.44                                             | (0.27)            | 0.65                          | 0.29                            | 1.11   | (0.01)                                     | (0.16)            | (0.03)                   | —                    | (0.20) | 13.12                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.46                                  | 0.34                                             | (0.30)            | 0.88                          | (1.66)                          | (0.74) | —                                          | (0.03)            | (0.67)                   | —                    | (0.70) | 13.09                               |
| Dec. 31, 2017                 | 13.78                                  | 0.31                                             | (0.30)            | 0.77                          | 0.29                            | 1.07   | —                                          | —                 | (0.40)                   | —                    | (0.40) | 14.46                               |
| Dec. 31, 2016                 | 13.10                                  | 0.30                                             | (0.28)            | 0.49                          | 0.26                            | 0.77   | (0.02)                                     | (0.01)            | (0.06)                   | —                    | (0.09) | 13.78                               |
| Dec. 31, 2015                 | 13.10                                  | 0.32                                             | (0.29)            | 0.62                          | (0.24)                          | 0.41   | —                                          | (0.05)            | (0.36)                   | —                    | (0.41) | 13.10                               |
| Dec. 31, 2014                 | 12.17                                  | 0.44                                             | (0.27)            | 0.65                          | 0.29                            | 1.11   | (0.01)                                     | (0.16)            | (0.03)                   | —                    | (0.20) | 13.10                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.04                                  | 0.26                                             | (0.13)            | 0.68                          | (1.24)                          | (0.43) | (0.01)                                     | (0.12)            | (0.50)                   | —                    | (0.63) | 10.00                               |
| Dec. 31, 2017                 | 10.42                                  | 0.24                                             | (0.12)            | 0.59                          | 0.21                            | 0.92   | —                                          | —                 | (0.30)                   | —                    | (0.30) | 11.04                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | (0.06)            | 0.19                          | 0.06                            | 0.31   | (0.02)                                     | (0.02)            | (0.06)                   | —                    | (0.10) | 10.42                               |

<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.

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.10</b>                     | <b>252 580</b>              | <b>19 286</b>                         | <b>2.16</b>                                  | <b>2.16</b>                               | <b>27.18</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 14.47                            | 302 756                     | 20 919                                | 2.16                                         | 2.16                                      | 2.93                                        | 0.02                                      |
| Dec. 31, 2016         | 13.79                            | 311 622                     | 22 597                                | 2.16                                         | 2.16                                      | 7.06                                        | 0.04                                      |
| Dec. 31, 2015         | 13.11                            | 334 288                     | 25 490                                | 2.16                                         | 2.16                                      | 12.48                                       | 0.04                                      |
| Dec. 31, 2014         | 13.12                            | 349 921                     | 26 666                                | 2.16                                         | 2.16                                      | 18.88                                       | 0.04                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.09</b>                     | <b>1 998</b>                | <b>153</b>                            | <b>2.13</b>                                  | <b>2.13</b>                               | <b>27.18</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 14.46                            | 1 816                       | 126                                   | 2.12                                         | 2.12                                      | 2.93                                        | 0.02                                      |
| Dec. 31, 2016         | 13.78                            | 1 923                       | 140                                   | 2.14                                         | 2.14                                      | 7.06                                        | 0.04                                      |
| Dec. 31, 2015         | 13.10                            | 2 189                       | 167                                   | 2.14                                         | 2.14                                      | 12.48                                       | 0.04                                      |
| Dec. 31, 2014         | 13.10                            | 2 395                       | 183                                   | 2.18                                         | 2.18                                      | 18.88                                       | 0.04                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.00</b>                     | <b>38 272</b>               | <b>3 826</b>                          | <b>1.18</b>                                  | <b>1.18</b>                               | <b>27.18</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 11.04                            | 17 640                      | 1 597                                 | 1.17                                         | 1.17                                      | 2.93                                        | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.42                            | 4 939                       | 474                                   | 1.18                                         | 1.18                                      | 7.06                                        | 0.04                                      |

<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 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 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 Advisor Series 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 and Advisor Series units is 2.05%.

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       | 1.87%            | 53%                   | 47%                |
| Advisor Series | 1.87%            | 53%                   | 47%                |
| Series F       | 1.00%            | —                     | 100%               |

\* Management fees for Series A and Advisor Series units represent the actual average management fee rate for the period ended December 31, 2018.

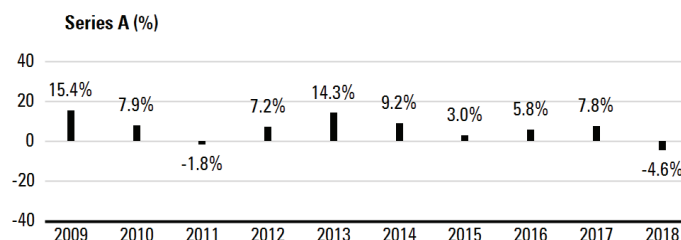
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

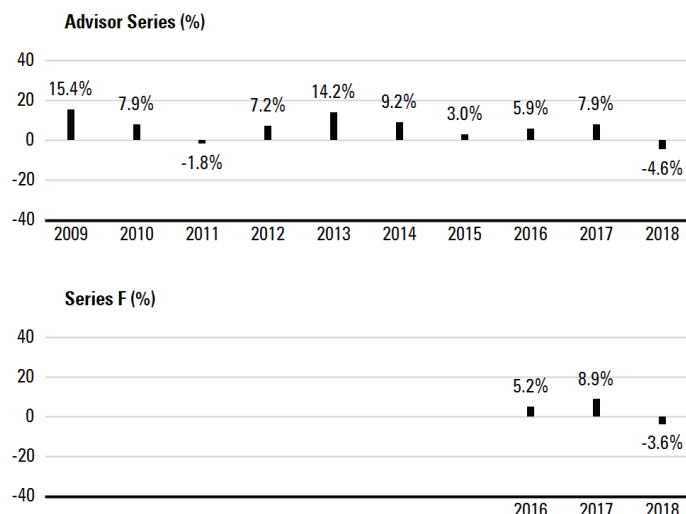
#### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 43% FTSE Canada Universe Bond Index
- 20% S&P 500 Total Return Index (CAD)
- 19% S&P/TSX Capped Composite Total Return Index
- 12% MSCI EAFE Total Return Net Index (CAD)
- 4% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 45% FTSE Canada Universe Bond Index
- 20% S&P 500 Total Return Index (CAD)
- 19% S&P/TSX Capped Composite Total Return Index
- 12% MSCI EAFE Total Return Net Index (CAD)
- 4% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|---------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A            | -4.6      | 2.9          | 4.1          | 6.2           | —               |
| New benchmark       | -1.2      | 4.5          | 6.2          | 7.6           | —               |
| Old benchmark       | -1.2      | 4.6          | 6.2          | 7.7           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Advisor Series      | -4.6      | 2.9          | 4.2          | 6.3           | —               |
| New benchmark       | -1.2      | 4.5          | 6.2          | 7.6           | —               |
| Old benchmark       | -1.2      | 4.6          | 6.2          | 7.7           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series F            | -3.6      | —            | —            | —             | 4.0             |
| New benchmark       | -1.2      | —            | —            | —             | 4.7             |
| Old benchmark       | -1.2      | —            | —            | —             | 4.7             |
| Broad-based index 1 | 1.4       | —            | —            | —             | 0.5             |
| Broad-based index 2 | -8.9      | —            | —            | —             | 3.2             |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 41.2                 |
| Canadian Equity Funds      | 20.2                 |
| United States Equity Funds | 19.9                 |
| International Equity Funds | 18.2                 |
| Cash/Other                 | 0.5                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Global Corporate Bond Fund                               | 9.8                  |
| RBC Bond Fund                                                | 8.1                  |
| Phillips, Hager & North Total Return Bond Fund               | 7.7                  |
| Renaissance International Equity Fund                        | 6.8                  |
| CI American Value Fund                                       | 6.8                  |
| RBC Canadian Equity Fund                                     | 6.5                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 6.4                  |
| RBC Canadian Dividend Fund                                   | 5.5                  |
| Franklin Bissett Canadian Equity Fund                        | 4.6                  |
| Invesco International Growth Fund                            | 4.1                  |
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 3.6                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 3.4                  |
| RBC Emerging Markets Equity Fund                             | 3.4                  |
| TD U.S. Mid-Cap Growth Fund                                  | 3.3                  |
| IA Clarington Canadian Small Cap Fund                        | 3.1                  |
| Invesco International Growth Class                           | 2.7                  |
| RBC Global Bond Fund                                         | 2.6                  |
| BlueBay Global Monthly Income Bond Fund                      | 2.4                  |
| Phillips, Hager & North High Yield Bond Fund                 | 2.4                  |
| BlueBay Global Investment Grade Corporate Bond Fund (Canada) | 2.0                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.5                  |
| Cash & Cash Equivalents                                      | 0.7                  |
| RBC Emerging Markets Small-Cap Equity Fund                   | 0.6                  |
| RBC Global High Yield Bond Fund                              | 0.6                  |
| RBC Emerging Markets Dividend Fund                           | 0.6                  |
| Top 25 Holdings                                              | 99.2                 |

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).





PORTFOLIO SOLUTION

**RBC SELECT CHOICES  
GROWTH PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing long-term capital growth. The Fund maintains a balance of investments across several asset classes by investing in mutual funds managed by RBC GAM or an affiliate, as well as in mutual funds of other companies.

The Fund's target weightings for each asset class are 30% for fixed income, 23% for Canadian equities, 25% for U.S. equities, 16% for international equities and 6% for emerging markets equities. The actual allocation to each asset class will not be more than 15% above or below its target weighting for the fixed income asset class, and no more than 10% above or below the target weighting for the equities asset classes.

### Risk

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$250 million as of December 31, 2018, from \$278 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 5.2%, which underperformed the 2.0% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher

spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's overweight position in equities and underweight position in fixed income had a neutral impact on performance. The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve (the "Fed") and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC Canadian Equity Fund and the Invesco European Growth Class Fund.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The Fed boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Global Bond Fund and the RBC Bond Fund.

### Recent Developments

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. The Fund remains underweight fixed income but the portfolio manager used last year's rise in yields to increase the bond allocation, as bonds can provide a cushion in an economic downturn. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect. The Fund remains overweight equities, but exposure remains well below the peak earlier in the cycle.



Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.60                                  | 0.35                                             | (0.36)            | 1.16                          | (1.90)                          | (0.75) | —                                          | —                 | (0.88)                   | —                    | (0.88) | 13.89                               |
| Dec. 31, 2017                 | 14.47                                  | 0.31                                             | (0.35)            | 0.84                          | 0.67                            | 1.47   | —                                          | —                 | (0.34)                   | —                    | (0.34) | 15.60                               |
| Dec. 31, 2016                 | 13.70                                  | 0.28                                             | (0.32)            | 0.49                          | 0.30                            | 0.75   | —                                          | —                 | —                        | —                    | —      | 14.47                               |
| Dec. 31, 2015                 | 13.20                                  | 0.28                                             | (0.32)            | 0.77                          | —                               | 0.73   | —                                          | —                 | (0.23)                   | —                    | (0.23) | 13.70                               |
| Dec. 31, 2014                 | 11.97                                  | 0.42                                             | (0.30)            | 0.79                          | 0.36                            | 1.27   | (0.02)                                     | (0.05)            | —                        | —                    | (0.07) | 13.20                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.58                                  | 0.35                                             | (0.36)            | 1.16                          | (1.91)                          | (0.76) | —                                          | —                 | (0.89)                   | —                    | (0.89) | 13.87                               |
| Dec. 31, 2017                 | 14.45                                  | 0.31                                             | (0.35)            | 0.84                          | 0.68                            | 1.48   | —                                          | —                 | (0.34)                   | —                    | (0.34) | 15.58                               |
| Dec. 31, 2016                 | 13.68                                  | 0.28                                             | (0.32)            | 0.49                          | 0.29                            | 0.74   | —                                          | —                 | —                        | —                    | —      | 14.45                               |
| Dec. 31, 2015                 | 13.18                                  | 0.28                                             | (0.32)            | 0.77                          | —                               | 0.73   | —                                          | —                 | (0.23)                   | —                    | (0.23) | 13.68                               |
| Dec. 31, 2014                 | 11.95                                  | 0.42                                             | (0.30)            | 0.79                          | 0.36                            | 1.27   | (0.02)                                     | (0.04)            | —                        | —                    | (0.06) | 13.18                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.58                                  | 0.26                                             | (0.14)            | 0.87                          | (1.62)                          | (0.63) | —                                          | —                 | (0.66)                   | —                    | (0.66) | 10.43                               |
| Dec. 31, 2017                 | 10.63                                  | 0.23                                             | (0.14)            | 0.62                          | 0.48                            | 1.19   | —                                          | —                 | (0.26)                   | —                    | (0.26) | 11.58                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | (0.06)            | 0.18                          | 0.19                            | 0.41   | —                                          | —                 | —                        | —                    | —      | 10.63                               |

<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.

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.89</b>                     | <b>219 426</b>              | <b>15 792</b>                         | <b>2.36</b>                                  | <b>2.36</b>                               | <b>23.04</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 15.60                            | 261 082                     | 16 735                                | 2.36                                         | 2.36                                      | 3.59                                        | 0.02                                      |
| Dec. 31, 2016         | 14.47                            | 254 121                     | 17 562                                | 2.36                                         | 2.36                                      | 6.96                                        | 0.06                                      |
| Dec. 31, 2015         | 13.70                            | 264 186                     | 19 285                                | 2.36                                         | 2.36                                      | 15.28                                       | 0.06                                      |
| Dec. 31, 2014         | 13.20                            | 258 576                     | 19 585                                | 2.36                                         | 2.36                                      | 19.10                                       | 0.08                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.87</b>                     | <b>582</b>                  | <b>42</b>                             | <b>2.35</b>                                  | <b>2.35</b>                               | <b>23.04</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 15.58                            | 675                         | 43                                    | 2.34                                         | 2.34                                      | 3.59                                        | 0.02                                      |
| Dec. 31, 2016         | 14.45                            | 688                         | 48                                    | 2.34                                         | 2.34                                      | 6.96                                        | 0.06                                      |
| Dec. 31, 2015         | 13.68                            | 705                         | 52                                    | 2.34                                         | 2.34                                      | 15.28                                       | 0.06                                      |
| Dec. 31, 2014         | 13.18                            | 593                         | 45                                    | 2.39                                         | 2.39                                      | 19.10                                       | 0.08                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.43</b>                     | <b>30 482</b>               | <b>2 921</b>                          | <b>1.23</b>                                  | <b>1.23</b>                               | <b>23.04</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 11.58                            | 15 973                      | 1 379                                 | 1.25                                         | 1.25                                      | 3.59                                        | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.63                            | 3 979                       | 374                                   | 1.25                                         | 1.25                                      | 6.96                                        | 0.06                                      |

<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 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 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 Advisor Series 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 and Advisor Series units is 2.25%.

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       | 2.06%            | 49%                   | 51%                |
| Advisor Series | 2.06%            | 49%                   | 51%                |
| Series F       | 1.05%            | —                     | 100%               |

\* Management fees for Series A and Advisor Series units represent the actual average management fee rate for the period ended December 31, 2018.

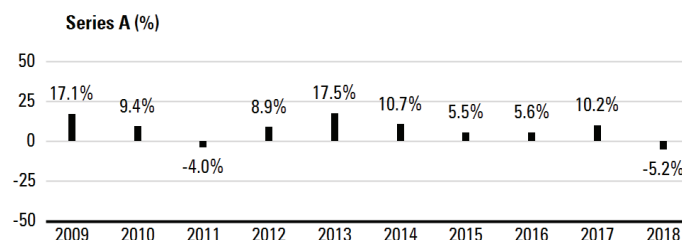
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

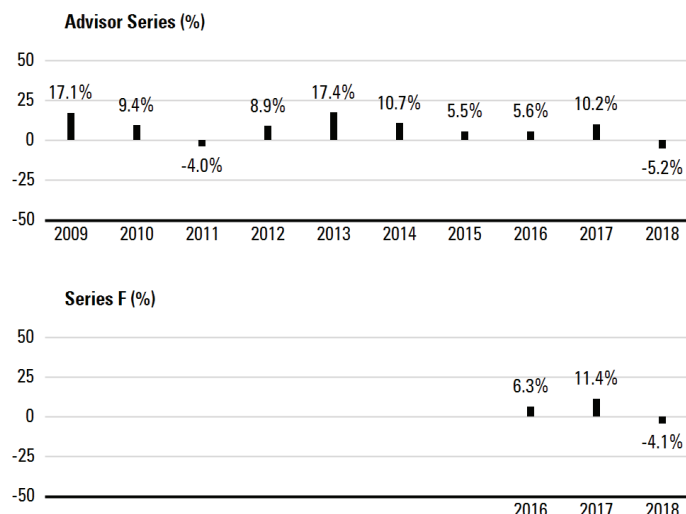
#### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 28% FTSE Canada Universe Bond Index
- 25% S&P 500 Total Return Index (CAD)
- 23% S&P/TSX Capped Composite Total Return Index
- 16% MSCI EAFE Total Return Net Index (CAD)
- 6% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 30% FTSE Canada Universe Bond Index
- 25% S&P 500 Total Return Index (CAD)
- 23% S&P/TSX Capped Composite Total Return Index
- 16% MSCI EAFE Total Return Net Index (CAD)
- 6% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|---------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A            | -5.2      | 3.3          | 5.2          | 7.3           | —               |
| New benchmark       | -2.0      | 5.2          | 6.9          | 8.5           | —               |
| Old benchmark       | -2.0      | 5.3          | 7.0          | 8.6           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Advisor Series      | -5.2      | 3.4          | 5.2          | 7.3           | —               |
| New benchmark       | -2.0      | 5.2          | 6.9          | 8.5           | —               |
| Old benchmark       | -2.0      | 5.3          | 7.0          | 8.6           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series F            | -4.1      | —            | —            | —             | 5.2             |
| New benchmark       | -2.0      | —            | —            | —             | 5.9             |
| Old benchmark       | -2.0      | —            | —            | —             | 5.9             |
| Broad-based index 1 | 1.4       | —            | —            | —             | 0.5             |
| Broad-based index 2 | -8.9      | —            | —            | —             | 3.2             |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 27.2                 |
| International Equity Funds | 25.2                 |
| United States Equity Funds | 24.1                 |
| Canadian Equity Funds      | 23.2                 |
| Cash/Other                 | 0.3                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 9.4                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 8.7                  |
| RBC Canadian Equity Fund                                     | 8.5                  |
| Fidelity Canadian Disciplined Equity Fund                    | 8.2                  |
| TD U.S. Mid-Cap Growth Fund                                  | 6.8                  |
| Invesco European Growth Class                                | 5.1                  |
| RBC Global Corporate Bond Fund                               | 4.8                  |
| RBC Emerging Markets Equity Fund                             | 4.5                  |
| CI American Value Fund                                       | 4.4                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 4.1                  |
| Invesco International Growth Class                           | 3.7                  |
| Phillips, Hager & North Canadian Growth Fund                 | 3.5                  |
| Renaissance International Equity Fund                        | 3.5                  |
| Invesco International Growth Fund                            | 3.3                  |
| RBC Global Bond Fund                                         | 3.1                  |
| IA Clarington Canadian Small Cap Fund                        | 3.0                  |
| Phillips, Hager & North High Yield Bond Fund                 | 2.9                  |
| BlueBay Global Monthly Income Bond Fund                      | 2.0                  |
| RBC Japanese Equity Fund                                     | 1.7                  |
| BlueBay Global Sovereign Bond Fund (Canada)                  | 1.4                  |
| RBC Emerging Markets Small-Cap Equity Fund                   | 1.2                  |
| RBC Emerging Markets Dividend Fund                           | 1.1                  |
| TD Asian Growth Fund                                         | 1.1                  |
| Phillips, Hager & North Total Return Bond Fund               | 1.1                  |
| RBC Global High Yield Bond Fund                              | 1.1                  |
| Top 25 Holdings                                              | 98.2                 |

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).



PORTFOLIO SOLUTION

**RBC SELECT CHOICES  
AGGRESSIVE GROWTH PORTFOLIO**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 a strategic asset allocation fund, which focuses on providing long-term capital growth. The Fund maintains a balance of investments in mutual funds managed by RBC GAM or an affiliate, as well as in mutual funds of other companies.

The Fund's target weightings for each asset class are 33% for Canadian equities, 35% for U.S. equities, 23% for international equities and 9% for emerging markets equities. The actual allocation to each equities asset class will not be more than 10% above or below its target weighting.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund's asset allocation model is aimed at achieving maximum growth and directs almost all assets to equity funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$192 million as of December 31, 2018, from \$210 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 6.2%, which underperformed the 3.4% decline in the benchmark. The broad-based index declined 0.5%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following

renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC O'Shaughnessy U.S. Value Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019, although further gradual tightening of monetary policy is expected. While the portfolio manager anticipates more equity-market volatility, stocks still offer modest return potential as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital |       |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      | Total |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 15.38                                  | 0.24                                             | (0.39)            | 1.46                          | (2.19)                          | (0.88) | —                                          | —                 | —                        | —                    | —     | 14.43                               |
| Dec. 31, 2017                 | 13.56                                  | 0.19                                             | (0.37)            | 0.87                          | 1.14                            | 1.83   | —                                          | —                 | —                        | —                    | —     | 15.38                               |
| Dec. 31, 2016                 | 12.85                                  | 0.17                                             | (0.32)            | 0.58                          | 0.24                            | 0.67   | —                                          | —                 | —                        | —                    | —     | 13.56                               |
| Dec. 31, 2015                 | 11.97                                  | 0.16                                             | (0.32)            | 0.72                          | 0.32                            | 0.88   | —                                          | —                 | —                        | —                    | —     | 12.85                               |
| Dec. 31, 2014                 | 10.73                                  | 0.29                                             | (0.29)            | 0.77                          | 0.44                            | 1.21   | —                                          | —                 | —                        | —                    | —     | 11.97                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 15.53                                  | 0.24                                             | (0.39)            | 1.48                          | (2.41)                          | (1.08) | —                                          | —                 | —                        | —                    | —     | 14.58                               |
| Dec. 31, 2017                 | 13.68                                  | 0.20                                             | (0.36)            | 0.88                          | 1.16                            | 1.88   | —                                          | —                 | —                        | —                    | —     | 15.53                               |
| Dec. 31, 2016                 | 12.96                                  | 0.17                                             | (0.32)            | 0.59                          | 0.29                            | 0.73   | —                                          | —                 | —                        | —                    | —     | 13.68                               |
| Dec. 31, 2015                 | 12.06                                  | 0.16                                             | (0.31)            | 0.73                          | 0.32                            | 0.90   | —                                          | —                 | —                        | —                    | —     | 12.96                               |
| Dec. 31, 2014                 | 10.80                                  | 0.29                                             | (0.29)            | 0.78                          | 0.45                            | 1.23   | —                                          | —                 | —                        | —                    | —     | 12.06                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 12.44                                  | 0.19                                             | (0.16)            | 1.19                          | (2.11)                          | (0.89) | —                                          | —                 | —                        | —                    | —     | 11.83                               |
| Dec. 31, 2017                 | 10.83                                  | 0.16                                             | (0.15)            | 0.70                          | 0.84                            | 1.55   | —                                          | —                 | —                        | —                    | —     | 12.44                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.07                                             | (0.07)            | 0.24                          | 0.32                            | 0.56   | —                                          | —                 | —                        | —                    | —     | 10.83                               |

<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.

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.43</b>                     | <b>167 559</b>              | <b>11 611</b>                         | <b>2.56</b>                                  | <b>2.56</b>                               | <b>11.18</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 15.38                            | 197 544                     | 12 847                                | 2.56                                         | 2.56                                      | 4.67                                        | 0.03                                      |
| Dec. 31, 2016         | 13.56                            | 186 651                     | 13 770                                | 2.56                                         | 2.56                                      | 5.03                                        | 0.09                                      |
| Dec. 31, 2015         | 12.85                            | 196 269                     | 15 271                                | 2.56                                         | 2.56                                      | 11.42                                       | 0.10                                      |
| Dec. 31, 2014         | 11.97                            | 184 103                     | 15 382                                | 2.56                                         | 2.56                                      | 14.20                                       | 0.11                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.58</b>                     | <b>1 408</b>                | <b>97</b>                             | <b>2.50</b>                                  | <b>2.50</b>                               | <b>11.18</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 15.53                            | 1 109                       | 71                                    | 2.51                                         | 2.51                                      | 4.67                                        | 0.03                                      |
| Dec. 31, 2016         | 13.68                            | 1 040                       | 76                                    | 2.49                                         | 2.49                                      | 5.03                                        | 0.09                                      |
| Dec. 31, 2015         | 12.96                            | 1 184                       | 91                                    | 2.47                                         | 2.47                                      | 11.42                                       | 0.10                                      |
| Dec. 31, 2014         | 12.06                            | 1 034                       | 86                                    | 2.52                                         | 2.52                                      | 14.20                                       | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.83</b>                     | <b>23 063</b>               | <b>1 950</b>                          | <b>1.27</b>                                  | <b>1.27</b>                               | <b>11.18</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017              | 12.44                            | 10 842                      | 872                                   | 1.32                                         | 1.32                                      | 4.67                                        | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.83                            | 2 642                       | 244                                   | 1.32                                         | 1.32                                      | 5.03                                        | 0.09                                      |

<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 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 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 Advisor Series 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 and Advisor Series units is 2.45%.

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       | 2.26%            | 44%                   | 56%                |
| Advisor Series | 2.26%            | 44%                   | 56%                |
| Series F       | 1.10%            | —                     | 100%               |

\* Management fees for Series A and Advisor Series units represent the actual average management fee rate for the period ended December 31, 2018.

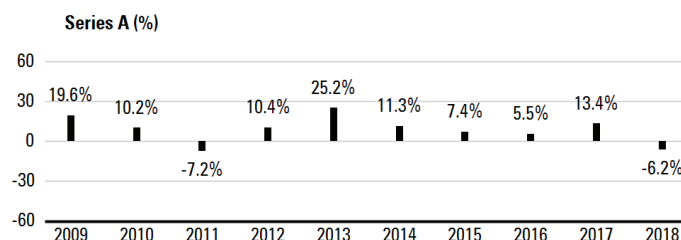
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

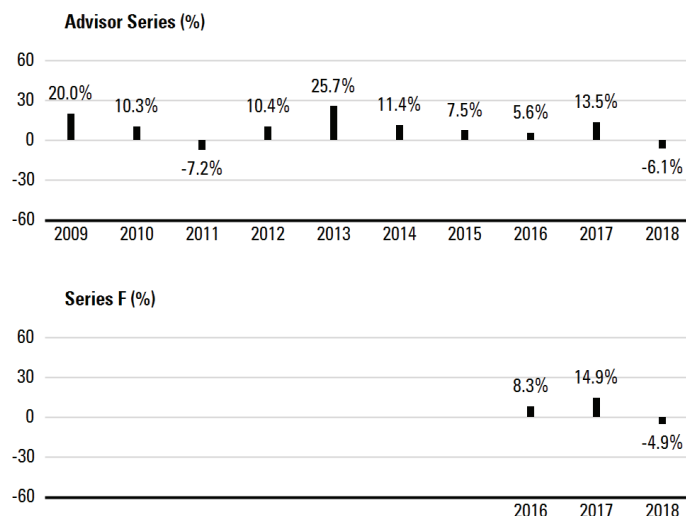
#### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new blended benchmark (the "New benchmark") is composed of:

- 35% S&P 500 Total Return Index (CAD)
- 32.5% S&P/TSX Capped Composite Total Return Index
- 21.5% MSCI EAFE Total Return Net Index (CAD)
- 9% MSCI Emerging Markets Total Return Net Index (CAD)
- 2% FTSE Canada 30 Day TBill Index

The old blended benchmark (the "Old benchmark") is composed of:

- 35% S&P/TSX Capped Composite Total Return Index
- 35% S&P 500 Total Return Index (CAD)
- 20% MSCI EAFE Total Return Net Index (CAD)
- 10% MSCI Emerging Markets Total Return Net Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based index is the MSCI World Total Return Net Index (CAD).

|                   | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A          | -6.2      | 3.9          | 6.1          | 8.5           | —               |
| New benchmark     | -3.4      | 6.6          | 8.2          | 10.2          | —               |
| Old benchmark     | -3.7      | 6.8          | 8.3          | 10.4          | —               |
| Broad-based index | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Advisor Series    | -6.1      | 4.0          | 6.1          | 8.7           | —               |
| New benchmark     | -3.4      | 6.6          | 8.2          | 10.2          | —               |
| Old benchmark     | -3.7      | 6.8          | 8.3          | 10.4          | —               |
| Broad-based index | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Series F          | -4.9      | —            | —            | —             | 7.0             |
| New benchmark     | -3.4      | —            | —            | —             | 8.0             |
| Old benchmark     | -3.7      | —            | —            | —             | 8.1             |
| Broad-based index | -0.5      | —            | —            | —             | 9.9             |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based index.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

**FTSE Canada 30 Day TBill Index** This index is a measure of the performance of Canadian short-term cash investments.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| International Equity Funds | 33.8                 |
| United States Equity Funds | 33.0                 |
| Canadian Equity Funds      | 32.3                 |
| Cash/Other                 | 0.9                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Canadian Equity Fund                                     | 8.3                  |
| AGF American Growth Class                                    | 7.6                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 7.5                  |
| Synergy Canadian Corporate Class                             | 7.4                  |
| Fidelity Canadian Disciplined Equity Fund                    | 7.4                  |
| TD U.S. Mid-Cap Growth Fund                                  | 6.7                  |
| RBC Emerging Markets Equity Fund                             | 6.5                  |
| Renaissance International Equity Fund                        | 6.0                  |
| Invesco European Growth Class                                | 5.7                  |
| CI American Value Fund                                       | 5.7                  |
| Phillips, Hager & North Canadian Growth Fund                 | 5.4                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 5.4                  |
| Invesco International Growth Class                           | 4.6                  |
| Invesco International Growth Fund                            | 4.3                  |
| IA Clarington Canadian Small Cap Fund                        | 3.8                  |
| RBC Japanese Equity Fund                                     | 1.9                  |
| RBC Emerging Markets Small-Cap Equity Fund                   | 1.7                  |
| RBC Emerging Markets Dividend Fund                           | 1.6                  |
| TD Asian Growth Fund                                         | 1.3                  |
| Cash & Cash Equivalents                                      | 1.2                  |
| Total                                                        | 100.0                |

\* 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).



PORTFOLIO SOLUTION

**RBC TARGET 2020 EDUCATION FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 2020. 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 2020 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.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund's goal is to decrease portfolio risk each year to reduce the risk of capital erosion as the target year nears. By 2020, any investments in stock and fixed-income funds will be shifted to money-market funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$850 million as of December 31, 2018, from \$888 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series A units gained 0.4%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Canadian Short-Term Income Fund and the RBC Global Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.





Effective January 1, 2018, the specified percentages were reduced as follows: from 1.55% to 1.00% for Series A units; and from 0.90% to 0.80% for Series D units.

Effective January 1, 2018, the management fees were reduced as follows: from 0.70% to 0.65% 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.93                                  | 0.26                                             | (0.12)            | 0.22                          | (0.31)                          | 0.05   | (0.12)                                     | (0.02)            | (0.24)                   | —                    | (0.38) | 11.60                               |
| Dec. 31, 2017                 | 12.06                                  | 0.27                                             | (0.19)            | 0.34                          | (0.19)                          | 0.23   | (0.04)                                     | (0.03)            | (0.30)                   | —                    | (0.37) | 11.93                               |
| Dec. 31, 2016                 | 12.09                                  | 0.33                                             | (0.20)            | 0.19                          | (0.04)                          | 0.28   | (0.08)                                     | (0.05)            | (0.18)                   | —                    | (0.31) | 12.06                               |
| Dec. 31, 2015                 | 12.17                                  | 0.37                                             | (0.20)            | 0.27                          | (0.12)                          | 0.32   | (0.10)                                     | (0.07)            | (0.25)                   | —                    | (0.42) | 12.09                               |
| Dec. 31, 2014                 | 11.90                                  | 0.45                                             | (0.22)            | 0.48                          | 0.18                            | 0.89   | (0.05)                                     | (0.16)            | (0.41)                   | —                    | (0.62) | 12.17                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.93                                  | 0.26                                             | (0.10)            | 0.22                          | (0.31)                          | 0.07   | (0.13)                                     | (0.03)            | (0.24)                   | —                    | (0.40) | 11.60                               |
| Dec. 31, 2017                 | 12.07                                  | 0.27                                             | (0.11)            | 0.34                          | (0.19)                          | 0.31   | (0.08)                                     | (0.08)            | (0.30)                   | —                    | (0.46) | 11.93                               |
| Dec. 31, 2016                 | 12.10                                  | 0.33                                             | (0.11)            | 0.19                          | (0.06)                          | 0.35   | (0.14)                                     | (0.08)            | (0.18)                   | —                    | (0.40) | 12.07                               |
| Dec. 31, 2015                 | 12.18                                  | 0.37                                             | (0.11)            | 0.27                          | (0.12)                          | 0.41   | (0.15)                                     | (0.11)            | (0.25)                   | —                    | (0.51) | 12.10                               |
| Dec. 31, 2014                 | 11.87                                  | 0.45                                             | (0.13)            | 0.47                          | 0.18                            | 0.97   | (0.06)                                     | (0.21)            | (0.41)                   | —                    | (0.68) | 12.18                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.58                                   | 0.21                                             | (0.07)            | 0.18                          | (0.25)                          | 0.07   | (0.11)                                     | (0.02)            | (0.20)                   | —                    | (0.33) | 9.31                                |
| Dec. 31, 2017                 | 9.69                                   | 0.22                                             | (0.08)            | 0.27                          | (0.17)                          | 0.24   | (0.07)                                     | (0.07)            | (0.24)                   | —                    | (0.38) | 9.58                                |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.04)            | 0.08                          | (0.28)                          | (0.11) | (0.13)                                     | (0.07)            | (0.15)                   | —                    | (0.35) | 9.69                                |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.60</b>                     | <b>832 319</b>              | <b>71 754</b>                         | <b>1.05</b>                                  | <b>1.05</b>                               | <b>25.03</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 11.93                            | 875 704                     | 73 402                                | 1.62                                         | 1.62                                      | 30.11                                       | 0.01                                      |
| Dec. 31, 2016        | 12.06                            | 854 453                     | 70 847                                | 1.62                                         | 1.62                                      | 8.44                                        | 0.02                                      |
| Dec. 31, 2015        | 12.09                            | 782 032                     | 64 676                                | 1.62                                         | 1.62                                      | 12.64                                       | 0.03                                      |
| Dec. 31, 2014        | 12.17                            | 678 561                     | 55 760                                | 1.83                                         | 1.83                                      | 9.67                                        | 0.04                                      |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>11.60</b>                     | <b>4 666</b>                | <b>402</b>                            | <b>0.84</b>                                  | <b>0.84</b>                               | <b>25.03</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 11.93                            | 4 976                       | 417                                   | 0.94                                         | 0.94                                      | 30.11                                       | 0.01                                      |
| Dec. 31, 2016        | 12.07                            | 4 369                       | 362                                   | 0.94                                         | 0.94                                      | 8.44                                        | 0.02                                      |
| Dec. 31, 2015        | 12.10                            | 3 126                       | 258                                   | 0.94                                         | 0.94                                      | 12.64                                       | 0.03                                      |
| Dec. 31, 2014        | 12.18                            | 2 251                       | 185                                   | 1.06                                         | 1.06                                      | 9.67                                        | 0.04                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.31</b>                      | <b>13 062</b>               | <b>1 402</b>                          | <b>0.79</b>                                  | <b>0.79</b>                               | <b>25.03</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 9.58                             | 7 088                       | 740                                   | 0.86                                         | 0.86                                      | 30.11                                       | 0.01                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.69                             | 1 982                       | 205                                   | 0.86                                         | 0.86                                      | 8.44                                        | 0.02                                      |

<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 1.00% and Series D units is 0.80%.

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 | 0.88%            | 28%                   | 72%                |
| Series D | 0.69%            | 22%                   | 78%                |
| Series F | 0.65%            | —                     | 100%               |

\* Management fees for Series A and Series D units represent the actual average management fee rate for the period ended December 31, 2018.

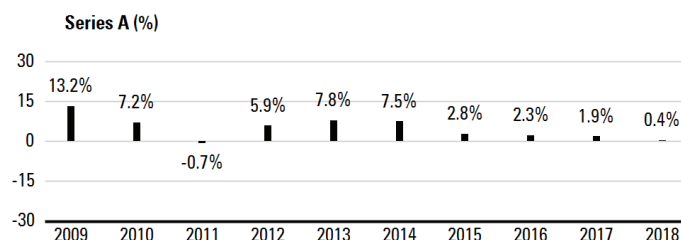
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

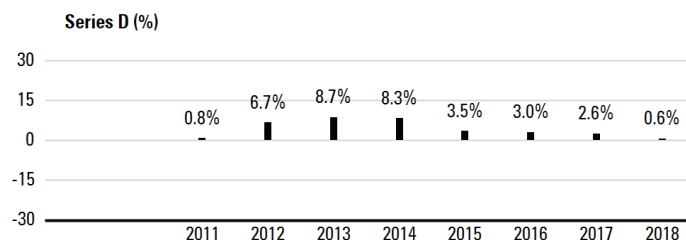
#### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|             | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A    | 0.4          | 1.6             | 3.0             | 4.8              | —                  |
| Benchmark 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Benchmark 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D    | 0.6          | 2.1             | 3.6             | —                | 4.7                |
| Benchmark 1 | 1.4          | 1.9             | 3.5             | —                | 3.0                |
| Benchmark 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series F    | 0.6          | —               | —               | —                | 1.5                |
| Benchmark 1 | 1.4          | —               | —               | —                | 0.5                |
| Benchmark 2 | -8.9         | —               | —               | —                | 3.2                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

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

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 92.1                 |
| United States Equity Funds | 2.8                  |
| Canadian Equity Funds      | 2.7                  |
| International Equity Funds | 2.0                  |
| Cash/Other                 | 0.4                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Canadian Money Market Fund                               | 36.4                 |
| RBC Canadian Short-Term Income Fund                          | 31.0                 |
| RBC Global Bond Fund                                         | 10.2                 |
| RBC Bond Fund                                                | 6.2                  |
| Phillips, Hager & North Short Term Bond & Mortgage Fund      | 5.1                  |
| Phillips, Hager & North Total Return Bond Fund               | 3.1                  |
| RBC Canadian Equity Fund                                     | 1.4                  |
| RBC European Equity Fund                                     | 1.1                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 0.7                  |
| RBC Canadian Dividend Fund                                   | 0.6                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 0.6                  |
| RBC U.S. Equity Fund                                         | 0.6                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 0.6                  |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 0.6                  |
| Cash & Cash Equivalents                                      | 0.5                  |
| RBC Emerging Markets Equity Fund                             | 0.4                  |
| RBC U.S. Mid-Cap Growth Equity Fund                          | 0.4                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 0.3                  |
| RBC Japanese Equity Fund                                     | 0.2                  |
| Total                                                        | 100.0                |

\* 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).



PORTFOLIO SOLUTION

**RBC TARGET 2025 EDUCATION FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund's goal is to decrease portfolio risk each year to reduce the risk of capital erosion as the target year nears. By 2025, any investments in stock and fixed-income funds will be shifted to money-market funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$1.3 billion as of December 31, 2018, from \$1.2 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 2.1%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the RBC Canadian Short-Term Income Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.



Effective January 1, 2020, (i) the specified percentage will decline to 1.55% for Series A units and 0.90% for Series D units and (ii) the management fee will decline to 0.70% for Series F units.

Effective January 1, 2023, (i) the specified percentage will decline to 1.00% for Series A units and 0.80% for Series D units and (ii) the management fee will decline to 0.65% 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.64                                  | 0.29                                             | (0.19)            | 0.36                          | (0.69)                          | (0.23) | (0.01)                                     | (0.08)            | (0.33)                   | —                    | (0.42) | 9.99                                |
| Dec. 31, 2017                 | 10.35                                  | 0.28                                             | (0.19)            | 0.33                          | 0.23                            | 0.65   | —                                          | (0.09)            | (0.27)                   | —                    | (0.36) | 10.64                               |
| 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                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.62                                  | 0.29                                             | (0.11)            | 0.36                          | (0.68)                          | (0.14) | (0.02)                                     | (0.16)            | (0.33)                   | —                    | (0.51) | 9.97                                |
| Dec. 31, 2017                 | 10.33                                  | 0.28                                             | (0.11)            | 0.33                          | 0.23                            | 0.73   | (0.01)                                     | (0.17)            | (0.27)                   | —                    | (0.45) | 10.62                               |
| 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                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.26                                  | 0.28                                             | (0.09)            | 0.35                          | (0.72)                          | (0.18) | (0.02)                                     | (0.16)            | (0.33)                   | —                    | (0.51) | 9.62                                |
| Dec. 31, 2017                 | 9.98                                   | 0.27                                             | (0.10)            | 0.32                          | 0.21                            | 0.70   | (0.01)                                     | (0.17)            | (0.27)                   | —                    | (0.45) | 10.26                               |
| 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.

## Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>9.99</b>                      | <b>1 260 290</b>            | <b>126 100</b>                        | <b>1.83</b>                                  | <b>1.83</b>                               | <b>10.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 10.64                            | 1 181 530                   | 111 024                               | 1.83                                         | 1.83                                      | 8.90                                        | 0.04                                      |
| 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                                      |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>9.97</b>                      | <b>10 345</b>               | <b>1 038</b>                          | <b>1.05</b>                                  | <b>1.05</b>                               | <b>10.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 10.62                            | 9 397                       | 885                                   | 1.05                                         | 1.05                                      | 8.90                                        | 0.04                                      |
| 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                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.62</b>                      | <b>27 325</b>               | <b>2 840</b>                          | <b>0.95</b>                                  | <b>0.95</b>                               | <b>10.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.26                            | 12 709                      | 1 239                                 | 0.95                                         | 0.95                                      | 8.90                                        | 0.04                                      |
| 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 | 1.59%            | 53%                   | 47%                |
| Series D | 0.87%            | 29%                   | 71%                |
| 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 December 31, 2018.

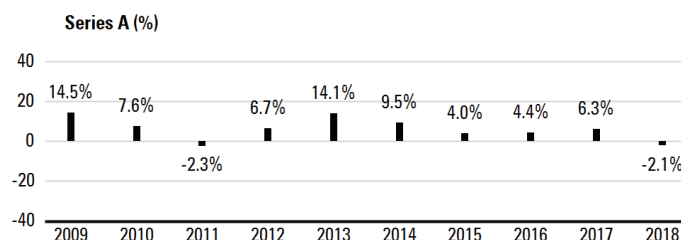
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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 (%)

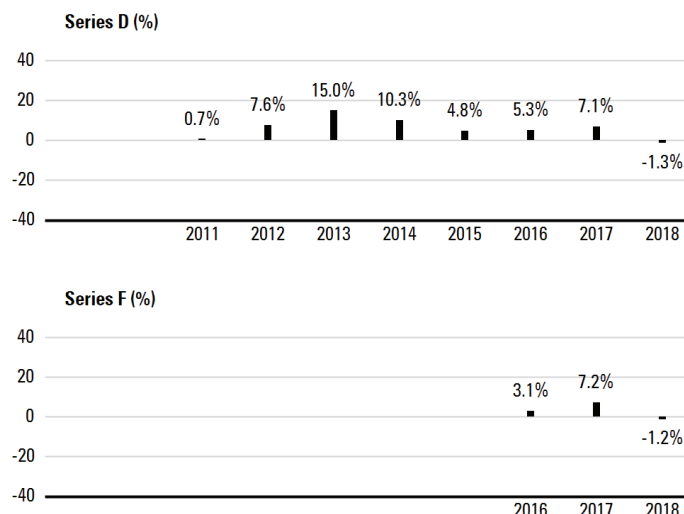
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.







## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|             | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A    | -2.1         | 2.8             | 4.4             | 6.1              | —                  |
| Benchmark 1 | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Benchmark 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D    | -1.3         | 3.6             | 5.2             | —                | 6.8                |
| Benchmark 1 | 1.4          | 1.9             | 3.5             | —                | 3.0                |
| Benchmark 2 | -8.9         | 6.4             | 4.1             | —                | 5.5                |
| Series F    | -1.2         | —               | —               | —                | 3.6                |
| Benchmark 1 | 1.4          | —               | —               | —                | 0.5                |
| Benchmark 2 | -8.9         | —               | —               | —                | 3.2                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

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

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 65.5                 |
| Canadian Equity Funds      | 12.5                 |
| United States Equity Funds | 12.3                 |
| International Equity Funds | 9.3                  |
| Cash/Other                 | 0.4                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 35.6                 |
| RBC Canadian Short-Term Income Fund                          | 14.5                 |
| Phillips, Hager & North Total Return Bond Fund               | 10.1                 |
| RBC Canadian Equity Fund                                     | 6.3                  |
| RBC Global Bond Fund                                         | 5.1                  |
| RBC European Equity Fund                                     | 5.1                  |
| RBC Canadian Dividend Fund                                   | 3.1                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 3.0                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 2.8                  |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 2.5                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 2.5                  |
| RBC U.S. Equity Fund                                         | 2.5                  |
| RBC U.S. Mid-Cap Growth Equity Fund                          | 2.0                  |
| RBC Emerging Markets Equity Fund                             | 1.8                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 1.5                  |
| RBC Japanese Equity Fund                                     | 0.9                  |
| Cash & Cash Equivalents                                      | 0.7                  |
| <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).



PORTFOLIO SOLUTION

**RBC TARGET 2030 EDUCATION FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 2030. 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 2030 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.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund's goal is to decrease portfolio risk each year to reduce the risk of capital erosion as the target year nears. By 2030, any investments in stock and fixed-income funds will be shifted to money-market funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$796 million as of December 31, 2018, from \$655 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 4.1%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction

with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.



Effective January 1, 2020, (i) the specified percentage will decline to 1.75% for Series A units and 1.00% for Series D units and (ii) the management fee will decline to 0.80% for Series F units.

Effective January 1, 2025, (i) the specified percentage will decline to 1.55% for Series A units and 0.90% for Series D units and (ii) the management fee will decline to 0.70% for Series F units.

Effective January 1, 2028, (i) the specified percentage will decline to 1.00% for Series A units and 0.80% for Series D units and (ii) the management fee will decline to 0.65% 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.30                                  | 0.39                                             | (0.25)            | 0.50                          | (1.24)                          | (0.60) | —                                          | (0.12)            | (0.46)                   | —                    | (0.58) | 12.16                               |
| Dec. 31, 2017                 | 12.57                                  | 0.36                                             | (0.25)            | 0.43                          | 0.62                            | 1.16   | —                                          | (0.11)            | (0.33)                   | —                    | (0.44) | 13.30                               |
| Dec. 31, 2016                 | 12.06                                  | 0.37                                             | (0.23)            | 0.12                          | 0.55                            | 0.81   | (0.01)                                     | (0.11)            | (0.11)                   | —                    | (0.23) | 12.57                               |
| Dec. 31, 2015                 | 12.00                                  | 0.43                                             | (0.24)            | 0.42                          | (0.23)                          | 0.38   | —                                          | (0.15)            | (0.34)                   | —                    | (0.49) | 12.06                               |
| Dec. 31, 2014                 | 11.81                                  | 0.66                                             | (0.25)            | 0.84                          | (0.20)                          | 1.05   | —                                          | (0.30)            | (0.60)                   | —                    | (0.90) | 12.00                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.38                                  | 0.39                                             | (0.15)            | 0.51                          | (1.24)                          | (0.49) | (0.01)                                     | (0.22)            | (0.46)                   | —                    | (0.69) | 12.23                               |
| Dec. 31, 2017                 | 12.64                                  | 0.37                                             | (0.15)            | 0.43                          | 0.60                            | 1.25   | —                                          | (0.21)            | (0.34)                   | —                    | (0.55) | 13.38                               |
| Dec. 31, 2016                 | 12.13                                  | 0.37                                             | (0.14)            | 0.12                          | 0.57                            | 0.92   | (0.01)                                     | (0.21)            | (0.11)                   | —                    | (0.33) | 12.64                               |
| Dec. 31, 2015                 | 12.07                                  | 0.43                                             | (0.14)            | 0.42                          | (0.23)                          | 0.48   | (0.01)                                     | (0.25)            | (0.34)                   | —                    | (0.60) | 12.13                               |
| Dec. 31, 2014                 | 11.82                                  | 0.65                                             | (0.15)            | 0.83                          | (0.19)                          | 1.14   | (0.01)                                     | (0.34)            | (0.60)                   | —                    | (0.95) | 12.07                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.82                                  | 0.31                                             | (0.11)            | 0.40                          | (1.12)                          | (0.52) | —                                          | (0.20)            | (0.38)                   | —                    | (0.58) | 9.88                                |
| Dec. 31, 2017                 | 10.23                                  | 0.29                                             | (0.11)            | 0.34                          | 0.60                            | 1.12   | —                                          | (0.19)            | (0.27)                   | —                    | (0.46) | 10.82                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.05)            | 0.04                          | 0.18                            | 0.30   | (0.01)                                     | (0.19)            | (0.09)                   | —                    | (0.29) | 10.23                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>12.16</b>                     | <b>772 393</b>              | <b>63 494</b>                         | <b>1.93</b>                                  | <b>1.93</b>                               | <b>6.91</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017        | 13.30                            | 641 165                     | 48 205                                | 1.94                                         | 1.94                                      | 5.08                                        | 0.06                                      |
| Dec. 31, 2016        | 12.57                            | 422 147                     | 33 587                                | 1.93                                         | 1.93                                      | 5.53                                        | 0.08                                      |
| Dec. 31, 2015        | 12.06                            | 255 378                     | 21 168                                | 1.94                                         | 1.94                                      | 3.06                                        | 0.08                                      |
| Dec. 31, 2014        | 12.00                            | 134 600                     | 11 213                                | 2.03                                         | 2.03                                      | 5.75                                        | 0.10                                      |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>12.23</b>                     | <b>10 567</b>               | <b>864</b>                            | <b>1.16</b>                                  | <b>1.16</b>                               | <b>6.91</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017        | 13.38                            | 8 952                       | 669                                   | 1.16                                         | 1.16                                      | 5.08                                        | 0.06                                      |
| Dec. 31, 2016        | 12.64                            | 5 488                       | 434                                   | 1.16                                         | 1.16                                      | 5.53                                        | 0.08                                      |
| Dec. 31, 2015        | 12.13                            | 3 482                       | 287                                   | 1.17                                         | 1.17                                      | 3.06                                        | 0.08                                      |
| Dec. 31, 2014        | 12.07                            | 1 494                       | 124                                   | 1.25                                         | 1.25                                      | 5.75                                        | 0.10                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.88</b>                      | <b>12 798</b>               | <b>1 295</b>                          | <b>1.01</b>                                  | <b>1.01</b>                               | <b>6.91</b>                                 | <b>0.05</b>                               |
| Dec. 31, 2017              | 10.82                            | 4 869                       | 450                                   | 1.02                                         | 1.02                                      | 5.08                                        | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.23                            | 871                         | 85                                    | 1.04                                         | 1.04                                      | 5.53                                        | 0.08                                      |

<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 1.85% and Series D units is 1.10%.

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 | 1.68%            | 60%                   | 40%                |
| Series D | 0.96%            | 26%                   | 74%                |
| Series F | 0.85%            | —                     | 100%               |

\* Management fees for Series A and Series D units represent the actual average management fee rate for the period ended December 31, 2018.

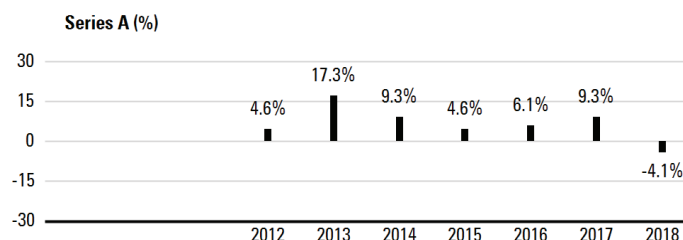
<sup>†</sup> Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

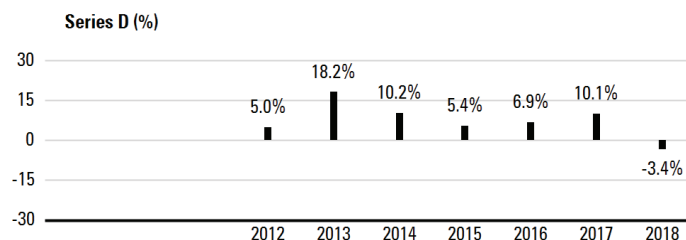
#### Year-by-Year Returns (%)

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.





**PAST PERFORMANCE (cont.)**



**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|             | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A    | -4.1         | 3.6             | 4.9             | —                | 7.1                |
| Benchmark 1 | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Benchmark 2 | -8.9         | 6.4             | 4.1             | —                | 6.4                |
| Series D    | -3.4         | 4.4             | 5.7             | —                | 7.9                |
| Benchmark 1 | 1.4          | 1.9             | 3.5             | —                | 2.7                |
| Benchmark 2 | -8.9         | 6.4             | 4.1             | —                | 6.4                |
| Series F    | -3.2         | —               | —               | —                | 4.8                |
| Benchmark 1 | 1.4          | —               | —               | —                | 0.5                |
| Benchmark 2 | -8.9         | —               | —               | —                | 3.2                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series F units have been available for sale to unitholders since July 4, 2016, and Series A and Series D units since July 9, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

**INDEX DESCRIPTIONS**

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

\* 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 |
|----------------------------|----------------------|
| Income Funds               | 39.0                 |
| United States Equity Funds | 21.8                 |
| Canadian Equity Funds      | 21.7                 |
| International Equity Funds | 16.9                 |
| Cash/Other                 | 0.6                  |

**Top 25 Holdings\***

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC Bond Fund                                                | 26.3                 |
| RBC Canadian Equity Fund                                     | 10.7                 |
| RBC European Equity Fund                                     | 8.5                  |
| RBC High Yield Bond Fund                                     | 7.6                  |
| Phillips, Hager & North Total Return Bond Fund               | 5.1                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 4.9                  |
| RBC Canadian Dividend Fund                                   | 4.9                  |
| RBC U.S. Equity Fund                                         | 4.6                  |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 4.6                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 4.1                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 4.0                  |
| RBC U.S. Mid-Cap Growth Equity Fund                          | 3.7                  |
| RBC Emerging Markets Equity Fund                             | 3.6                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 3.0                  |
| Phillips, Hager & North Canadian Growth Fund                 | 1.9                  |
| RBC Japanese Equity Fund                                     | 1.8                  |
| Cash & Cash Equivalents                                      | 0.7                  |
| <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).





PORTFOLIO SOLUTION

**RBC TARGET 2035 EDUCATION FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 2035. 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 2035 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.

### **Risk**

The Fund has multiple risks associated with investing in various asset classes. These risks are similar to the risks of investing in the underlying funds. The Fund's goal is to decrease portfolio risk each year to reduce the risk of capital erosion as the target year nears. By 2035, any investments in stock and fixed-income funds will be shifted to money-market funds. The Fund is suitable for investors who plan to hold their investments for the medium-to-long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$61 million as of December 31, 2018, from \$12 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 5.2%. The fixed-income benchmark rose 1.4% and the equity benchmark declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The big macroeconomic themes in 2018 were tightening financial conditions, rising protectionism and slowing global growth. Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher

spending led to bond- and equity-market volatility, as well as friction with the EU. In North America, protectionism fears eased following renegotiations culminating in Canada, the U.S. and Mexico agreeing to a trade deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Canadian bond prices posted modest gains in 2018, outperforming U.S. Treasuries, as domestic yields were pressured lower by a weakening economic expansion and falling oil prices in the latter stages of 2018. These negatives, as well as rising global trade tensions, prompted the Bank of Canada, in December, to express reluctance at pushing forward with additional rate increases after hiking three times earlier in the year. The U.S. Federal Reserve (the "Fed") boosted the federal funds rate four times in 2018, putting the benchmark short-term rate at its highest level since 2008, and continued scaling back its bond holdings. The European Central Bank began preparing investors for the possibility that it, too, might start gradually raising rates. Returns in the fixed-income segment of the portfolio were boosted by the RBC Bond Fund and the Phillips, Hager & North Total Return Bond Fund.

The sell-off in equities was led by emerging markets and Europe early in 2018, and U.S. equities, which were quite resilient for most of the year, joined the sell-off in the fourth quarter. The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. Emerging markets underperformed developed markets as interest-rate hikes by the Fed and U.S. tax reform bolstered the U.S. dollar. Emerging markets have historically underperformed when the U.S. dollar strengthens. Returns were held back by the RBC European Equity Fund and the RBC Canadian Equity Fund.

### **Recent Developments**

The portfolio manager expects the trend of slowing global growth to continue into 2019. That said, further gradual tightening of monetary policy is expected, and rising rates could limit bond returns. While the portfolio manager expects equity-market volatility to continue, stocks still offer superior return potential versus bonds, as long as earnings continue to grow as analysts expect.

Protectionism is arguably the largest macroeconomic risk today, although European politics, the U.S. government shutdown, possible central-bank-policy mistakes and troubles besetting specific emerging-market countries also threaten economic progress and investor confidence.



Effective January 1, 2025, the management fee will decline to 1.55% for Series A units, 1.05% for Series D units and 0.80% for Series F units.

Effective January 1, 2030, the management fee will decline to 1.45% for Series A units, 0.95% for Series D units and 0.70% for Series F units.

Effective January 1, 2033, the management fee will decline to 0.90% for Series A units, 0.80% for Series D units and 0.65% 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.

#### ***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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.22</b>                           | <b>0.39</b>                                      | <b>(0.21)</b>     | <b>0.58</b>                   | <b>(1.65)</b>                   | <b>(0.89)</b> | —                                          | <b>(0.11)</b>     | <b>(0.35)</b>            | —                    | <b>(0.46)</b> | <b>9.22</b>                         |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.30                                             | (0.08)            | 0.59                          | (0.34)                          | 0.47          | (0.01)                                     | (0.11)            | (0.29)                   | —                    | (0.41)        | 10.22                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.14</b>                           | <b>0.40</b>                                      | <b>(0.13)</b>     | <b>0.60</b>                   | <b>(1.58)</b>                   | <b>(0.71)</b> | —                                          | <b>(0.20)</b>     | <b>(0.35)</b>            | —                    | <b>(0.55)</b> | <b>9.13</b>                         |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.41                                             | (0.05)            | 0.81                          | (0.65)                          | 0.52          | (0.01)                                     | (0.21)            | (0.30)                   | —                    | (0.52)        | 10.14                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.12</b>                           | <b>0.40</b>                                      | <b>(0.10)</b>     | <b>0.60</b>                   | <b>(1.57)</b>                   | <b>(0.67)</b> | —                                          | <b>(0.22)</b>     | <b>(0.35)</b>            | —                    | <b>(0.57)</b> | <b>9.12</b>                         |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.56                                             | (0.04)            | 1.10                          | (1.02)                          | 0.60          | (0.01)                                     | (0.24)            | (0.30)                   | —                    | (0.55)        | 10.12                               |

<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 August 28, 2017.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.22</b>                      | <b>58 412</b>               | <b>6 336</b>                          | <b>2.13</b>                                  | <b>2.14</b>                               | <b>1.11</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.22                            | 11 570                      | 1 132                                 | 2.19                                         | 2.22                                      | n/a                                         | 0.07                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.13</b>                      | <b>1 384</b>                | <b>151</b>                            | <b>1.27</b>                                  | <b>1.28</b>                               | <b>1.11</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.14                            | 332                         | 33                                    | 1.37                                         | 1.40                                      | n/a                                         | 0.07                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.12</b>                      | <b>1 304</b>                | <b>143</b>                            | <b>0.99</b>                                  | <b>1.00</b>                               | <b>1.11</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.12                            | 307                         | 30                                    | 1.06                                         | 1.09                                      | n/a                                         | 0.07                                      |

<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 August 28, 2017.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 1.85%           | 54%                   | 46%    |
| Series D | 1.10%           | 23%                   | 77%    |
| Series F | 0.85%           | —                     | 100%   |

\* 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.



**Series F (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

Benchmark 1 – FTSE Canada Universe Bond Index

Benchmark 2 – S&P/TSX Capped Composite Total Return Index

|             | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-------------|-----------|--------------|--------------|---------------|-----------------|
| Series A    | -5.2      | —            | —            | —             | 0.6             |
| Benchmark 1 | 1.4       | —            | —            | —             | 1.7             |
| Benchmark 2 | -8.9      | —            | —            | —             | -0.6            |
| Series D    | -4.3      | —            | —            | —             | 1.4             |
| Benchmark 1 | 1.4       | —            | —            | —             | 1.7             |
| Benchmark 2 | -8.9      | —            | —            | —             | -0.6            |
| Series F    | -4.1      | —            | —            | —             | 1.7             |
| Benchmark 1 | 1.4       | —            | —            | —             | 1.7             |
| Benchmark 2 | -8.9      | —            | —            | —             | -0.6            |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark indexes.

Series A, Series D and Series F units have been available for sale to unitholders since August 28, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**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.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| Income Funds               | 26.2                 |
| United States Equity Funds | 25.8                 |
| Canadian Equity Funds      | 25.6                 |
| International Equity Funds | 20.7                 |
| Cash/Other                 | 1.7                  |

### Top 25 Holdings\*

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| RBC High Yield Bond Fund                                     | 13.7                 |
| RBC Canadian Equity Fund                                     | 12.4                 |
| RBC Bond Fund                                                | 12.4                 |
| RBC European Equity Fund                                     | 10.3                 |
| RBC Private U.S. Large-Cap Core Equity Pool                  | 5.7                  |
| RBC U.S. Equity Fund                                         | 5.7                  |
| RBC O'Shaughnessy U.S. Value Fund                            | 5.1                  |
| RBC U.S. Mid-Cap Growth Equity Fund                          | 5.1                  |
| Phillips, Hager & North Canadian Growth Fund                 | 5.1                  |
| RBC Canadian Dividend Fund                                   | 5.1                  |
| Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund | 4.1                  |
| RBC Emerging Markets Equity Fund                             | 4.1                  |
| RBC Asia Pacific ex-Japan Equity Fund                        | 3.7                  |
| RBC QUBE Low Volatility Canadian Equity Fund                 | 3.0                  |
| RBC Japanese Equity Fund                                     | 2.5                  |
| Cash & Cash Equivalents                                      | 2.0                  |
| Total                                                        | 100.0                |

\* 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).



CANADIAN EQUITY FUND

**RBC CANADIAN DIVIDEND FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to achieve long-term returns consisting of regular dividend income and modest long-term capital growth.

The Fund invests primarily in common and preferred shares of major Canadian companies with above-average dividend yields, as well as income trusts. Stocks that qualify as investments will generally carry above-average dividend yields and offer the potential for increased payouts. The Fund may also invest in foreign securities with similar attributes.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$17.0 billion as of December 31, 2018, from \$18.8 billion at the end of 2017. The decrease was due mainly to investment losses.

Over the past year, the Fund's Series A units lost 8.6%, which outperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Security selection was the primary driver of relative performance for the Fund in 2018. An overweight position in Thomson Reuters contributed to relative returns. Shares in the company advanced after it bought back a material amount of stock and shifted its focus towards its legal and tax units following the sale of a portion of its financial-services

unit to Blackstone. The Fund also benefited from an overweight position in Loblaw, as the food retailer reported strong financial results, particularly at its retail drug division, Shoppers Drug Mart.

The headwinds facing the Canadian Energy sector were reflected in the Fund through its overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from the prior forecast thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,162,000 (2017 – \$1,006,000) or 23% (2017 – 22%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 72.96                                  | 2.37                                             | (1.25)            | 1.98                          | (9.22)                          | (6.12) | —                                          | (0.86)            | —                        | —                    | (0.86) | 65.87                               |
| Dec. 31, 2017                 | 68.49                                  | 2.11                                             | (1.23)            | 1.88                          | 2.35                            | 5.11   | —                                          | (0.71)            | —                        | —                    | (0.71) | 72.96                               |
| Dec. 31, 2016                 | 58.12                                  | 2.09                                             | (1.10)            | 2.03                          | 8.06                            | 11.08  | —                                          | (0.86)            | —                        | —                    | (0.86) | 68.49                               |
| Dec. 31, 2015                 | 63.36                                  | 2.01                                             | (1.09)            | 1.54                          | (6.95)                          | (4.49) | —                                          | (0.68)            | —                        | —                    | (0.68) | 58.12                               |
| Dec. 31, 2014                 | 57.70                                  | 1.81                                             | (1.09)            | 2.87                          | 3.48                            | 7.07   | —                                          | (0.60)            | (0.72)                   | —                    | (1.32) | 63.36                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 73.41                                  | 2.39                                             | (1.26)            | 1.99                          | (9.33)                          | (6.21) | —                                          | (0.86)            | —                        | —                    | (0.86) | 66.27                               |
| Dec. 31, 2017                 | 68.91                                  | 2.13                                             | (1.24)            | 1.89                          | 2.39                            | 5.17   | —                                          | (0.71)            | —                        | —                    | (0.71) | 73.41                               |
| Dec. 31, 2016                 | 58.47                                  | 2.11                                             | (1.10)            | 2.04                          | 8.24                            | 11.29  | —                                          | (0.86)            | —                        | —                    | (0.86) | 68.91                               |
| Dec. 31, 2015                 | 63.74                                  | 2.02                                             | (1.09)            | 1.55                          | (6.99)                          | (4.51) | —                                          | (0.68)            | —                        | —                    | (0.68) | 58.47                               |
| Dec. 31, 2014                 | 58.04                                  | 1.82                                             | (1.10)            | 2.88                          | 3.50                            | 7.10   | —                                          | (0.60)            | (0.72)                   | —                    | (1.32) | 63.74                               |
| Advisor T5 Series             |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 65.01                                  | 2.39                                             | (1.26)            | 1.99                          | (8.14)                          | (5.02) | —                                          | (0.75)            | —                        | (2.50)               | (3.25) | 56.34                               |
| Dec. 31, 2017                 | 63.53                                  | 2.13                                             | (1.24)            | 1.89                          | 2.02                            | 4.80   | —                                          | (0.61)            | —                        | (2.56)               | (3.17) | 65.01                               |
| Dec. 31, 2016                 | 55.78                                  | 2.11                                             | (1.10)            | 2.04                          | 8.37                            | 11.42  | —                                          | (0.92)            | —                        | (1.87)               | (2.79) | 63.53                               |
| Dec. 31, 2015                 | 63.42                                  | 2.02                                             | (1.09)            | 1.55                          | (6.99)                          | (4.51) | —                                          | (0.70)            | —                        | (2.47)               | (3.17) | 55.78                               |
| Dec. 31, 2014 <sup>3</sup>    | 64.74 <sup>†</sup>                     | 1.82                                             | (1.10)            | 2.88                          | 3.50                            | 7.10   | —                                          | (0.24)            | (0.65)                   | (0.46)               | (1.35) | 63.42                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 60.61                                  | 1.93                                             | (1.03)            | 1.61                          | (7.98)                          | (5.47) | —                                          | (0.69)            | —                        | (2.34)               | (3.03) | 52.54                               |
| Dec. 31, 2017                 | 59.23                                  | 1.79                                             | (1.06)            | 1.60                          | 2.15                            | 4.48   | —                                          | (0.60)            | —                        | (2.36)               | (2.96) | 60.61                               |
| Dec. 31, 2016                 | 52.00                                  | 1.84                                             | (0.98)            | 1.78                          | 7.31                            | 9.95   | —                                          | (0.88)            | —                        | (1.72)               | (2.60) | 59.23                               |
| Dec. 31, 2015                 | 59.08                                  | 1.84                                             | (1.00)            | 1.41                          | (6.35)                          | (4.10) | —                                          | (0.75)            | —                        | (2.20)               | (2.95) | 52.00                               |
| Dec. 31, 2014                 | 55.24                                  | 1.70                                             | (1.05)            | 2.69                          | 3.26                            | 6.60   | —                                          | (0.62)            | (0.75)                   | (1.39)               | (2.76) | 59.08                               |
| Series T8                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.65                                  | 0.33                                             | (0.18)            | 0.28                          | (1.25)                          | (0.82) | —                                          | (0.12)            | —                        | (0.73)               | (0.85) | 8.93                                |
| Dec. 31, 2017                 | 10.73                                  | 0.32                                             | (0.19)            | 0.29                          | 0.36                            | 0.78   | —                                          | (0.11)            | —                        | (0.75)               | (0.86) | 10.65                               |
| Dec. 31, 2016                 | 9.70                                   | 0.34                                             | (0.18)            | 0.33                          | 1.28                            | 1.77   | —                                          | (0.16)            | —                        | (0.61)               | (0.77) | 10.73                               |
| Dec. 31, 2015                 | 11.39                                  | 0.35                                             | (0.19)            | 0.27                          | (1.21)                          | (0.78) | —                                          | (0.15)            | —                        | (0.76)               | (0.91) | 9.70                                |
| Dec. 31, 2014                 | 10.97                                  | 0.33                                             | (0.20)            | 0.53                          | 0.64                            | 1.30   | —                                          | (0.14)            | (0.12)                   | (0.62)               | (0.88) | 11.39                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 73.06                                  | 2.38                                             | (0.74)            | 1.98                          | (9.33)                          | (5.71) | —                                          | (1.38)            | —                        | —                    | (1.38) | 65.94                               |
| Dec. 31, 2017                 | 68.55                                  | 2.12                                             | (0.73)            | 1.89                          | 2.40                            | 5.68   | —                                          | (1.17)            | —                        | —                    | (1.17) | 73.06                               |
| Dec. 31, 2016                 | 58.20                                  | 2.10                                             | (0.70)            | 2.03                          | 8.23                            | 11.66  | —                                          | (1.29)            | —                        | —                    | (1.29) | 68.55                               |
| Dec. 31, 2015                 | 63.44                                  | 2.02                                             | (0.75)            | 1.54                          | (6.96)                          | (4.15) | —                                          | (1.01)            | —                        | —                    | (1.01) | 58.20                               |
| Dec. 31, 2014                 | 57.76                                  | 1.81                                             | (0.75)            | 2.87                          | 3.48                            | 7.41   | —                                          | (0.93)            | (0.72)                   | —                    | (1.65) | 63.44                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 75.17                                  | 2.45                                             | (0.56)            | 2.04                          | (9.80)                          | (5.87) | —                                          | (1.63)            | —                        | —                    | (1.63) | 67.85                               |
| Dec. 31, 2017                 | 70.54                                  | 2.18                                             | (0.56)            | 1.94                          | 2.89                            | 6.45   | —                                          | (1.41)            | —                        | —                    | (1.41) | 75.17                               |
| Dec. 31, 2016                 | 59.89                                  | 2.18                                             | (0.54)            | 2.11                          | 9.27                            | 13.02  | —                                          | (1.52)            | —                        | —                    | (1.52) | 70.54                               |
| Dec. 31, 2015                 | 65.27                                  | 2.07                                             | (0.59)            | 1.59                          | (7.17)                          | (4.10) | —                                          | (1.22)            | —                        | —                    | (1.22) | 59.89                               |
| Dec. 31, 2014                 | 59.40                                  | 1.86                                             | (0.60)            | 2.95                          | 3.58                            | 7.79   | —                                          | (1.11)            | (0.72)                   | —                    | (1.83) | 65.27                               |



**FINANCIAL HIGHLIGHTS (cont.)**

**Change in Net Assets Per Unit (\$) (cont.)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>68.50</b>                           | <b>2.19</b>                                      | <b>(0.49)</b>     | <b>1.83</b>                   | <b>(8.88)</b>                   | <b>(5.35)</b> | —                                          | <b>(1.43)</b>     | —                        | <b>(2.00)</b>        | <b>(3.43)</b> | <b>60.02</b>                        |
| Dec. 31, 2017                 | 66.25                                  | 2.00                                             | (0.52)            | 1.79                          | 3.11                            | 6.38          | —                                          | (1.19)            | —                        | (2.12)               | (3.31)        | 68.50                               |
| Dec. 31, 2016                 | 57.63                                  | 2.07                                             | (0.52)            | 2.00                          | 8.99                            | 12.54         | —                                          | (1.43)            | —                        | (1.45)               | (2.88)        | 66.25                               |
| Dec. 31, 2015                 | 64.90                                  | 2.02                                             | (0.55)            | 1.55                          | (6.98)                          | (3.96)        | —                                          | (1.29)            | —                        | (1.96)               | (3.25)        | 57.63                               |
| Dec. 31, 2014 <sup>3</sup>    | 66.32 <sup>†</sup>                     | 0.74                                             | (0.24)            | 1.17                          | 1.42                            | 3.09          | —                                          | (0.32)            | (1.35)                   | —                    | (1.67)        | 64.90                               |
| <b>Series FT8</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.78</b>                           | <b>0.34</b>                                      | <b>(0.08)</b>     | <b>0.28</b>                   | <b>(1.19)</b>                   | <b>(0.65)</b> | —                                          | <b>(0.22)</b>     | —                        | <b>(0.64)</b>        | <b>(0.86)</b> | <b>9.13</b>                         |
| Dec. 31, 2017                 | 10.75                                  | 0.32                                             | (0.09)            | 0.29                          | 0.42                            | 0.94          | —                                          | (0.21)            | —                        | (0.65)               | (0.86)        | 10.78                               |
| Dec. 31, 2016 <sup>4</sup>    | 10.06 <sup>†</sup>                     | 0.17                                             | (0.04)            | 0.17                          | 0.80                            | 1.10          | —                                          | (0.11)            | —                        | (0.31)               | (0.42)        | 10.75                               |
| <b>Series I</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>73.82</b>                           | <b>2.40</b>                                      | <b>(0.36)</b>     | <b>2.01</b>                   | <b>(9.41)</b>                   | <b>(5.36)</b> | —                                          | <b>(1.79)</b>     | —                        | —                    | <b>(1.79)</b> | <b>66.62</b>                        |
| Dec. 31, 2017                 | 69.27                                  | 2.14                                             | (0.36)            | 1.91                          | 2.35                            | 6.04          | —                                          | (1.58)            | —                        | —                    | (1.58)        | 73.82                               |
| Dec. 31, 2016                 | 58.80                                  | 2.08                                             | (0.31)            | 2.01                          | 8.29                            | 12.07         | —                                          | (1.69)            | —                        | —                    | (1.69)        | 69.27                               |
| Dec. 31, 2015                 | 64.10                                  | 2.04                                             | (0.32)            | 1.56                          | (7.04)                          | (3.76)        | —                                          | (1.45)            | —                        | —                    | (1.45)        | 58.80                               |
| Dec. 31, 2014                 | 58.37                                  | 1.83                                             | (0.32)            | 2.90                          | 3.52                            | 7.93          | —                                          | (1.40)            | (0.72)                   | —                    | (2.12)        | 64.10                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>74.41</b>                           | <b>2.42</b>                                      | <b>(0.02)</b>     | <b>2.02</b>                   | <b>(9.36)</b>                   | <b>(4.94)</b> | —                                          | <b>(2.16)</b>     | —                        | —                    | <b>(2.16)</b> | <b>67.14</b>                        |
| Dec. 31, 2017                 | 69.84                                  | 2.16                                             | (0.02)            | 1.92                          | 2.48                            | 6.54          | —                                          | (1.95)            | —                        | —                    | (1.95)        | 74.41                               |
| Dec. 31, 2016                 | 59.33                                  | 2.14                                             | (0.01)            | 2.07                          | 8.36                            | 12.56         | —                                          | (2.08)            | —                        | —                    | (2.08)        | 69.84                               |
| Dec. 31, 2015                 | 64.68                                  | 2.06                                             | (0.01)            | 1.57                          | (7.11)                          | (3.49)        | —                                          | (1.78)            | —                        | —                    | (1.78)        | 59.33                               |
| Dec. 31, 2014                 | 58.91                                  | 1.85                                             | (0.01)            | 2.93                          | 3.55                            | 8.32          | —                                          | (1.73)            | (0.72)                   | —                    | (2.45)        | 64.68                               |

<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 August 11, 2014.

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

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>65.87</b>                     | <b>8 612 577</b>            | <b>130 756</b>                        | <b>1.76</b>                                  | <b>1.76</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 72.96                            | 10 700 074                  | 146 666                               | 1.76                                         | 1.76                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016         | 68.49                            | 10 743 946                  | 156 870                               | 1.76                                         | 1.76                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015         | 58.12                            | 10 062 888                  | 173 144                               | 1.76                                         | 1.76                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014         | 63.36                            | 11 865 196                  | 187 269                               | 1.76                                         | 1.76                                      | 17.39                                       | 0.03                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>66.27</b>                     | <b>167 442</b>              | <b>2 527</b>                          | <b>1.76</b>                                  | <b>1.76</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 73.41                            | 195 933                     | 2 669                                 | 1.76                                         | 1.76                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016         | 68.91                            | 185 720                     | 2 695                                 | 1.76                                         | 1.76                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015         | 58.47                            | 155 684                     | 2 663                                 | 1.76                                         | 1.76                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014         | 63.74                            | 176 324                     | 2 766                                 | 1.76                                         | 1.76                                      | 17.39                                       | 0.03                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>56.34</b>                     | <b>1 737</b>                | <b>31</b>                             | <b>1.79</b>                                  | <b>1.79</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 65.01                            | 2 646                       | 41                                    | 1.79                                         | 1.79                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 63.53                            | 2 252                       | 35                                    | 1.79                                         | 1.79                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 55.78                            | 1 406                       | 25                                    | 1.84                                         | 1.84                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014 <sup>4</sup> | 63.42                            | 44                          | 1                                     | 1.81                                         | 1.81                                      | 17.39                                       | 0.03                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>52.54</b>                     | <b>15 054</b>               | <b>287</b>                            | <b>1.78</b>                                  | <b>1.78</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 60.61                            | 14 650                      | 242                                   | 1.78                                         | 1.78                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 59.23                            | 10 695                      | 181                                   | 1.78                                         | 1.78                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 52.00                            | 7 177                       | 138                                   | 1.78                                         | 1.78                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014              | 59.08                            | 5 579                       | 94                                    | 1.79                                         | 1.79                                      | 17.39                                       | 0.03                                      |
| <b>Series T8</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.93</b>                      | <b>87 571</b>               | <b>9 807</b>                          | <b>1.78</b>                                  | <b>1.78</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.65                            | 114 561                     | 10 760                                | 1.78                                         | 1.78                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 10.73                            | 104 268                     | 9 714                                 | 1.79                                         | 1.79                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 9.70                             | 96 352                      | 9 931                                 | 1.78                                         | 1.78                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014              | 11.39                            | 106 907                     | 9 383                                 | 1.77                                         | 1.77                                      | 17.39                                       | 0.03                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>65.94</b>                     | <b>637 339</b>              | <b>9 666</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 73.06                            | 707 172                     | 9 680                                 | 1.05                                         | 1.05                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 68.55                            | 633 384                     | 9 240                                 | 1.12                                         | 1.12                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 58.20                            | 519 006                     | 8 918                                 | 1.21                                         | 1.21                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014              | 63.44                            | 546 615                     | 8 616                                 | 1.21                                         | 1.21                                      | 17.39                                       | 0.03                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>67.85</b>                     | <b>1 603 230</b>            | <b>23 631</b>                         | <b>0.76</b>                                  | <b>0.76</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 75.17                            | 1 235 540                   | 16 438                                | 0.77                                         | 0.77                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 70.54                            | 591 601                     | 8 387                                 | 0.83                                         | 0.83                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 59.89                            | 218 825                     | 3 654                                 | 0.93                                         | 0.93                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014              | 65.27                            | 190 361                     | 2 916                                 | 0.94                                         | 0.94                                      | 17.39                                       | 0.03                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>60.02</b>                     | <b>13 184</b>               | <b>220</b>                            | <b>0.75</b>                                  | <b>0.75</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 68.50                            | 9 749                       | 142                                   | 0.78                                         | 0.78                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 66.25                            | 1 970                       | 30                                    | 0.84                                         | 0.84                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 57.63                            | 488                         | 8                                     | 0.89                                         | 0.89                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014 <sup>4</sup> | 64.90                            | 213                         | 3                                     | 0.96                                         | 0.96                                      | 17.39                                       | 0.03                                      |
| <b>Series FT8</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.13</b>                      | <b>8 458</b>                | <b>926</b>                            | <b>0.75</b>                                  | <b>0.75</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 10.78                            | 10 143                      | 941                                   | 0.78                                         | 0.78                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016 <sup>5</sup> | 10.75                            | 6 268                       | 583                                   | 0.84                                         | 0.84                                      | 13.16                                       | 0.03                                      |
| <b>Series I</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>66.62</b>                     | <b>28 689</b>               | <b>431</b>                            | <b>0.50</b>                                  | <b>0.50</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 73.82                            | 32 709                      | 443                                   | 0.50                                         | 0.50                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016              | 69.27                            | 36 235                      | 523                                   | 0.51                                         | 0.51                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015              | 58.80                            | 136 884                     | 2 328                                 | 0.51                                         | 0.51                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014              | 64.10                            | 317 544                     | 4 954                                 | 0.51                                         | 0.51                                      | 17.39                                       | 0.03                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>67.14</b>                     | <b>5 841 035</b>            | <b>86 996</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>15.11</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 74.41                            | 5 805 031                   | 78 018                                | 0.02                                         | 0.02                                      | 14.26                                       | 0.03                                      |
| Dec. 31, 2016        | 69.84                            | 5 210 089                   | 74 600                                | 0.02                                         | 0.02                                      | 13.16                                       | 0.03                                      |
| Dec. 31, 2015        | 59.33                            | 5 329 892                   | 89 835                                | 0.02                                         | 0.02                                      | 12.92                                       | 0.02                                      |
| Dec. 31, 2014        | 64.68                            | 4 813 115                   | 74 409                                | 0.02                                         | 0.02                                      | 17.39                                       | 0.03                                      |

<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 August 11, 2014.

<sup>5</sup> From July 4, 2016.

Effective June 30, 2016, the management fees were changed in respect of Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series D – 1.05%, Series F – 0.77% and Series FT5 – 0.79%.

## 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%           | 67%                   | 33%    |
| Advisor Series    | 1.50%           | 67%                   | 33%    |
| Advisor T5 Series | 1.50%           | 67%                   | 33%    |
| Series T5         | 1.50%           | 67%                   | 33%    |
| Series T8         | 1.50%           | 67%                   | 33%    |
| Series D          | 0.85%           | 29%                   | 71%    |
| Series F          | 0.60%           | —                     | 100%   |
| Series FT5        | 0.60%           | —                     | 100%   |
| Series FT8        | 0.60%           | —                     | 100%   |
| Series I          | 0.44%           | —                     | 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.

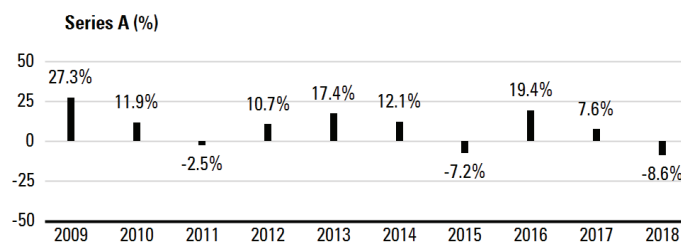
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.

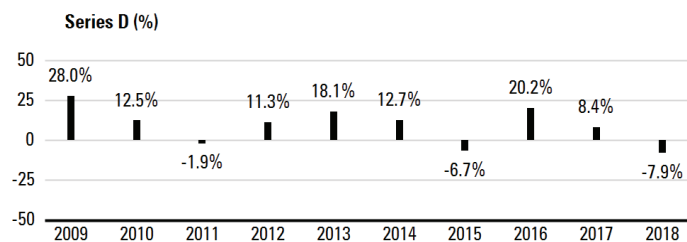
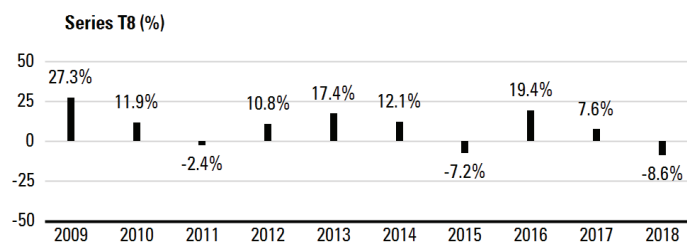
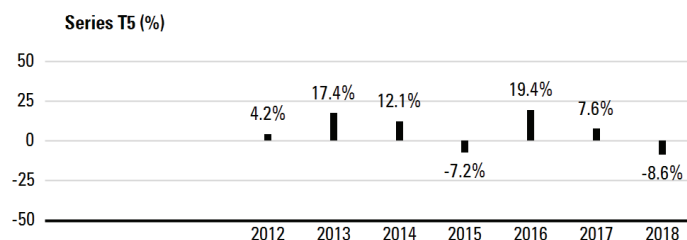
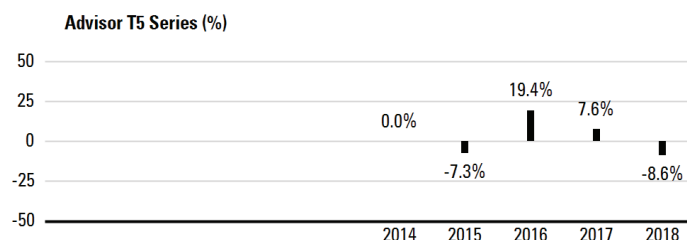
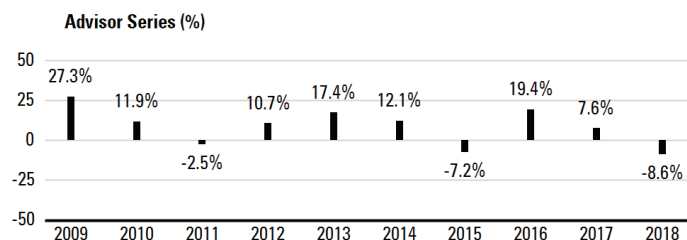
### Year-by-Year Returns (%)

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.

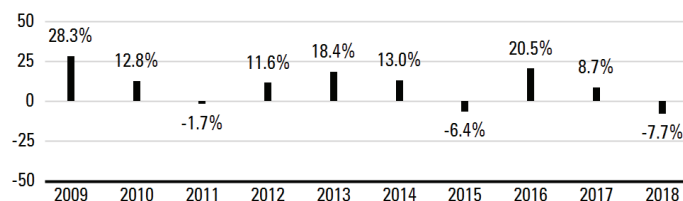




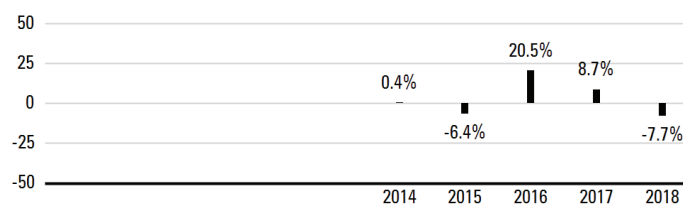
## PAST PERFORMANCE (cont.)



**Series F (%)**



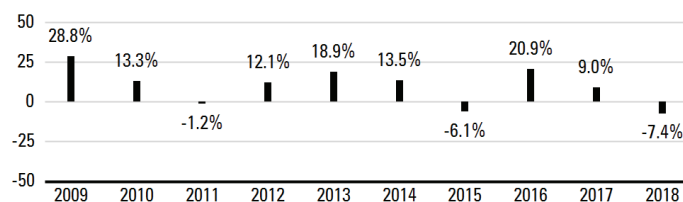
**Series FT5 (%)**



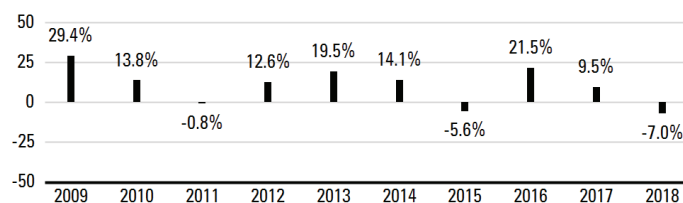
**Series FT8 (%)**



**Series I (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### S&P/TSX Capped Composite Total Return Index

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -8.6         | 5.5             | 4.1             | 8.2              | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series    | -8.6         | 5.5             | 4.1             | 8.2              | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor T5 Series | -8.6         | 5.5             | —               | —                | 1.9                |
| Benchmark         | -8.9         | 6.4             | —               | —                | 1.6                |
| Series T5         | -8.6         | 5.5             | 4.1             | —                | 6.6                |
| Benchmark         | -8.9         | 6.4             | 4.1             | —                | 5.6                |
| Series T8         | -8.6         | 5.5             | 4.1             | 8.2              | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D          | -7.9         | 6.2             | 4.7             | 8.9              | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F          | -7.7         | 6.5             | 5.0             | 9.2              | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series FT5        | -7.7         | 6.5             | —               | —                | 2.9                |
| Benchmark         | -8.9         | 6.4             | —               | —                | 1.6                |
| Series FT8        | -7.7         | —               | —               | —                | 4.7                |
| Benchmark         | -8.9         | —               | —               | —                | 3.2                |
| Series I          | -7.4         | 6.8             | 5.4             | 9.6              | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O          | -7.0         | 7.3             | 5.9             | 10.1             | —                  |
| Benchmark         | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series FT8 units have been available for sale to unitholders since July 4, 2016, Advisor T5 Series and Series FT5 units since August 11, 2014, and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 40.8                 |
| Energy                 | 17.6                 |
| Industrials            | 10.1                 |
| Communication Services | 7.3                  |
| Utilities              | 5.9                  |
| Consumer Staples       | 4.9                  |
| Materials              | 3.3                  |
| Real Estate            | 2.5                  |
| Consumer Discretionary | 1.7                  |
| Health Care            | 1.4                  |
| Bonds                  | 0.3                  |
| Information Technology | 0.2                  |
| Cash/Other             | 4.0                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Royal Bank of Canada                      | 8.1                  |
| Toronto-Dominion Bank                     | 7.4                  |
| Bank of Nova Scotia                       | 6.3                  |
| Enbridge Inc.                             | 4.9                  |
| Canadian National Railway Co.             | 4.5                  |
| Brookfield Asset Management Inc., Class A | 3.9                  |
| Cash & Cash Equivalents                   | 3.8                  |
| Bank of Montreal                          | 3.3                  |
| TransCanada Corp.                         | 3.0                  |
| Manulife Financial Corporation            | 2.5                  |
| Canadian Imperial Bank of Commerce        | 2.4                  |
| Canadian Natural Resources Ltd.           | 2.3                  |
| Canadian Pacific Railway Ltd.             | 2.3                  |
| Suncor Energy Inc.                        | 2.3                  |
| TELUS Corp.                               | 1.9                  |
| Rogers Communications Inc., Class B       | 1.8                  |
| BCE Inc.                                  | 1.7                  |
| Thomson Reuters Corp.                     | 1.7                  |
| Sun Life Financial Inc.                   | 1.6                  |
| Nutrien Ltd.                              | 1.5                  |
| Fortis Inc.                               | 1.5                  |
| Loblaw Companies Ltd.                     | 1.5                  |
| Alimentation Couche-Tard Inc.             | 1.4                  |
| Fairfax Financial Holdings Ltd.           | 1.3                  |
| Imperial Oil Ltd.                         | 1.3                  |
| Top 25 Holdings                           | 74.2                 |

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).



CANADIAN EQUITY FUND

**RBC CANADIAN EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing in equity securities of major Canadian companies to provide broad exposure to economic growth opportunities in Canada.

The Fund seeks to identify the best potential for growth while limiting risk and may hold shares of smaller companies, income-trust units and securities of comparable foreign companies.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$2.1 billion as of December 31, 2018, from \$2.5 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 9.7%, which underperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The Fund's relative performance was driven by asset weighting and security selection in the Health Care and Financials sectors. The Fund benefited from exposure to UnitedHealth Group, as the company reported strong financial results. In the Financials sector, the Fund was aided by an overweight position in Thomson Reuters. Shares in the company advanced after it bought back a material amount of stock and shifted focus towards its legal and tax units following the sale of a portion of its financial-services unit to Blackstone.

The headwinds facing the Canadian Energy sector were reflected in the Fund through its overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land.

### **Recent Developments**

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from prior estimates thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### **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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$347,000 (2017 – \$233,000) or 20% (2017 – 11%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.48                                  | 0.74                                             | (0.45)            | 1.25                          | (3.83)                          | (2.29) | —                                          | (0.22)            | (0.84)                   | —                    | (1.06) | 21.04                               |
| Dec. 31, 2017                 | 24.78                                  | 0.66                                             | (0.48)            | 2.08                          | (0.65)                          | 1.61   | —                                          | (0.09)            | (1.86)                   | —                    | (1.95) | 24.48                               |
| Dec. 31, 2016                 | 20.82                                  | 0.65                                             | (0.44)            | 1.01                          | 2.83                            | 4.05   | —                                          | (0.15)            | —                        | —                    | (0.15) | 24.78                               |
| Dec. 31, 2015                 | 23.35                                  | 0.69                                             | (0.47)            | 0.72                          | (3.06)                          | (2.12) | —                                          | (0.11)            | (0.23)                   | —                    | (0.34) | 20.82                               |
| Dec. 31, 2014                 | 24.44                                  | 0.71                                             | (0.54)            | 4.96                          | (1.53)                          | 3.60   | —                                          | (0.08)            | (3.26)                   | —                    | (3.34) | 23.35                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.63                                  | 0.74                                             | (0.45)            | 1.25                          | (3.81)                          | (2.27) | —                                          | (0.22)            | (0.85)                   | —                    | (1.07) | 21.18                               |
| Dec. 31, 2017                 | 24.92                                  | 0.67                                             | (0.47)            | 2.10                          | (0.68)                          | 1.62   | —                                          | (0.09)            | (1.86)                   | —                    | (1.95) | 24.63                               |
| Dec. 31, 2016                 | 20.93                                  | 0.66                                             | (0.44)            | 1.02                          | 2.91                            | 4.15   | —                                          | (0.15)            | —                        | —                    | (0.15) | 24.92                               |
| Dec. 31, 2015                 | 23.47                                  | 0.69                                             | (0.47)            | 0.73                          | (3.08)                          | (2.13) | —                                          | (0.11)            | (0.23)                   | —                    | (0.34) | 20.93                               |
| Dec. 31, 2014                 | 24.55                                  | 0.71                                             | (0.54)            | 4.97                          | (1.53)                          | 3.61   | —                                          | (0.08)            | (3.26)                   | —                    | (3.34) | 23.47                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.24                                  | 0.71                                             | (0.42)            | 1.21                          | (3.26)                          | (1.76) | —                                          | (0.21)            | —                        | (1.00)               | (1.21) | 20.79                               |
| Dec. 31, 2017 <sup>3</sup>    | 24.97 <sup>†</sup>                     | 0.55                                             | (0.38)            | 1.74                          | 0.04                            | 1.95   | (0.02)                                     | (0.08)            | (2.06)                   | —                    | (2.16) | 24.24                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 25.09                                  | 0.76                                             | (0.26)            | 1.28                          | (3.97)                          | (2.19) | —                                          | (0.42)            | (0.87)                   | —                    | (1.29) | 21.56                               |
| Dec. 31, 2017                 | 25.40                                  | 0.68                                             | (0.27)            | 2.14                          | (0.65)                          | 1.90   | —                                          | (0.32)            | (1.91)                   | —                    | (2.23) | 25.09                               |
| Dec. 31, 2016                 | 21.35                                  | 0.67                                             | (0.26)            | 1.04                          | 2.93                            | 4.38   | —                                          | (0.36)            | —                        | —                    | (0.36) | 25.40                               |
| Dec. 31, 2015                 | 23.93                                  | 0.71                                             | (0.28)            | 0.74                          | (3.15)                          | (1.98) | —                                          | (0.30)            | (0.23)                   | —                    | (0.53) | 21.35                               |
| Dec. 31, 2014                 | 25.08                                  | 0.74                                             | (0.33)            | 5.13                          | (1.58)                          | 3.96   | —                                          | (0.31)            | (3.37)                   | —                    | (3.68) | 23.93                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.22                                  | 0.82                                             | (0.20)            | 1.40                          | (4.42)                          | (2.40) | —                                          | (0.53)            | (0.95)                   | —                    | (1.48) | 23.37                               |
| Dec. 31, 2017                 | 27.57                                  | 0.75                                             | (0.22)            | 2.34                          | (0.47)                          | 2.40   | —                                          | (0.43)            | (2.08)                   | —                    | (2.51) | 27.22                               |
| Dec. 31, 2016                 | 23.17                                  | 0.74                                             | (0.21)            | 1.14                          | 3.45                            | 5.12   | —                                          | (0.47)            | —                        | —                    | (0.47) | 27.57                               |
| Dec. 31, 2015                 | 25.96                                  | 0.77                                             | (0.24)            | 0.81                          | (3.42)                          | (2.08) | —                                          | (0.37)            | (0.26)                   | —                    | (0.63) | 23.17                               |
| Dec. 31, 2014                 | 26.90                                  | 0.80                                             | (0.28)            | 5.60                          | (1.72)                          | 4.40   | —                                          | (0.36)            | (3.37)                   | —                    | (3.73) | 25.96                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.03                                  | 0.80                                             | (0.20)            | 1.36                          | (4.49)                          | (2.53) | —                                          | (0.47)            | —                        | (0.88)               | (1.35) | 23.43                               |
| Dec. 31, 2017 <sup>3</sup>    | 27.83 <sup>†</sup>                     | 0.62                                             | (0.17)            | 1.95                          | 1.61                            | 4.01   | (0.02)                                     | (0.30)            | (2.34)                   | —                    | (2.66) | 27.03                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.32                                  | 0.83                                             | (0.07)            | 1.40                          | (4.37)                          | (2.21) | (0.01)                                     | (0.65)            | (0.96)                   | —                    | (1.62) | 23.46                               |
| Dec. 31, 2017                 | 27.70                                  | 0.75                                             | (0.07)            | 2.35                          | (0.70)                          | 2.33   | —                                          | (0.60)            | (2.10)                   | —                    | (2.70) | 27.32                               |
| Dec. 31, 2016                 | 23.26                                  | 0.74                                             | (0.06)            | 1.14                          | 3.24                            | 5.06   | —                                          | (0.62)            | —                        | —                    | (0.62) | 27.70                               |
| Dec. 31, 2015                 | 26.07                                  | 0.78                                             | (0.06)            | 0.81                          | (3.45)                          | (1.92) | —                                          | (0.55)            | (0.26)                   | —                    | (0.81) | 23.26                               |
| Dec. 31, 2014                 | 27.35                                  | 0.81                                             | (0.07)            | 5.64                          | (1.73)                          | 4.65   | —                                          | (0.62)            | (3.70)                   | —                    | (4.32) | 26.07                               |



## FINANCIAL HIGHLIGHTS (cont.)

### Change in Net Assets Per Unit (\$) (cont.)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>22.56</b>                           | <b>0.68</b>                                      | <b>—</b>          | <b>1.16</b>                   | <b>(3.61)</b>                   | <b>(1.77)</b> | <b>(0.01)</b>                              | <b>(0.59)</b>     | <b>(0.79)</b>            | <b>—</b>             | <b>(1.39)</b> | <b>19.37</b>                        |
| Dec. 31, 2017                 | 22.90                                  | 0.62                                             | (0.01)            | 1.94                          | (0.52)                          | 2.03          | —                                          | (0.57)            | (1.75)                   | —                    | (2.32)        | 22.56                               |
| Dec. 31, 2016                 | 19.24                                  | 0.61                                             | —                 | 0.94                          | 2.69                            | 4.24          | —                                          | (0.58)            | —                        | —                    | (0.58)        | 22.90                               |
| Dec. 31, 2015                 | 21.59                                  | 0.64                                             | —                 | 0.67                          | (2.86)                          | (1.55)        | —                                          | (0.51)            | (0.22)                   | —                    | (0.73)        | 19.24                               |
| Dec. 31, 2014                 | 26.16                                  | 0.65                                             | (0.01)            | 4.53                          | (1.39)                          | 3.78          | —                                          | (4.00)            | (3.51)                   | —                    | (7.51)        | 21.59                               |

<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 February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.04</b>                     | <b>1 361 956</b>            | <b>64 717</b>                         | <b>1.89</b>                                  | <b>1.89</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 24.48                            | 1 741 919                   | 71 173                                | 1.89                                         | 1.89                                      | 40.35                                       | 0.10                                      |
| Dec. 31, 2016              | 24.78                            | 1 865 207                   | 75 277                                | 1.97                                         | 1.97                                      | 23.57                                       | 0.07                                      |
| Dec. 31, 2015              | 20.82                            | 1 795 493                   | 86 232                                | 2.06                                         | 2.06                                      | 18.00                                       | 0.06                                      |
| Dec. 31, 2014              | 23.35                            | 2 268 583                   | 97 169                                | 2.06                                         | 2.06                                      | 24.24                                       | 0.07                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.18</b>                     | <b>11 924</b>               | <b>563</b>                            | <b>1.87</b>                                  | <b>1.87</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 24.63                            | 15 671                      | 636                                   | 1.87                                         | 1.87                                      | 40.35                                       | 0.10                                      |
| Dec. 31, 2016              | 24.92                            | 15 951                      | 640                                   | 1.95                                         | 1.95                                      | 23.57                                       | 0.07                                      |
| Dec. 31, 2015              | 20.93                            | 13 517                      | 646                                   | 2.04                                         | 2.04                                      | 18.00                                       | 0.06                                      |
| Dec. 31, 2014              | 23.47                            | 16 285                      | 694                                   | 2.04                                         | 2.04                                      | 24.24                                       | 0.07                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.79</b>                     | <b>32</b>                   | <b>2</b>                              | <b>1.80</b>                                  | <b>1.80</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 24.24                            | 22                          | 1                                     | 1.79                                         | 1.79                                      | 40.35                                       | 0.10                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.56</b>                     | <b>107 533</b>              | <b>4 988</b>                          | <b>1.05</b>                                  | <b>1.05</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 25.09                            | 126 564                     | 5 045                                 | 1.05                                         | 1.05                                      | 40.35                                       | 0.10                                      |
| Dec. 31, 2016              | 25.40                            | 124 611                     | 4 905                                 | 1.13                                         | 1.13                                      | 23.57                                       | 0.07                                      |
| Dec. 31, 2015              | 21.35                            | 112 814                     | 5 285                                 | 1.21                                         | 1.21                                      | 18.00                                       | 0.06                                      |
| Dec. 31, 2014              | 23.93                            | 128 683                     | 5 378                                 | 1.21                                         | 1.21                                      | 24.24                                       | 0.07                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>23.37</b>                     | <b>145 271</b>              | <b>6 215</b>                          | <b>0.77</b>                                  | <b>0.77</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 27.22                            | 116 721                     | 4 289                                 | 0.77                                         | 0.77                                      | 40.35                                       | 0.10                                      |
| Dec. 31, 2016              | 27.57                            | 54 289                      | 1 969                                 | 0.83                                         | 0.83                                      | 23.57                                       | 0.07                                      |
| Dec. 31, 2015              | 23.17                            | 14 404                      | 622                                   | 0.94                                         | 0.94                                      | 18.00                                       | 0.06                                      |
| Dec. 31, 2014              | 25.96                            | 14 653                      | 564                                   | 0.95                                         | 0.95                                      | 24.24                                       | 0.07                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>23.43</b>                     | <b>115</b>                  | <b>5</b>                              | <b>0.77</b>                                  | <b>0.77</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 27.03                            | 20                          | 1                                     | 0.74                                         | 0.74                                      | 40.35                                       | 0.10                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series I</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>23.46</b>                     | <b>167 855</b>              | <b>7 154</b>                          | <b>0.24</b>                                  | <b>0.24</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 27.32                            | 188 503                     | 6 899                                 | 0.25                                         | 0.25                                      | 40.35                                       | 0.10                                      |
| Dec. 31, 2016        | 27.70                            | 173 538                     | 6 266                                 | 0.25                                         | 0.25                                      | 23.57                                       | 0.07                                      |
| Dec. 31, 2015        | 23.26                            | 140 645                     | 6 048                                 | 0.25                                         | 0.25                                      | 18.00                                       | 0.06                                      |
| Dec. 31, 2014        | 26.07                            | 152 917                     | 5 865                                 | 0.25                                         | 0.25                                      | 24.24                                       | 0.07                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>19.37</b>                     | <b>288 963</b>              | <b>14 920</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>34.22</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 22.56                            | 303 603                     | 13 458                                | 0.02                                         | 0.02                                      | 40.35                                       | 0.10                                      |
| Dec. 31, 2016        | 22.90                            | 284 049                     | 12 403                                | 0.02                                         | 0.02                                      | 23.57                                       | 0.07                                      |
| Dec. 31, 2015        | 19.24                            | 259 273                     | 13 473                                | 0.02                                         | 0.02                                      | 18.00                                       | 0.06                                      |
| Dec. 31, 2014        | 21.59                            | 244 885                     | 11 344                                | 0.02                                         | 0.02                                      | 24.24                                       | 0.07                                      |

<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 February 15, 2017.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.89%, Advisor Series – 1.87%, Series D – 1.05% and Series F – 0.77%.

## 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series T5      | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 100%   |
| Series FT5     | 0.60%           | —                     | 100%   |
| Series I       | 0.60%           | —                     | 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

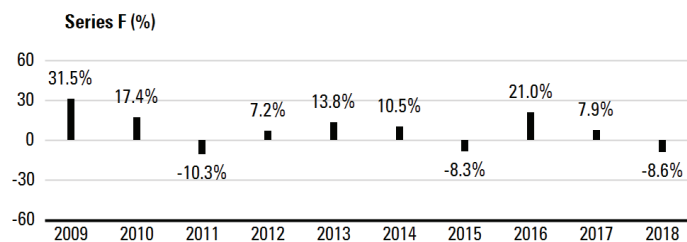
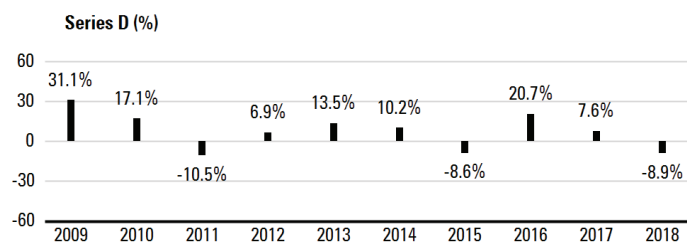
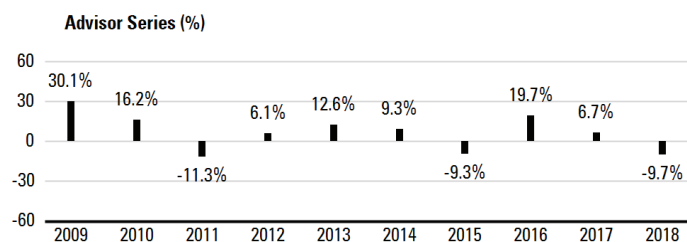
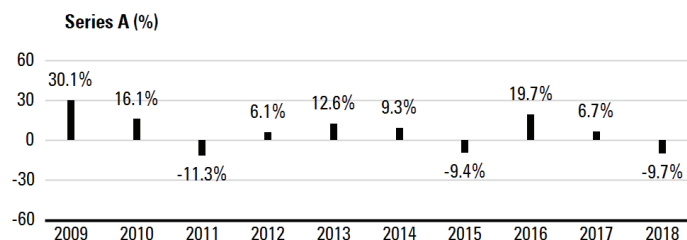
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



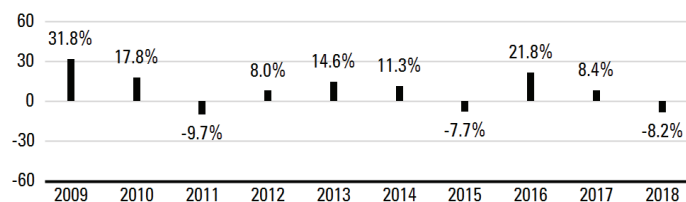
## PAST PERFORMANCE (cont.)



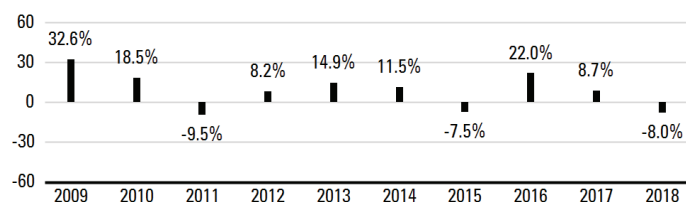
Series FT5 (%)



Series I (%)



Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -9.7         | 4.9             | 2.7             | 6.2              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series | -9.7         | 4.9             | 2.7             | 6.3              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series T5      | -9.6         | —               | —               | —                | -2.3               |
| Benchmark      | -8.9         | —               | —               | —                | -1.1               |
| Series D       | -8.9         | 5.7             | 3.6             | 7.1              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F       | -8.6         | 6.0             | 3.9             | 7.4              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series FT5     | -8.7         | —               | —               | —                | -1.3               |
| Benchmark      | -8.9         | —               | —               | —                | -1.1               |
| Series I       | -8.2         | 6.6             | 4.5             | 8.0              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O       | -8.0         | 6.9             | 4.7             | 8.3              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 30.3                 |
| Energy                 | 17.9                 |
| Industrials            | 10.5                 |
| Materials              | 8.6                  |
| Consumer Staples       | 5.7                  |
| Real Estate            | 4.8                  |
| Utilities              | 4.8                  |
| Communication Services | 4.4                  |
| Consumer Discretionary | 3.6                  |
| Underlying Funds       | 3.6                  |
| Health Care            | 2.0                  |
| Information Technology | 2.0                  |
| Cash/Other             | 1.8                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Royal Bank of Canada                        | 7.0                  |
| Bank of Nova Scotia                         | 5.2                  |
| Toronto-Dominion Bank                       | 5.0                  |
| Enbridge Inc.                               | 4.3                  |
| RBC Canadian Small & Mid-Cap Resources Fund | 3.6                  |
| Suncor Energy Inc.                          | 3.4                  |
| Canadian Natural Resources Ltd.             | 2.8                  |
| TransCanada Corp.                           | 2.8                  |
| Canadian National Railway Co.               | 2.7                  |
| Bank of Montreal                            | 2.7                  |
| Nutrien Ltd.                                | 2.7                  |
| Manulife Financial Corporation              | 2.6                  |
| Brookfield Asset Management Inc., Class A   | 2.4                  |
| Canadian Imperial Bank of Commerce          | 2.1                  |
| BCE Inc.                                    | 1.6                  |
| Sun Life Financial Inc.                     | 1.6                  |
| Magna International Inc., Class A           | 1.5                  |
| Cash & Cash Equivalents                     | 1.4                  |
| Alimentation Couche-Tard Inc.               | 1.4                  |
| UnitedHealth Group Incorporated             | 1.4                  |
| Pembina Pipeline Corp.                      | 1.4                  |
| George Weston Ltd.                          | 1.3                  |
| Thomson Reuters Corp.                       | 1.2                  |
| Canadian Pacific Railway Ltd.               | 1.1                  |
| Canadian Tire Corp. Ltd., Class A           | 1.1                  |
| Top 25 Holdings                             | 64.3                 |

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).



CANADIAN EQUITY FUND

**RBC QUBE CANADIAN EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of Canadian companies using a quantitative approach.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager will diversify across industries within the Canadian market.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$1.6 billion as of December 31, 2018, from \$1.5 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series O units lost 8.3%, which outperformed the 8.9% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

In the Consumer Discretionary sector, a position in Dollarama held back the Fund's returns over the year. The Financials sector hurt performance, with positions in CI Financial and Brookfield Asset Management having a negative effect during the period.

In the Communication Services sector, the Fund's position in Rogers Communications added significantly to returns. Positions in the Industrials sector also aided performance, with a large contribution from a holding in Aecon.

### Recent Developments

The year ended with global equity markets in retreat as rising interest rates, diminished fiscal stimulus and protectionist trade wars impeded economic growth across most economies. Among the headwinds facing the Canadian economy in 2019 are a lack of pipeline space to transport oil, debt-burdened consumers and a weakening housing market, all of which may stifle Canadian growth in the year ahead. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$338,000 (2017 – \$358,000) or 21% (2017 – 18%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.10</b>                                      | <b>(0.03)</b>     | <b>0.01</b>                   | <b>(1.61)</b>                   | <b>(1.53)</b> | <b>—</b>                                   | <b>(0.21)</b>     | <b>(0.10)</b>            | <b>—</b>             | <b>(0.31)</b> | <b>8.49</b>                         |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>             | <b>12.04</b>                           | <b>0.36</b>                                      | <b>—</b>          | <b>0.04</b>                   | <b>(1.41)</b>                   | <b>(1.01)</b> | <b>—</b>                                   | <b>(0.34)</b>     | <b>(0.12)</b>            | <b>—</b>             | <b>(0.46)</b> | <b>10.58</b>                        |
| Dec. 31, 2017                    | 11.29                                  | 0.35                                             | —                 | 0.07                          | 0.69                            | 1.11          | (0.01)                                     | (0.30)            | (0.02)                   | —                    | (0.33)        | 12.04                               |
| Dec. 31, 2016                    | 9.94                                   | 0.34                                             | —                 | 0.20                          | 1.18                            | 1.72          | (0.01)                                     | (0.32)            | (0.02)                   | —                    | (0.35)        | 11.29                               |
| Dec. 31, 2015                    | 10.92                                  | 0.33                                             | —                 | (0.25)                        | (0.98)                          | (0.90)        | (0.01)                                     | (0.23)            | —                        | —                    | (0.24)        | 9.94                                |
| Dec. 31, 2014                    | 9.87                                   | 0.34                                             | —                 | 0.04                          | 0.17                            | 0.55          | —                                          | (0.05)            | (0.02)                   | —                    | (0.07)        | 10.92                               |

<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 August 16, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.49</b>                      | <b>1 194</b>                | <b>141</b>                            | <b>0.30</b>                                  | <b>0.30</b>                               | <b>69.54</b>                                | <b>0.10</b>                               |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>10.58</b>                     | <b>1 627 741</b>            | <b>153 892</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>69.54</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017                    | 12.04                            | 1 499 149                   | 124 496                               | 0.02                                         | 0.02                                      | 96.25                                       | 0.15                                      |
| Dec. 31, 2016                    | 11.29                            | 1 240 909                   | 109 932                               | 0.02                                         | 0.02                                      | 128.50                                      | 0.20                                      |
| Dec. 31, 2015                    | 9.94                             | 1 038 489                   | 104 465                               | 0.02                                         | 0.02                                      | 52.28                                       | 0.07                                      |
| Dec. 31, 2014                    | 10.92                            | 685 012                     | 62 726                                | 0.02                                         | 0.02                                      | 30.18                                       | 0.19                                      |

<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 August 16, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 F | 0.60%           | —                     | 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.

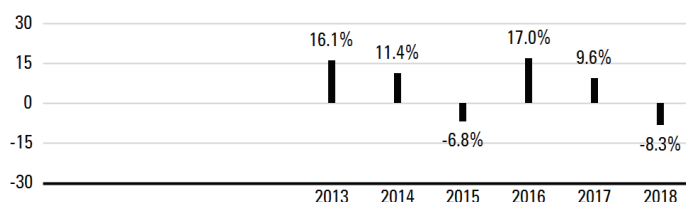
### Year-by-Year Returns (%)

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.

Series F (%)



Series O (%)



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### S&P/TSX Capped Composite Total Return Index

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series F  | —         | —            | —            | —             | -12.0           |
| Benchmark | —         | —            | —            | —             | -11.2           |
| Series O  | -8.3      | 5.6          | 4.1          | —             | 6.6             |
| Benchmark | -8.9      | 6.4          | 4.1          | —             | 6.2             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series F units have been available for sale to unitholders since August 20, 2018.

Although Series O units of the Fund were created in November 2011, units were not offered for sale under a simplified prospectus until June 27, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 31.4                 |
| Energy                 | 19.5                 |
| Industrials            | 12.2                 |
| Materials              | 10.7                 |
| Communication Services | 7.2                  |
| Consumer Discretionary | 5.2                  |
| Consumer Staples       | 4.1                  |
| Information Technology | 3.3                  |
| Real Estate            | 2.7                  |
| Utilities              | 2.6                  |
| Health Care            | 0.7                  |
| Cash/Other             | 0.4                  |

### Top 25 Holdings

|                                     | % of Net Asset Value |
|-------------------------------------|----------------------|
| Toronto-Dominion Bank               | 8.3                  |
| Royal Bank of Canada                | 7.0                  |
| Enbridge Inc.                       | 4.4                  |
| Bank of Montreal                    | 4.3                  |
| Canadian Pacific Railway Ltd.       | 3.7                  |
| Suncor Energy Inc.                  | 3.0                  |
| Pembina Pipeline Corp.              | 2.9                  |
| Canadian Imperial Bank of Commerce  | 2.7                  |
| Constellation Software Inc.         | 2.7                  |
| TELUS Corp.                         | 2.4                  |
| Canadian Natural Resources Ltd.     | 2.3                  |
| Magna International Inc., Class A   | 2.3                  |
| Canadian National Railway Co.       | 2.3                  |
| Bank of Nova Scotia                 | 2.2                  |
| Rogers Communications Inc., Class B | 2.1                  |
| Alimentation Couche-Tard Inc.       | 2.1                  |
| BCE Inc.                            | 2.0                  |
| Manulife Financial Corporation      | 2.0                  |
| Waste Connections Inc.              | 2.0                  |
| Empire Co. Ltd., Class A            | 1.6                  |
| Parkland Fuel Corp.                 | 1.5                  |
| Kirkland Lake Gold Ltd.             | 1.5                  |
| TransCanada Corp.                   | 1.4                  |
| TFI International Inc.              | 1.2                  |
| Goldcorp Inc.                       | 1.1                  |
| Top 25 Holdings                     | 69.0                 |

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).



CANADIAN EQUITY FUND

**RBC QUBE LOW VOLATILITY  
CANADIAN EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of Canadian companies using a quantitative approach. The Fund seeks to achieve a reduced level of volatility of returns compared with the broader Canadian equity market.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager will diversify across industries within the Canadian market.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$1.7 billion as of December 31, 2018, from \$2.1 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 7.3%, which outperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

In the Consumer Discretionary sector, a position in Dollarama held back the Fund's returns over the year. Several holdings in the Financials sector also hurt performance, with positions in CI Financial and Power Financial having a negative effect during the period.

In the Information Technology sector, the Fund's position in CGI added significantly to returns. A position in the Industrials sector also aided performance, with a large contribution coming from a holding in CAE.

### Recent Developments

The year ended with global equity markets in retreat as rising interest rates, diminished fiscal stimulus and protectionist trade wars impeded economic growth across most economies. Among the headwinds facing the Canadian economy in 2019 are a lack of pipeline space to transport oil, debt-burdened consumers and a weakening housing market, all of which may stifle Canadian growth in the year ahead. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

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***Custodian***

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.

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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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$83,000 (2017 – \$196,000) or 13% (2017 – 22%) of the total transaction costs paid for this 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:

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***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

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|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.60                                  | 0.44                                             | (0.25)            | 0.19                          | (1.36)                          | (0.98) | (0.01)                                     | (0.20)            | (0.19)                   | —                    | (0.40) | 12.20                               |
| Dec. 31, 2017                 | 13.25                                  | 0.42                                             | (0.26)            | 0.55                          | 0.11                            | 0.82   | —                                          | (0.12)            | (0.36)                   | —                    | (0.48) | 13.60                               |
| Dec. 31, 2016                 | 12.09                                  | 0.42                                             | (0.25)            | 0.63                          | 0.78                            | 1.58   | (0.02)                                     | (0.14)            | (0.40)                   | —                    | (0.56) | 13.25                               |
| Dec. 31, 2015                 | 12.74                                  | 0.37                                             | (0.26)            | 0.24                          | (0.80)                          | (0.45) | (0.01)                                     | (0.07)            | (0.20)                   | —                    | (0.28) | 12.09                               |
| Dec. 31, 2014                 | 11.34                                  | 0.41                                             | (0.26)            | 0.77                          | 1.20                            | 2.12   | (0.01)                                     | (0.09)            | (0.59)                   | —                    | (0.69) | 12.74                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.53                                  | 0.44                                             | (0.24)            | 0.19                          | (1.35)                          | (0.96) | (0.01)                                     | (0.21)            | (0.19)                   | —                    | (0.41) | 12.14                               |
| Dec. 31, 2017                 | 13.18                                  | 0.42                                             | (0.25)            | 0.55                          | 0.11                            | 0.83   | —                                          | (0.12)            | (0.36)                   | —                    | (0.48) | 13.53                               |
| Dec. 31, 2016                 | 12.02                                  | 0.42                                             | (0.25)            | 0.62                          | 0.71                            | 1.50   | (0.02)                                     | (0.14)            | (0.40)                   | —                    | (0.56) | 13.18                               |
| Dec. 31, 2015                 | 12.68                                  | 0.38                                             | (0.25)            | 0.24                          | (0.80)                          | (0.43) | (0.01)                                     | (0.07)            | (0.21)                   | —                    | (0.29) | 12.02                               |
| Dec. 31, 2014                 | 11.35                                  | 0.41                                             | (0.24)            | 0.77                          | 1.20                            | 2.14   | (0.02)                                     | (0.14)            | (0.61)                   | —                    | (0.77) | 12.68                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.36                                  | 0.42                                             | (0.24)            | 0.18                          | (1.23)                          | (0.87) | (0.01)                                     | (0.18)            | (0.16)                   | (0.32)               | (0.67) | 11.75                               |
| Dec. 31, 2017                 | 13.21                                  | 0.42                                             | (0.25)            | 0.54                          | 0.10                            | 0.81   | (0.01)                                     | (0.13)            | (0.38)                   | (0.14)               | (0.66) | 13.36                               |
| Dec. 31, 2016 <sup>3</sup>    | 11.62 <sup>†</sup>                     | 0.38                                             | (0.24)            | 0.56                          | 0.46                            | 1.16   | (0.02)                                     | (0.11)            | (0.44)                   | —                    | (0.57) | 13.21                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.72                                  | 0.45                                             | (0.14)            | 0.19                          | (1.37)                          | (0.87) | (0.02)                                     | (0.31)            | (0.20)                   | —                    | (0.53) | 12.29                               |
| Dec. 31, 2017                 | 13.37                                  | 0.43                                             | (0.14)            | 0.56                          | 0.10                            | 0.95   | (0.01)                                     | (0.23)            | (0.37)                   | —                    | (0.61) | 13.72                               |
| Dec. 31, 2016                 | 12.20                                  | 0.43                                             | (0.15)            | 0.64                          | 0.82                            | 1.74   | (0.04)                                     | (0.24)            | (0.40)                   | —                    | (0.68) | 13.37                               |
| Dec. 31, 2015                 | 12.86                                  | 0.38                                             | (0.15)            | 0.24                          | (0.81)                          | (0.34) | (0.02)                                     | (0.16)            | (0.21)                   | —                    | (0.39) | 12.20                               |
| Dec. 31, 2014                 | 11.41                                  | 0.41                                             | (0.15)            | 0.78                          | 1.21                            | 2.25   | (0.01)                                     | (0.14)            | (0.61)                   | —                    | (0.76) | 12.86                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.48                                  | 0.44                                             | (0.10)            | 0.19                          | (1.26)                          | (0.73) | (0.02)                                     | (0.36)            | (0.19)                   | —                    | (0.57) | 12.06                               |
| Dec. 31, 2017                 | 13.13                                  | 0.42                                             | (0.10)            | 0.54                          | 0.15                            | 1.01   | (0.01)                                     | (0.27)            | (0.36)                   | —                    | (0.64) | 13.48                               |
| Dec. 31, 2016                 | 11.98                                  | 0.42                                             | (0.11)            | 0.62                          | 0.67                            | 1.60   | (0.04)                                     | (0.27)            | (0.40)                   | —                    | (0.71) | 13.13                               |
| Dec. 31, 2015                 | 12.64                                  | 0.37                                             | (0.11)            | 0.23                          | (0.79)                          | (0.30) | (0.02)                                     | (0.20)            | (0.21)                   | —                    | (0.43) | 11.98                               |
| Dec. 31, 2014                 | 11.36                                  | 0.41                                             | (0.11)            | 0.78                          | 1.21                            | 2.29   | (0.03)                                     | (0.29)            | (0.64)                   | —                    | (0.96) | 12.64                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.39                                  | 0.43                                             | (0.10)            | 0.19                          | (0.78)                          | (0.26) | (0.02)                                     | (0.31)            | (0.06)                   | (0.28)               | (0.67) | 11.90                               |
| Dec. 31, 2017                 | 13.26                                  | 0.40                                             | (0.10)            | 0.52                          | 0.52                            | 1.34   | (0.02)                                     | (0.25)            | (0.58)                   | —                    | (0.85) | 13.39                               |
| Dec. 31, 2016 <sup>3</sup>    | 11.53 <sup>†</sup>                     | 0.38                                             | (0.10)            | 0.56                          | 0.99                            | 1.83   | (0.03)                                     | (0.20)            | (0.32)                   | —                    | (0.55) | 13.26                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.66                                  | 0.48                                             | —                 | 0.21                          | (1.53)                          | (0.84) | (0.03)                                     | (0.46)            | (0.21)                   | —                    | (0.70) | 13.14                               |
| Dec. 31, 2017                 | 14.29                                  | 0.46                                             | —                 | 0.60                          | 0.15                            | 1.21   | (0.02)                                     | (0.39)            | (0.40)                   | —                    | (0.81) | 14.66                               |
| Dec. 31, 2016                 | 13.03                                  | 0.47                                             | —                 | 0.69                          | 1.01                            | 2.17   | (0.06)                                     | (0.39)            | (0.43)                   | —                    | (0.88) | 14.29                               |
| Dec. 31, 2015                 | 13.75                                  | 0.41                                             | —                 | 0.26                          | (0.87)                          | (0.20) | (0.03)                                     | (0.32)            | (0.23)                   | —                    | (0.58) | 13.03                               |
| Dec. 31, 2014                 | 12.29                                  | 0.44                                             | —                 | 0.84                          | 1.31                            | 2.59   | (0.04)                                     | (0.39)            | (0.67)                   | —                    | (1.10) | 13.75                               |

<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 reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From January 25, 2016.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.20</b>                     | <b>108 926</b>              | <b>8 925</b>                          | <b>1.88</b>                                  | <b>1.88</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 13.60                            | 145 765                     | 10 719                                | 1.88                                         | 1.88                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016              | 13.25                            | 116 093                     | 8 764                                 | 1.94                                         | 1.94                                      | 60.40                                       | 0.06                                      |
| Dec. 31, 2015              | 12.09                            | 45 115                      | 3 733                                 | 2.04                                         | 2.04                                      | 34.78                                       | 0.04                                      |
| Dec. 31, 2014              | 12.74                            | 25 574                      | 2 007                                 | 2.05                                         | 2.05                                      | 51.57                                       | 0.03                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.14</b>                     | <b>16 145</b>               | <b>1 330</b>                          | <b>1.85</b>                                  | <b>1.85</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 13.53                            | 22 192                      | 1 640                                 | 1.85                                         | 1.85                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016              | 13.18                            | 20 037                      | 1 520                                 | 1.87                                         | 1.87                                      | 60.40                                       | 0.06                                      |
| Dec. 31, 2015              | 12.02                            | 3 938                       | 328                                   | 1.97                                         | 1.97                                      | 34.78                                       | 0.04                                      |
| Dec. 31, 2014              | 12.68                            | 3 056                       | 241                                   | 1.96                                         | 1.96                                      | 51.57                                       | 0.03                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.75</b>                     | <b>713</b>                  | <b>61</b>                             | <b>1.86</b>                                  | <b>1.86</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 13.36                            | 922                         | 69                                    | 1.89                                         | 1.89                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 13.21                            | 851                         | 64                                    | 1.94                                         | 1.94                                      | 60.40                                       | 0.06                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.29</b>                     | <b>26 144</b>               | <b>2 127</b>                          | <b>1.03</b>                                  | <b>1.03</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 13.72                            | 34 613                      | 2 523                                 | 1.03                                         | 1.03                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016              | 13.37                            | 29 197                      | 2 184                                 | 1.09                                         | 1.09                                      | 60.40                                       | 0.06                                      |
| Dec. 31, 2015              | 12.20                            | 10 350                      | 848                                   | 1.21                                         | 1.21                                      | 34.78                                       | 0.04                                      |
| Dec. 31, 2014              | 12.86                            | 7 752                       | 603                                   | 1.19                                         | 1.19                                      | 51.57                                       | 0.03                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.06</b>                     | <b>66 313</b>               | <b>5 498</b>                          | <b>0.77</b>                                  | <b>0.77</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 13.48                            | 78 772                      | 5 846                                 | 0.77                                         | 0.77                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016              | 13.13                            | 39 892                      | 3 038                                 | 0.79                                         | 0.79                                      | 60.40                                       | 0.06                                      |
| Dec. 31, 2015              | 11.98                            | 3 045                       | 254                                   | 0.91                                         | 0.91                                      | 34.78                                       | 0.04                                      |
| Dec. 31, 2014              | 12.64                            | 1 321                       | 105                                   | 0.90                                         | 0.90                                      | 51.57                                       | 0.03                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.90</b>                     | <b>376</b>                  | <b>32</b>                             | <b>0.78</b>                                  | <b>0.78</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 13.39                            | 1 224                       | 91                                    | 0.77                                         | 0.77                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016 <sup>4</sup> | 13.26                            | 180                         | 14                                    | 0.79                                         | 0.79                                      | 60.40                                       | 0.06                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>13.14</b>                     | <b>1 447 642</b>            | <b>110 195</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>35.34</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017              | 14.66                            | 1 814 944                   | 123 831                               | 0.02                                         | 0.02                                      | 48.12                                       | 0.05                                      |
| Dec. 31, 2016              | 14.29                            | 1 533 387                   | 107 305                               | 0.02                                         | 0.02                                      | 60.40                                       | 0.06                                      |
| Dec. 31, 2015              | 13.03                            | 1 214 143                   | 93 160                                | 0.02                                         | 0.02                                      | 34.78                                       | 0.04                                      |
| Dec. 31, 2014              | 13.75                            | 830 140                     | 60 389                                | 0.02                                         | 0.02                                      | 51.57                                       | 0.03                                      |

<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 January 25, 2016.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series T5, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.82%, Series T5 – 1.92%, Series D – 1.03%, Series F – 0.76% and Series FT5 – 0.79%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series T5      | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 100%   |
| Series FT5     | 0.60%           | —                     | 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.

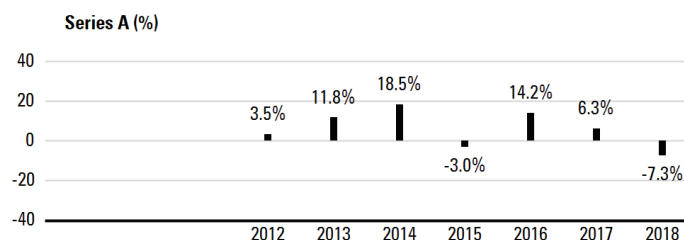
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

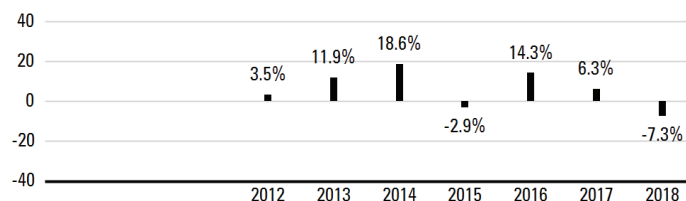
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



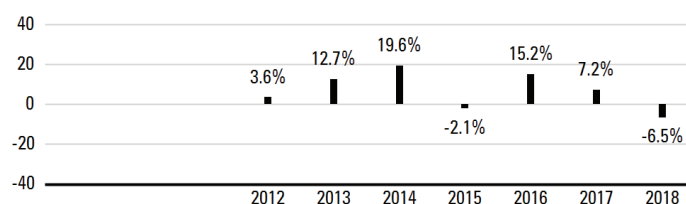
**Advisor Series (%)**



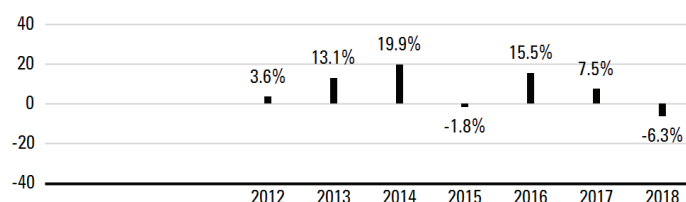
**Series T5 (%)**



**Series D (%)**



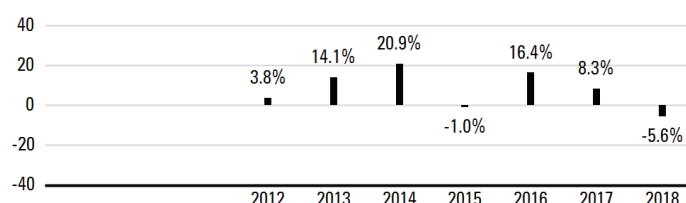
**Series F (%)**



**Series FT5 (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -7.3         | 4.0             | 5.3             | —                | 6.8                |
| Benchmark      | -8.9         | 6.4             | 4.1             | —                | 6.0                |
| Advisor Series | -7.3         | 4.1             | 5.4             | —                | 6.9                |
| Benchmark      | -8.9         | 6.4             | 4.1             | —                | 6.0                |
| Series T5      | -7.3         | —               | —               | —                | 5.5                |
| Benchmark      | -8.9         | —               | —               | —                | 9.0                |
| Series D       | -6.5         | 4.9             | 6.2             | —                | 7.7                |
| Benchmark      | -8.9         | 6.4             | 4.1             | —                | 6.0                |
| Series F       | -6.3         | 5.2             | 6.5             | —                | 8.0                |
| Benchmark      | -8.9         | 6.4             | 4.1             | —                | 6.0                |
| Series FT5     | -6.3         | —               | —               | —                | 6.7                |
| Benchmark      | -8.9         | —               | —               | —                | 9.0                |
| Series O       | -5.6         | 6.0             | 7.3             | —                | 8.9                |
| Benchmark      | -8.9         | 6.4             | 4.1             | —                | 6.2                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since January 25, 2016, and Series A, Advisor Series, Series D and Series F units since November 19, 2012.

Although Series O units of the Fund were created in November 2011, units were not offered for sale under a simplified prospectus until November 19, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 23.6                 |
| Consumer Staples       | 14.1                 |
| Industrials            | 13.1                 |
| Communication Services | 10.5                 |
| Real Estate            | 10.2                 |
| Utilities              | 9.5                  |
| Information Technology | 6.3                  |
| Materials              | 5.2                  |
| Consumer Discretionary | 2.7                  |
| Energy                 | 2.1                  |
| Health Care            | 2.0                  |
| Cash/Other             | 0.7                  |

### Top 25 Holdings

|                                     | % of Net Asset Value |
|-------------------------------------|----------------------|
| Royal Bank of Canada                | 5.0                  |
| Bank of Nova Scotia                 | 4.9                  |
| Bank of Montreal                    | 4.7                  |
| TELUS Corp.                         | 4.0                  |
| George Weston Ltd.                  | 4.0                  |
| Constellation Software Inc.         | 3.9                  |
| BCE Inc.                            | 3.9                  |
| Canadian National Railway Co.       | 3.9                  |
| Metro Inc., Class A                 | 3.9                  |
| Hydro One Ltd.                      | 3.9                  |
| Saputo Group Inc.                   | 3.7                  |
| Power Financial Corp.               | 3.5                  |
| RioCan Real Estate Investment Trust | 3.4                  |
| CAE Inc.                            | 3.3                  |
| Wheaton Precious Metals Corp.       | 2.6                  |
| Intact Financial Corp.              | 2.3                  |
| Toronto-Dominion Bank               | 2.2                  |
| H&R Real Estate Investment Trust    | 2.2                  |
| CGI Group Inc., Class A             | 2.2                  |
| First Capital Realty Inc.           | 2.1                  |
| Imperial Oil Ltd.                   | 2.0                  |
| Maple Leaf Foods Inc.               | 1.9                  |
| Waste Connections Inc.              | 1.8                  |
| Magna International Inc., Class A   | 1.7                  |
| Canadian Pacific Railway Ltd.       | 1.7                  |
| Top 25 Holdings                     | 78.7                 |

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).



CANADIAN EQUITY FUND

**RBC TREND CANADIAN EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of Canadian companies and short-term fixed-income securities.

To achieve the Fund's objectives, the portfolio manager uses a systematic quantitative investment model designed to select stocks based on criteria related to their historical price patterns and volatility characteristics. The Fund invests primarily in large-cap Canadian equities although the portfolio manager may take advantage of attractive opportunities in mid-cap and small-cap companies.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$45 million as of December 31, 2018, from \$58 million at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series A units lost 4.2%, which outperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Within the Fund, stock selection was negative for relative returns in seven of 11 sectors, with the Financials, Energy and Utilities sectors holding back returns the most. The Real Estate, Information Technology and Consumer Discretionary sectors contributed the most to relative performance.

Canadian Western Bank, Saputo and CIBC had a negative impact on performance, while positions in Stars Group, Parkland Fuel and CAPREIT had a positive impact.

The Fund's allocation to equities decreased substantially over the course of 2018, with the largest declines occurring during February, October and December. Sector exposure also fluctuated, with large decreases in the Financials, Utilities and Industrials sectors over the year, and the Fund had zero exposure to the Information Technology and Health Care sectors at year-end. The Consumer Staples sector was the only sector to which the Fund increased its allocation.

The number of equity holdings in the portfolio decreased since the beginning of the year. The Fund sold its Financials-sector stocks with the exception of insurance providers Intact Financial and Genworth MI Canada. Exposure to the Real Estate sector increased towards the end of the year, with the Fund taking positions in SmartCentres REIT, Northview Apartment REIT and RioCan REIT, among others.

As of December 31, 2018, 23% of the Fund was invested in Canadian equities and 77% in short-term investments.

Portfolio turnover was high for the Fund given the portfolio manager's model-driven investment process.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from the prior forecast thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$27,000 (2017 – \$6,000) or 24% (2017 – 10%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.20</b>                           | <b>0.26</b>                                      | <b>(0.18)</b>     | <b>(0.03)</b>                 | <b>(0.47)</b>                   | <b>(0.42)</b> | —                                          | <b>(0.13)</b>     | —                        | —                    | <b>(0.13)</b> | <b>9.64</b>                         |
| Dec. 31, 2017                 | 9.77                                   | 0.32                                             | (0.18)            | (0.25)                        | 0.55                            | 0.44          | —                                          | (0.04)            | —                        | —                    | (0.04)        | 10.20                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.02)            | —                             | 0.08                            | 0.07          | —                                          | —                 | —                        | (0.32)               | (0.32)        | 9.77                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.20</b>                           | <b>0.26</b>                                      | <b>(0.18)</b>     | <b>(0.03)</b>                 | <b>(0.46)</b>                   | <b>(0.41)</b> | —                                          | <b>(0.13)</b>     | —                        | —                    | <b>(0.13)</b> | <b>9.64</b>                         |
| Dec. 31, 2017                 | 9.77                                   | 0.31                                             | (0.19)            | (0.24)                        | 0.54                            | 0.42          | —                                          | (0.03)            | —                        | —                    | (0.03)        | 10.20                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | (0.02)            | —                             | 0.04                            | 0.02          | —                                          | —                 | —                        | (0.32)               | (0.32)        | 9.77                                |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.12</b>                           | <b>0.26</b>                                      | <b>(0.10)</b>     | <b>(0.03)</b>                 | <b>(0.47)</b>                   | <b>(0.34)</b> | —                                          | <b>(0.22)</b>     | —                        | —                    | <b>(0.22)</b> | <b>9.56</b>                         |
| Dec. 31, 2017                 | 9.69                                   | 0.31                                             | (0.11)            | (0.24)                        | 0.54                            | 0.50          | —                                          | (0.12)            | —                        | —                    | (0.12)        | 10.12                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | (0.01)            | —                             | 0.11                            | 0.11          | —                                          | —                 | —                        | (0.41)               | (0.41)        | 9.69                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.10</b>                           | <b>0.26</b>                                      | <b>(0.08)</b>     | <b>(0.03)</b>                 | <b>(0.48)</b>                   | <b>(0.33)</b> | —                                          | <b>(0.24)</b>     | —                        | —                    | <b>(0.24)</b> | <b>9.55</b>                         |
| Dec. 31, 2017                 | 9.67                                   | 0.29                                             | (0.08)            | (0.23)                        | 0.52                            | 0.50          | —                                          | (0.15)            | —                        | —                    | (0.15)        | 10.10                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | —                                                | (0.01)            | —                             | 0.09                            | 0.08          | —                                          | —                 | —                        | (0.43)               | (0.43)        | 9.67                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.98</b>                            | <b>0.26</b>                                      | —                 | <b>(0.03)</b>                 | <b>(0.47)</b>                   | <b>(0.24)</b> | <b>(0.01)</b>                              | <b>(0.30)</b>     | —                        | —                    | <b>(0.31)</b> | <b>9.43</b>                         |
| Dec. 31, 2017                 | 9.53                                   | 0.48                                             | —                 | (0.38)                        | 1.17                            | 1.27          | —                                          | (0.22)            | —                        | —                    | (0.22)        | 9.98                                |
| Dec. 31, 2016                 | 9.94                                   | 1.05                                             | (0.01)            | 0.04                          | (0.45)                          | 0.63          | —                                          | (0.01)            | —                        | (1.03)               | (1.04)        | 9.53                                |
| Dec. 31, 2015                 | 10.02                                  | 0.26                                             | —                 | 0.13                          | (0.26)                          | 0.13          | —                                          | (0.21)            | —                        | —                    | (0.21)        | 9.94                                |
| Dec. 31, 2014 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.09                                             | —                 | (0.43)                        | 0.44                            | 0.10          | (0.18)                                     | (0.05)            | —                        | —                    | (0.23)        | 10.02                               |

<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 November 28, 2016.

<sup>4</sup> From September 22, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.64</b>                      | <b>10 580</b>               | <b>1 097</b>                          | <b>1.88</b>                                  | <b>1.88</b>                               | <b>137.42</b>                               | <b>0.25</b>                               |
| Dec. 31, 2017              | 10.20                            | 14 833                      | 1 454                                 | 1.85                                         | 1.85                                      | 72.77                                       | 0.13                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.77                             | 10 855                      | 1 111                                 | 1.92                                         | 1.93                                      | 33.14                                       | 0.04                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.64</b>                      | <b>1 743</b>                | <b>181</b>                            | <b>1.90</b>                                  | <b>1.90</b>                               | <b>137.42</b>                               | <b>0.25</b>                               |
| Dec. 31, 2017              | 10.20                            | 2 900                       | 284                                   | 1.89                                         | 1.89                                      | 72.77                                       | 0.13                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.77                             | 1 132                       | 116                                   | 1.92                                         | 1.93                                      | 33.14                                       | 0.04                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.56</b>                      | <b>856</b>                  | <b>90</b>                             | <b>1.11</b>                                  | <b>1.11</b>                               | <b>137.42</b>                               | <b>0.25</b>                               |
| Dec. 31, 2017              | 10.12                            | 988                         | 98                                    | 1.08                                         | 1.08                                      | 72.77                                       | 0.13                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.69                             | 544                         | 56                                    | 1.07                                         | 1.08                                      | 33.14                                       | 0.04                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.55</b>                      | <b>31 653</b>               | <b>3 316</b>                          | <b>0.84</b>                                  | <b>0.84</b>                               | <b>137.42</b>                               | <b>0.25</b>                               |
| Dec. 31, 2017              | 10.10                            | 39 021                      | 3 863                                 | 0.80                                         | 0.80                                      | 72.77                                       | 0.13                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.67                             | 5 455                       | 564                                   | 0.79                                         | 0.80                                      | 33.14                                       | 0.04                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.43</b>                      | <b>1</b>                    | <b>—</b>                              | <b>0.09</b>                                  | <b>0.09</b>                               | <b>137.42</b>                               | <b>0.25</b>                               |
| Dec. 31, 2017              | 9.98                             | 1                           | —                                     | 0.04                                         | 0.04                                      | 72.77                                       | 0.13                                      |
| Dec. 31, 2016              | 9.53                             | 552                         | 58                                    | 0.02                                         | 0.03                                      | 33.14                                       | 0.04                                      |
| Dec. 31, 2015              | 9.94                             | 519                         | 52                                    | 0.02                                         | 0.02                                      | 120.16                                      | 0.13                                      |
| Dec. 31, 2014 <sup>5</sup> | 10.02                            | 505                         | 51                                    | 0.02                                         | 0.02                                      | 56.60                                       | 2.31                                      |

<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 November 28, 2016.

<sup>5</sup> From September 22, 2014.

## 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -4.2         | —               | —               | —                | 0.7                |
| Benchmark      | -8.9         | —               | —               | —                | 0.7                |
| Advisor Series | -4.2         | —               | —               | —                | 0.6                |
| Benchmark      | -8.9         | —               | —               | —                | 0.7                |
| Series D       | -3.4         | —               | —               | —                | 1.4                |
| Benchmark      | -8.9         | —               | —               | —                | 0.7                |
| Series F       | -3.1         | —               | —               | —                | 1.7                |
| Benchmark      | -8.9         | —               | —               | —                | 0.7                |
| Series O       | -2.4         | —               | —               | —                | 2.6                |
| Benchmark      | -8.9         | —               | —               | —                | 1.7                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since November 28, 2016.

Although Series O units of the Fund were created in September 2014, units were not offered for sale under a simplified prospectus until November 14, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                                                  | % of Net Asset Value |
|--------------------------------------------------|----------------------|
| iShares Core Canadian Short Term Bond Index Fund | 59.5                 |
| Real Estate                                      | 9.5                  |
| Consumer Staples                                 | 3.5                  |
| Communication Services                           | 2.8                  |
| Materials                                        | 1.8                  |
| Utilities                                        | 1.8                  |
| Industrials                                      | 1.6                  |
| Financials                                       | 1.5                  |
| Consumer Discretionary                           | 0.5                  |
| Energy                                           | 0.5                  |
| Cash/Other                                       | 17.0                 |

### Top 25 Holdings

|                                                  | % of Net Asset Value |
|--------------------------------------------------|----------------------|
| iShares Core Canadian Short Term Bond Index Fund | 59.6                 |
| Cash & Cash Equivalents                          | 17.0                 |
| TELUS Corp.                                      | 1.2                  |
| SmartCentres Real Estate Investment Trust        | 1.0                  |
| Northview Apartment Real Estate Investment Trust | 1.0                  |
| RioCan Real Estate Investment Trust              | 1.0                  |
| Crombie Real Estate Investment Trust             | 0.9                  |
| Intact Financial Corp.                           | 0.9                  |
| Granite Real Estate Investment Trust             | 0.9                  |
| Fortis Inc.                                      | 0.9                  |
| Algonquin Power & Utilities Corp.                | 0.9                  |
| Choice Properties Real Estate Investment Trust   | 0.9                  |
| Rogers Communications Inc., Class B              | 0.8                  |
| H&R Real Estate Investment Trust                 | 0.8                  |
| The North West Co. Inc.                          | 0.8                  |
| First Capital Realty Inc.                        | 0.8                  |
| Allied Properties Real Estate Investment Trust   | 0.8                  |
| Loblaw Companies Ltd.                            | 0.8                  |
| Metro Inc., Class A                              | 0.8                  |
| Quebecor Inc., Class B                           | 0.8                  |
| Thomson Reuters Corp.                            | 0.7                  |
| Killam Apartment Real Estate Investment Trust    | 0.7                  |
| InterRent Real Estate Investment Trust           | 0.7                  |
| Alimentation Couche-Tard Inc.                    | 0.7                  |
| Genworth MI Canada Inc.                          | 0.6                  |
| Top 25 Holdings                                  | 96.0                 |

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).



CANADIAN EQUITY FUND

**RBC VISION CANADIAN EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 provides the potential for long-term capital growth by investing primarily in equity securities of Canadian companies and follows a socially responsible approach to investing. Investments that qualify for inclusion in the Fund must possess strong environmental, social and governance practices relative to industry peers, as defined by Sustainalytics Best-of-Sector™ methodology.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$173 million as of December 31, 2018, from \$176 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series A units lost 10.9%, which underperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

In the Consumer Discretionary sector, a position in Dollarama held back the Fund's returns over the year. The Energy sector was negative for performance, with positions in Raging River Exploration and Whitecap Resources holding back returns during the period.

In the Information Technology sector, the Fund's overweight position in CGI and Open Text added significantly to returns. Various positions in the Financials sector also aided performance, with a meaningful contribution from a holding in Brookfield Asset Management.

Sustainalytics conducted one review covering the Fund's holdings in 2018. Eligibility was determined in relation to the Environmental, Social and Governance ("ESG") criteria developed by RBC GAM in consultation with Sustainalytics. In the opinion of Sustainalytics, all holdings in the Fund were eligible in the latest review, based on the above criteria. However, during the year, two companies were removed from the Fund as they no longer met certain ESG criteria.

### Recent Developments

The year ended with global equity markets in retreat as rising interest rates, diminished fiscal stimulus and protectionist trade wars impeded economic growth across most economies. Among the headwinds facing the Canadian economy in 2019 are a lack of pipeline space to transport oil, debt-burdened consumers and a weakening housing market, all of which may stifle Canadian growth in the year ahead. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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.

™ Best-of-Sector is a trademark of Sustainalytics. Used under licence.



***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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$8,000 (2017 – \$3,000) or 8% (2017 – 4%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.97                                  | 0.41                                             | (0.25)            | 0.20                          | (1.88)                          | (1.52) | —                                          | (0.11)            | (0.14)                   | —                    | (0.25) | 12.19                               |
| Dec. 31, 2017                 | 13.26                                  | 0.61                                             | (0.26)            | 0.68                          | (0.11)                          | 0.92   | —                                          | —                 | (0.18)                   | —                    | (0.18) | 13.97                               |
| Dec. 31, 2016                 | 11.19                                  | 0.34                                             | (0.24)            | 0.08                          | 1.93                            | 2.11   | —                                          | (0.06)            | —                        | —                    | (0.06) | 13.26                               |
| Dec. 31, 2015                 | 12.26                                  | 0.37                                             | (0.25)            | 0.40                          | (1.53)                          | (1.01) | —                                          | (0.04)            | (0.02)                   | —                    | (0.06) | 11.19                               |
| Dec. 31, 2014                 | 11.23                                  | 0.32                                             | (0.26)            | 0.20                          | 0.71                            | 0.97   | —                                          | (0.01)            | —                        | —                    | (0.01) | 12.26                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.01                                  | 0.41                                             | (0.26)            | 0.20                          | (1.90)                          | (1.55) | —                                          | (0.11)            | (0.14)                   | —                    | (0.25) | 12.23                               |
| Dec. 31, 2017                 | 13.31                                  | 0.55                                             | (0.26)            | 0.61                          | 0.14                            | 1.04   | —                                          | (0.01)            | (0.18)                   | —                    | (0.19) | 14.01                               |
| Dec. 31, 2016                 | 11.22                                  | 0.34                                             | (0.24)            | 0.08                          | 1.91                            | 2.09   | —                                          | (0.06)            | —                        | —                    | (0.06) | 13.31                               |
| Dec. 31, 2015                 | 12.30                                  | 0.37                                             | (0.25)            | 0.40                          | (1.53)                          | (1.01) | —                                          | (0.05)            | (0.02)                   | —                    | (0.07) | 11.22                               |
| Dec. 31, 2014                 | 11.26                                  | 0.32                                             | (0.25)            | 0.20                          | 0.71                            | 0.98   | —                                          | (0.01)            | —                        | —                    | (0.01) | 12.30                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.47                                  | 0.42                                             | (0.15)            | 0.21                          | (1.95)                          | (1.47) | —                                          | (0.23)            | (0.15)                   | —                    | (0.38) | 12.62                               |
| Dec. 31, 2017                 | 13.80                                  | 0.34                                             | (0.15)            | 0.38                          | 0.99                            | 1.56   | (0.01)                                     | (0.17)            | (0.19)                   | —                    | (0.37) | 14.47                               |
| Dec. 31, 2016                 | 11.64                                  | 0.36                                             | (0.14)            | 0.09                          | 1.93                            | 2.24   | —                                          | (0.18)            | —                        | —                    | (0.18) | 13.80                               |
| Dec. 31, 2015                 | 12.76                                  | 0.38                                             | (0.15)            | 0.42                          | (1.60)                          | (0.95) | —                                          | (0.15)            | (0.02)                   | —                    | (0.17) | 11.64                               |
| Dec. 31, 2014                 | 11.68                                  | 0.33                                             | (0.15)            | 0.21                          | 0.74                            | 1.13   | —                                          | (0.12)            | —                        | —                    | (0.12) | 12.76                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.61                                  | 0.43                                             | (0.11)            | 0.21                          | (2.10)                          | (1.57) | —                                          | (0.27)            | (0.15)                   | —                    | (0.42) | 12.74                               |
| Dec. 31, 2017                 | 13.95                                  | 0.50                                             | (0.11)            | 0.56                          | 0.48                            | 1.43   | (0.01)                                     | (0.24)            | (0.19)                   | —                    | (0.44) | 14.61                               |
| Dec. 31, 2016                 | 11.78                                  | 0.36                                             | (0.11)            | 0.09                          | 2.10                            | 2.44   | —                                          | (0.22)            | —                        | —                    | (0.22) | 13.95                               |
| Dec. 31, 2015                 | 12.90                                  | 0.39                                             | (0.12)            | 0.42                          | (1.62)                          | (0.93) | —                                          | (0.18)            | (0.02)                   | —                    | (0.20) | 11.78                               |
| Dec. 31, 2014                 | 11.84                                  | 0.34                                             | (0.12)            | 0.21                          | 0.75                            | 1.18   | —                                          | (0.19)            | —                        | —                    | (0.19) | 12.90                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.02                                  | 0.29                                             | —                 | 0.14                          | (1.40)                          | (0.97) | —                                          | (0.26)            | (0.10)                   | —                    | (0.36) | 8.73                                |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | —                 | 0.12                          | 0.59                            | 0.82   | (0.01)                                     | (0.31)            | (0.13)                   | —                    | (0.45) | 10.02                               |

<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 May 19, 2017.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>12.19</b>                     | <b>27 006</b>               | <b>2 212</b>                          | <b>1.87</b>                                  | <b>1.87</b>                               | <b>25.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017        | 13.97                            | 33 102                      | 2 369                                 | 1.90                                         | 1.90                                      | 22.44                                       | 0.06                                      |
| Dec. 31, 2016        | 13.26                            | 29 974                      | 2 261                                 | 2.00                                         | 2.01                                      | 20.44                                       | 0.05                                      |
| Dec. 31, 2015        | 11.19                            | 26 731                      | 2 389                                 | 2.09                                         | 2.10                                      | 31.91                                       | 0.08                                      |
| Dec. 31, 2014        | 12.26                            | 30 631                      | 2 498                                 | 2.09                                         | 2.10                                      | 31.99                                       | 0.08                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.23</b>                     | <b>5 007</b>                | <b>409</b>                            | <b>1.87</b>                                  | <b>1.87</b>                               | <b>25.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017              | 14.01                            | 5 223                       | 373                                   | 1.88                                         | 1.88                                      | 22.44                                       | 0.06                                      |
| Dec. 31, 2016              | 13.31                            | 3 731                       | 280                                   | 1.95                                         | 1.96                                      | 20.44                                       | 0.05                                      |
| Dec. 31, 2015              | 11.22                            | 3 709                       | 330                                   | 2.03                                         | 2.04                                      | 31.91                                       | 0.08                                      |
| Dec. 31, 2014              | 12.30                            | 4 080                       | 332                                   | 2.02                                         | 2.03                                      | 31.99                                       | 0.08                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.62</b>                     | <b>20 731</b>               | <b>1 641</b>                          | <b>1.03</b>                                  | <b>1.03</b>                               | <b>25.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017              | 14.47                            | 25 722                      | 1 777                                 | 1.05                                         | 1.05                                      | 22.44                                       | 0.06                                      |
| Dec. 31, 2016              | 13.80                            | 2 869                       | 208                                   | 1.13                                         | 1.14                                      | 20.44                                       | 0.05                                      |
| Dec. 31, 2015              | 11.64                            | 2 594                       | 223                                   | 1.21                                         | 1.22                                      | 31.91                                       | 0.08                                      |
| Dec. 31, 2014              | 12.76                            | 2 527                       | 198                                   | 1.20                                         | 1.21                                      | 31.99                                       | 0.08                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.74</b>                     | <b>7 807</b>                | <b>612</b>                            | <b>0.77</b>                                  | <b>0.77</b>                               | <b>25.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017              | 14.61                            | 6 642                       | 455                                   | 0.77                                         | 0.77                                      | 22.44                                       | 0.06                                      |
| Dec. 31, 2016              | 13.95                            | 2 349                       | 168                                   | 0.85                                         | 0.86                                      | 20.44                                       | 0.05                                      |
| Dec. 31, 2015              | 11.78                            | 1 619                       | 137                                   | 0.94                                         | 0.95                                      | 31.91                                       | 0.08                                      |
| Dec. 31, 2014              | 12.90                            | 1 572                       | 122                                   | 0.94                                         | 0.95                                      | 31.99                                       | 0.08                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.73</b>                      | <b>112 031</b>              | <b>12 819</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>25.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.02                            | 105 303                     | 10 514                                | 0.02                                         | 0.02                                      | 22.44                                       | 0.06                                      |

<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 May 19, 2017.

Effective June 30, 2017, the administration fees were changed in respect of Series A units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 1.87%.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.92%, Advisor Series – 1.87%, Series D – 1.05% and Series F – 0.78%.

## 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.



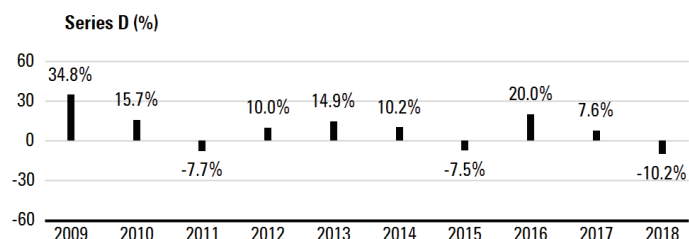
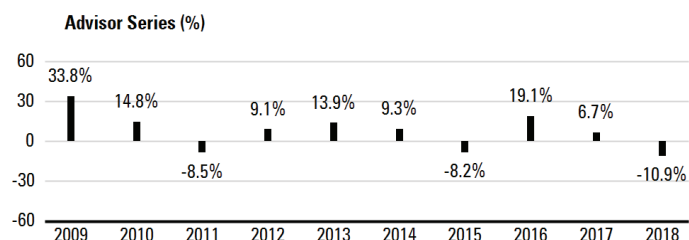
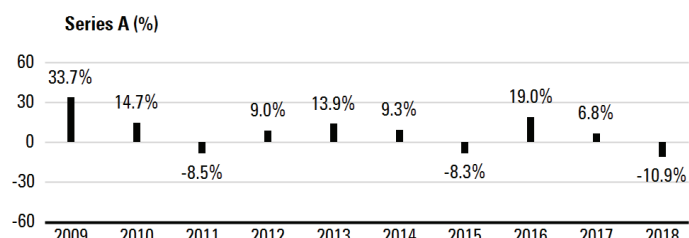


## PAST PERFORMANCE

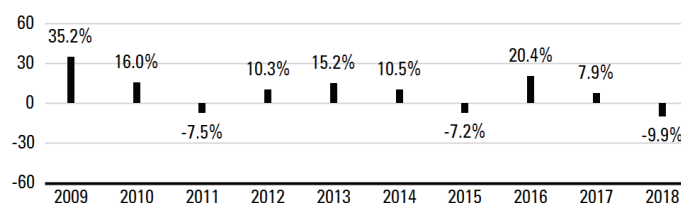
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



**Series F (%)**



**Series O (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P/TSX Capped Composite Total Return Index

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -10.9     | 4.2          | 2.6          | 7.0           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Advisor Series | -10.9     | 4.2          | 2.6          | 7.1           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series D       | -10.2     | 5.1          | 3.4          | 8.0           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series F       | -9.9      | 5.4          | 3.7          | 8.3           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series O       | -9.3      | —            | —            | —             | -3.0            |
| Benchmark      | -8.9      | —            | —            | —             | -1.7            |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series O units have been available for sale to unitholders since May 19, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 36.4                 |
| Energy                 | 19.8                 |
| Industrials            | 12.8                 |
| Materials              | 9.9                  |
| Information Technology | 4.9                  |
| Communication Services | 4.8                  |
| Consumer Discretionary | 3.9                  |
| Real Estate            | 2.9                  |
| Utilities              | 2.0                  |
| Consumer Staples       | 1.4                  |
| Cash/Other             | 1.2                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Royal Bank of Canada                      | 7.9                  |
| Toronto-Dominion Bank                     | 6.9                  |
| Enbridge Inc.                             | 5.1                  |
| Bank of Nova Scotia                       | 4.5                  |
| Canadian National Railway Co.             | 4.1                  |
| Brookfield Asset Management Inc., Class A | 3.8                  |
| Bank of Montreal                          | 3.4                  |
| Manulife Financial Corporation            | 3.0                  |
| Suncor Energy Inc.                        | 2.8                  |
| Sun Life Financial Inc.                   | 2.8                  |
| Canadian Natural Resources Ltd.           | 2.7                  |
| Shaw Communications Inc., Class B         | 2.4                  |
| CGI Group Inc., Class A                   | 2.4                  |
| TransCanada Corp.                         | 2.1                  |
| Nutrien Ltd.                              | 2.0                  |
| Open Text Corp.                           | 1.7                  |
| Waste Connections Inc.                    | 1.6                  |
| Pembina Pipeline Corp.                    | 1.6                  |
| Intact Financial Corp.                    | 1.5                  |
| Dollarama Inc.                            | 1.4                  |
| Quebecor Inc., Class B                    | 1.4                  |
| Canadian Pacific Railway Ltd.             | 1.3                  |
| Canadian Imperial Bank of Commerce        | 1.3                  |
| Fortis Inc.                               | 1.2                  |
| Thomson Reuters Corp.                     | 1.2                  |
| Top 25 Holdings                           | 70.1                 |

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).



CANADIAN EQUITY FUND

**RBC CANADIAN INDEX FUND**

*December 31, 2018*

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

Sub-Advisor: State Street Global Advisors, Ltd.

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 currently seeks to provide long-term capital growth by tracking the performance of the FTSE Canada All Cap Domestic Index and investing primarily in equity securities in substantially the same proportion as the index, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate of RBC GAM.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$684 million as of December 31, 2018, from \$784 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 9.3%, which underperformed the 9.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The best-performing sectors by contribution to returns were Information Technology, Consumer Staples and Real Estate. The Energy, Financials and Materials sectors ranked last.

### Recent Developments

RBC GAM has called and will hold a special meeting of the unitholders of the Fund on March 22, 2019. Subject to unitholder approval, the investment objective of the Fund will change to permit the Fund to invest in equity securities, in substantially the same proportion as its benchmark index, either directly or indirectly through investment in other mutual funds. In addition, the benchmark index will be changed to the S&P/TSX Capped Composite Total Return Index and the sub-advisor of the Fund will change to BlackRock Asset Management Canada Limited. If the change in investment objective is approved, all changes are expected to be effective on or about April 5, 2019.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.37                                  | 0.96                                             | (0.20)            | 0.91                          | (4.46)                          | (2.79) | (0.01)                                     | (0.70)            | —                        | —                    | (0.71) | 26.83                               |
| Dec. 31, 2017                 | 28.59                                  | 0.83                                             | (0.20)            | 0.53                          | 1.18                            | 2.34   | (0.01)                                     | (0.56)            | —                        | —                    | (0.57) | 30.37                               |
| Dec. 31, 2016                 | 24.28                                  | 0.79                                             | (0.19)            | (0.12)                        | 4.39                            | 4.87   | —                                          | (0.57)            | —                        | —                    | (0.57) | 28.59                               |
| Dec. 31, 2015                 | 27.28                                  | 0.81                                             | (0.19)            | 0.20                          | (3.22)                          | (2.40) | —                                          | (0.56)            | —                        | —                    | (0.56) | 24.28                               |
| Dec. 31, 2014                 | 25.34                                  | 0.78                                             | (0.20)            | 0.57                          | 1.33                            | 2.48   | —                                          | (0.54)            | —                        | —                    | (0.54) | 27.28                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.25                                  | 0.36                                             | (0.02)            | 0.34                          | (1.86)                          | (1.18) | —                                          | (0.33)            | —                        | —                    | (0.33) | 9.93                                |
| Dec. 31, 2017                 | 10.61                                  | 0.31                                             | (0.03)            | 0.20                          | 0.57                            | 1.05   | —                                          | (0.27)            | —                        | —                    | (0.27) | 11.25                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.03)            | (0.02)                        | 0.80                            | 0.90   | —                                          | (0.23)            | —                        | —                    | (0.23) | 10.61                               |

<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.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>26.83</b>                     | <b>663 165</b>              | <b>24 719</b>                         | <b>0.66</b>                                  | <b>0.66</b>                               | <b>5.41</b>                                 | —                                         |
| Dec. 31, 2017              | 30.37                            | 773 029                     | 25 452                                | 0.69                                         | 0.69                                      | 8.53                                        | 0.01                                      |
| Dec. 31, 2016              | 28.59                            | 712 717                     | 24 931                                | 0.72                                         | 0.72                                      | 5.58                                        | —                                         |
| Dec. 31, 2015              | 24.28                            | 599 779                     | 24 708                                | 0.72                                         | 0.72                                      | 4.95                                        | 0.01                                      |
| Dec. 31, 2014              | 27.28                            | 680 908                     | 24 962                                | 0.72                                         | 0.72                                      | 7.80                                        | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.93</b>                      | <b>20 551</b>               | <b>2 070</b>                          | <b>0.17</b>                                  | <b>0.17</b>                               | <b>5.41</b>                                 | —                                         |
| Dec. 31, 2017              | 11.25                            | 11 234                      | 998                                   | 0.32                                         | 0.32                                      | 8.53                                        | 0.01                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.61                            | 3 875                       | 365                                   | 0.56                                         | 0.56                                      | 5.58                                        | —                                         |

<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.

Effective June 30, 2017, the management fees were changed in respect of Series F units of the Fund and the administration fees were changed in respect of Series A units of the Fund. If the changes to the management fees and administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 0.66% and Series F – 0.17%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.50%           | 20%                   | 80%    |
| Series F | 0.05%           | —                     | 100%   |

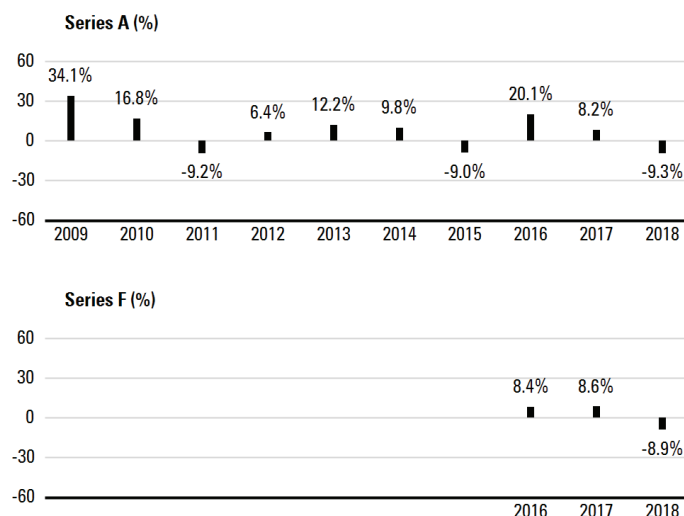
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### FTSE Canada All Cap Domestic Index

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series A  | -9.3      | 5.6          | 3.3          | 7.2           | —               |
| Benchmark | -9.0      | 6.3          | 3.8          | 7.7           | —               |
| Series F  | -8.9      | —            | —            | —             | 2.9             |
| Benchmark | -9.0      | —            | —            | —             | 3.0             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**FTSE Canada All Cap Domestic Index** This index is a capitalization-weighted measure of the performance of the broad Canadian stock market.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 34.1                 |
| Energy                 | 18.3                 |
| Materials              | 11.9                 |
| Industrials            | 10.9                 |
| Communication Services | 6.0                  |
| Consumer Discretionary | 4.1                  |
| Consumer Staples       | 4.1                  |
| Information Technology | 3.2                  |
| Utilities              | 3.1                  |
| Real Estate            | 2.6                  |
| Health Care            | 1.3                  |
| Cash/Other             | 0.4                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Royal Bank of Canada                      | 7.0                  |
| Toronto-Dominion Bank                     | 6.5                  |
| Enbridge Inc.                             | 4.4                  |
| Bank of Nova Scotia                       | 4.3                  |
| Canadian National Railway Co.             | 3.8                  |
| Suncor Energy Inc.                        | 3.2                  |
| Bank of Montreal                          | 3.0                  |
| BCE Inc.                                  | 2.4                  |
| Canadian Imperial Bank of Commerce        | 2.3                  |
| Brookfield Asset Management Inc., Class A | 2.3                  |
| TransCanada Corp.                         | 2.3                  |
| Nutrien Ltd.                              | 2.0                  |
| Canadian Natural Resources Ltd.           | 2.0                  |
| Manulife Financial Corporation            | 2.0                  |
| Canadian Pacific Railway Ltd.             | 1.8                  |
| Barrick Gold Corp.                        | 1.7                  |
| Alimentation Couche-Tard Inc.             | 1.5                  |
| Sun Life Financial Inc.                   | 1.4                  |
| TELUS Corp.                               | 1.4                  |
| Waste Connections Inc.                    | 1.4                  |
| Rogers Communications Inc., Class B       | 1.3                  |
| CGI Group Inc., Class A                   | 1.1                  |
| Pembina Pipeline Corp.                    | 1.1                  |
| Magna International Inc., Class A         | 1.0                  |
| Fortis Inc.                               | 1.0                  |
| Top 25 Holdings                           | 62.2                 |

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).





CANADIAN EQUITY FUND

**RBC O'SHAUGHNESSY  
CANADIAN EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term returns consisting of capital growth and current income by investing primarily in equity securities of Canadian and U.S. companies based on Strategy Indexing®, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

The Fund selects securities on the basis of several factors including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buybacks. The Fund may hold up to 30% of its assets in U.S. stocks and uses currency hedges to reduce exposure to changes in the Canadian dollar versus the U.S. dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$560 million as of December 31, 2018, from \$713 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 12.8%, which underperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

The Fund's overweight exposure to smaller-capitalization stocks held back returns, as the largest stocks in the Canadian market outperformed. Value and momentum, the strategy's two key selection factors, had a negative impact. Exposure to stocks with high shareholder yield, which measures return of capital to shareholders, aided performance. The Fund's exposure to quality marginally aided performance.

Sector allocation contributed to performance, while security selection had a negative impact. An overweight allocation to the Health Care sector was the largest contributor to returns. An underweight allocation to the Energy sector and an overweight to Consumer Staples also contributed to returns. Security selection in the Health Care and Real Estate sectors contributed to returns, while security selection in the Industrials and Financials sectors was a negative. Allocations to Express Scripts, Boston Beer and Bausch Health aided performance. Allocations to Lundin Mining, Linamar and CI Financial held back returns.

The Fund has a 20% allocation to U.S. securities. It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative effect on returns during the period.

Due to the Fund's investment process and market conditions over the course of 2018, the sub-advisor decreased allocations to the Financials sector and increased allocations to the Industrials sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$3,000 (2017 – \$7,000) or 1% (2017 – 1%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.03                                  | 0.50                                             | (0.34)            | 0.74                          | (3.55)                          | (2.65) | —                                          | (0.10)            | —                        | —                    | (0.10) | 19.10                               |
| Dec. 31, 2017                 | 20.55                                  | 0.55                                             | (0.32)            | 1.37                          | —                               | 1.60   | —                                          | (0.16)            | —                        | —                    | (0.16) | 22.03                               |
| Dec. 31, 2016                 | 18.85                                  | 0.57                                             | (0.30)            | 0.89                          | 0.74                            | 1.90   | —                                          | (0.24)            | —                        | —                    | (0.24) | 20.55                               |
| Dec. 31, 2015                 | 20.22                                  | 0.51                                             | (0.31)            | 0.59                          | (1.96)                          | (1.17) | —                                          | (0.14)            | —                        | —                    | (0.14) | 18.85                               |
| Dec. 31, 2014                 | 18.94                                  | 0.46                                             | (0.30)            | 2.36                          | (1.13)                          | 1.39   | —                                          | (0.11)            | —                        | —                    | (0.11) | 20.22                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.76                                  | 0.52                                             | (0.34)            | 0.76                          | (3.72)                          | (2.78) | —                                          | (0.11)            | —                        | —                    | (0.11) | 19.73                               |
| Dec. 31, 2017                 | 21.23                                  | 0.57                                             | (0.33)            | 1.41                          | 0.06                            | 1.71   | —                                          | (0.18)            | —                        | —                    | (0.18) | 22.76                               |
| Dec. 31, 2016                 | 19.45                                  | 0.59                                             | (0.31)            | 0.93                          | 0.85                            | 2.06   | —                                          | (0.25)            | —                        | —                    | (0.25) | 21.23                               |
| Dec. 31, 2015                 | 20.87                                  | 0.53                                             | (0.31)            | 0.61                          | (2.02)                          | (1.19) | —                                          | (0.15)            | —                        | —                    | (0.15) | 19.45                               |
| Dec. 31, 2014                 | 19.54                                  | 0.48                                             | (0.31)            | 2.44                          | (1.17)                          | 1.44   | —                                          | (0.11)            | —                        | —                    | (0.11) | 20.87                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.24                                  | 0.51                                             | (0.27)            | 0.74                          | (3.71)                          | (2.73) | (0.01)                                     | (0.16)            | —                        | —                    | (0.17) | 19.29                               |
| Dec. 31, 2017                 | 20.75                                  | 0.55                                             | (0.26)            | 1.38                          | 0.04                            | 1.71   | (0.01)                                     | (0.23)            | —                        | —                    | (0.24) | 22.24                               |
| Dec. 31, 2016                 | 19.03                                  | 0.58                                             | (0.24)            | 0.90                          | 0.78                            | 2.02   | —                                          | (0.31)            | —                        | —                    | (0.31) | 20.75                               |
| Dec. 31, 2015                 | 20.41                                  | 0.52                                             | (0.24)            | 0.60                          | (1.98)                          | (1.10) | —                                          | (0.21)            | —                        | —                    | (0.21) | 19.03                               |
| Dec. 31, 2014                 | 19.12                                  | 0.47                                             | (0.24)            | 2.39                          | (1.14)                          | 1.48   | —                                          | (0.18)            | —                        | —                    | (0.18) | 20.41                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.04                                  | 0.50                                             | (0.20)            | 0.74                          | (4.19)                          | (3.15) | (0.01)                                     | (0.21)            | —                        | —                    | (0.22) | 19.11                               |
| Dec. 31, 2017                 | 20.56                                  | 0.55                                             | (0.20)            | 1.38                          | 0.25                            | 1.98   | (0.01)                                     | (0.30)            | —                        | —                    | (0.31) | 22.04                               |
| Dec. 31, 2016                 | 18.85                                  | 0.58                                             | (0.19)            | 0.91                          | 0.73                            | 2.03   | —                                          | (0.36)            | —                        | —                    | (0.36) | 20.56                               |
| Dec. 31, 2015                 | 20.22                                  | 0.52                                             | (0.19)            | 0.59                          | (1.97)                          | (1.05) | —                                          | (0.26)            | —                        | —                    | (0.26) | 18.85                               |
| Dec. 31, 2014                 | 18.94                                  | 0.46                                             | (0.19)            | 2.37                          | (1.13)                          | 1.51   | —                                          | (0.22)            | —                        | —                    | (0.22) | 20.22                               |

<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.

## Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>19.10</b>                     | <b>473 556</b>              | <b>24 787</b>                         | <b>1.54</b>                                  | <b>1.54</b>                               | <b>56.55</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017        | 22.03                            | 630 355                     | 28 610                                | 1.54                                         | 1.54                                      | 61.37                                       | 0.12                                      |
| Dec. 31, 2016        | 20.55                            | 677 605                     | 32 967                                | 1.54                                         | 1.54                                      | 58.90                                       | 0.13                                      |
| Dec. 31, 2015        | 18.85                            | 719 841                     | 38 193                                | 1.54                                         | 1.54                                      | 59.39                                       | 0.10                                      |
| Dec. 31, 2014        | 20.22                            | 890 504                     | 44 041                                | 1.54                                         | 1.54                                      | 63.92                                       | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>19.73</b>                     | <b>1 570</b>                | <b>80</b>                             | <b>1.49</b>                                  | <b>1.49</b>                               | <b>56.55</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 22.76                            | 2 052                       | 90                                    | 1.50                                         | 1.50                                      | 61.37                                       | 0.12                                      |
| Dec. 31, 2016         | 21.23                            | 2 067                       | 97                                    | 1.51                                         | 1.51                                      | 58.90                                       | 0.13                                      |
| Dec. 31, 2015         | 19.45                            | 1 754                       | 90                                    | 1.51                                         | 1.51                                      | 59.39                                       | 0.10                                      |
| Dec. 31, 2014         | 20.87                            | 2 392                       | 115                                   | 1.51                                         | 1.51                                      | 63.92                                       | 0.11                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>19.29</b>                     | <b>39 619</b>               | <b>2 054</b>                          | <b>1.21</b>                                  | <b>1.21</b>                               | <b>56.55</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 22.24                            | 46 947                      | 2 111                                 | 1.21                                         | 1.21                                      | 61.37                                       | 0.12                                      |
| Dec. 31, 2016         | 20.75                            | 47 622                      | 2 295                                 | 1.21                                         | 1.21                                      | 58.90                                       | 0.13                                      |
| Dec. 31, 2015         | 19.03                            | 46 176                      | 2 427                                 | 1.21                                         | 1.21                                      | 59.39                                       | 0.10                                      |
| Dec. 31, 2014         | 20.41                            | 50 500                      | 2 474                                 | 1.21                                         | 1.21                                      | 63.92                                       | 0.11                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>19.11</b>                     | <b>45 246</b>               | <b>2 368</b>                          | <b>0.92</b>                                  | <b>0.92</b>                               | <b>56.55</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 22.04                            | 33 884                      | 1 538                                 | 0.94                                         | 0.94                                      | 61.37                                       | 0.12                                      |
| Dec. 31, 2016         | 20.56                            | 15 531                      | 755                                   | 0.95                                         | 0.95                                      | 58.90                                       | 0.13                                      |
| Dec. 31, 2015         | 18.85                            | 6 192                       | 328                                   | 0.94                                         | 0.94                                      | 59.39                                       | 0.10                                      |
| Dec. 31, 2014         | 20.22                            | 6 095                       | 301                                   | 0.94                                         | 0.94                                      | 63.92                                       | 0.11                                      |

<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.

## 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       | 1.25%           | 52%                   | 48%    |
| Advisor Series | 1.25%           | 52%                   | 48%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |

\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

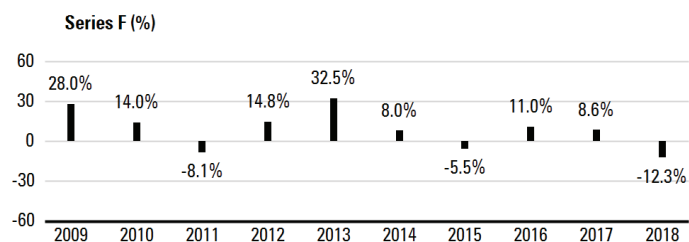
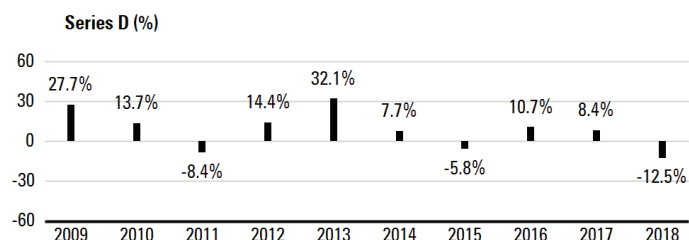
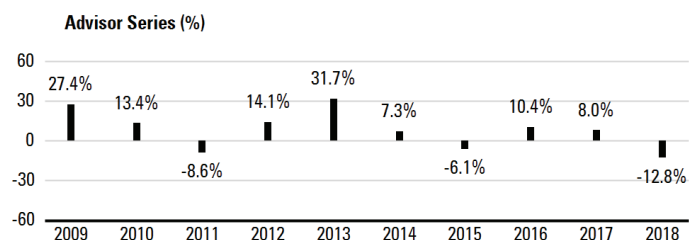
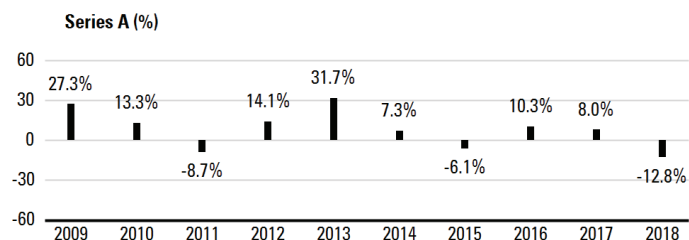
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P/TSX Capped Composite Total Return Index

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -12.8     | 1.3          | 0.9          | 7.6           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Advisor Series | -12.8     | 1.3          | 1.0          | 7.6           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series D       | -12.5     | 1.6          | 1.3          | 7.9           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series F       | -12.3     | 1.9          | 1.5          | 8.2           | —               |
| Benchmark      | -8.9      | 6.4          | 4.1          | 7.9           | —               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Foreign Equities       | 18.5                 |
| Financials             | 16.6                 |
| Materials              | 15.5                 |
| Industrials            | 11.4                 |
| Consumer Staples       | 8.1                  |
| Consumer Discretionary | 7.4                  |
| Real Estate            | 6.9                  |
| Energy                 | 6.0                  |
| Information Technology | 5.4                  |
| Health Care            | 1.5                  |
| Utilities              | 1.2                  |
| Communication Services | 1.1                  |
| Cash/Other             | 0.4                  |

### Top 25 Holdings

|                                                            | % of Net Asset Value |
|------------------------------------------------------------|----------------------|
| Sun Life Financial Inc.                                    | 4.0                  |
| Teck Resources Ltd., Class B                               | 3.3                  |
| Air Canada                                                 | 3.1                  |
| National Bank of Canada                                    | 2.9                  |
| CGI Group Inc., Class A                                    | 2.8                  |
| Methanex Corp.                                             | 2.8                  |
| Canadian Tire Corp. Ltd., Class A                          | 2.7                  |
| Loblaw Companies Ltd.                                      | 2.6                  |
| Great-West Lifeco Inc.                                     | 2.5                  |
| George Weston Ltd.                                         | 2.4                  |
| Canadian Apartment Properties Real Estate Investment Trust | 2.0                  |
| Norbord Inc.                                               | 1.9                  |
| Constellation Software Inc.                                | 1.8                  |
| Manulife Financial Corporation                             | 1.8                  |
| Magna International Inc., Class A                          | 1.8                  |
| Metro Inc., Class A                                        | 1.7                  |
| Kirkland Lake Gold Ltd.                                    | 1.7                  |
| TFI International Inc.                                     | 1.6                  |
| Suncor Energy Inc.                                         | 1.5                  |
| West Fraser Timber Co. Ltd.                                | 1.4                  |
| Husky Energy Inc.                                          | 1.4                  |
| Kohl's Corp.                                               | 1.4                  |
| Boston Beer Co. Inc., Class A                              | 1.4                  |
| Bausch Health Co. Inc.                                     | 1.3                  |
| BRP Inc.                                                   | 1.2                  |
| Top 25 Holdings                                            | 53.0                 |

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).



CANADIAN EQUITY FUND

**RBC O'SHAUGHNESSY  
ALL-CANADIAN EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term returns consisting of capital growth and current income by investing primarily in equity securities of Canadian companies based on Strategy Indexing®, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

The Fund selects securities on the basis of several factors including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buybacks.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$445 million as of December 31, 2018, from \$537 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 14.0%, which underperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

Overweight exposure to smaller-capitalization stocks held back the Fund's returns, as the largest stocks in the Canadian market outperformed. Value and momentum, the strategy's two key selection factors, also had a negative impact on performance. The Fund's exposure to quality marginally aided performance.

Sector allocation contributed to performance, while stock selection had a negative impact. An underweight allocation to the Energy sector was the main contributor to returns. Additionally, overweight allocations to the Real Estate and Consumer Staples sectors aided returns. Security selection in the Health Care and Real Estate sectors aided returns, while security selection in Industrials and Financials held back performance. Canfor, WestJet and Linamar were among the stocks that had the most negative impact. Bausch Health, Great Canadian Gaming and Quebecor were the largest contributors.

Due to the Fund's investment process and market conditions over the course of 2018, the sub-advisor increased allocations to the Consumer Staples sector and decreased allocations to the Financials sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$3,000 (2017 – \$6,000) or 1% (2017 – 1%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.38                                  | 0.36                                             | (0.26)            | 0.39                          | (2.41)                          | (1.92) | —                                          | (0.09)            | (0.50)                   | —                    | (0.59) | 11.77                               |
| Dec. 31, 2017                 | 13.64                                  | 0.39                                             | (0.25)            | 0.14                          | 0.56                            | 0.84   | —                                          | (0.13)            | —                        | —                    | (0.13) | 14.38                               |
| Dec. 31, 2016                 | 12.70                                  | 0.44                                             | (0.25)            | 0.86                          | 0.56                            | 1.61   | —                                          | (0.15)            | (0.51)                   | —                    | (0.66) | 13.64                               |
| Dec. 31, 2015                 | 13.38                                  | 0.40                                             | (0.24)            | 0.54                          | (0.82)                          | (0.12) | —                                          | (0.13)            | (0.42)                   | —                    | (0.55) | 12.70                               |
| Dec. 31, 2014                 | 14.86                                  | 0.44                                             | (0.27)            | 2.00                          | (1.85)                          | 0.32   | —                                          | (0.09)            | (1.90)                   | —                    | (1.99) | 13.38                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.45                                  | 0.36                                             | (0.25)            | 0.39                          | (2.51)                          | (2.01) | —                                          | (0.10)            | (0.50)                   | —                    | (0.60) | 11.82                               |
| Dec. 31, 2017                 | 13.71                                  | 0.40                                             | (0.25)            | 0.14                          | 0.54                            | 0.83   | —                                          | (0.14)            | —                        | —                    | (0.14) | 14.45                               |
| Dec. 31, 2016                 | 12.75                                  | 0.44                                             | (0.24)            | 0.86                          | 0.55                            | 1.61   | —                                          | (0.15)            | (0.51)                   | —                    | (0.66) | 13.71                               |
| Dec. 31, 2015                 | 13.44                                  | 0.40                                             | (0.24)            | 0.54                          | (0.82)                          | (0.12) | —                                          | (0.14)            | (0.42)                   | —                    | (0.56) | 12.75                               |
| Dec. 31, 2014                 | 14.92                                  | 0.45                                             | (0.27)            | 2.01                          | (1.86)                          | 0.33   | —                                          | (0.10)            | (1.90)                   | —                    | (2.00) | 13.44                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.68                                  | 0.37                                             | (0.18)            | 0.40                          | (2.50)                          | (1.91) | —                                          | (0.17)            | (0.52)                   | —                    | (0.69) | 12.00                               |
| Dec. 31, 2017                 | 13.93                                  | 0.40                                             | (0.17)            | 0.14                          | 0.57                            | 0.94   | —                                          | (0.22)            | —                        | —                    | (0.22) | 14.68                               |
| Dec. 31, 2016                 | 12.95                                  | 0.45                                             | (0.17)            | 0.88                          | 0.51                            | 1.67   | —                                          | (0.23)            | (0.52)                   | —                    | (0.75) | 13.93                               |
| Dec. 31, 2015                 | 13.65                                  | 0.41                                             | (0.17)            | 0.55                          | (0.84)                          | (0.05) | —                                          | (0.22)            | (0.42)                   | —                    | (0.64) | 12.95                               |
| Dec. 31, 2014                 | 15.16                                  | 0.46                                             | (0.18)            | 2.05                          | (1.89)                          | 0.44   | —                                          | (0.19)            | (1.93)                   | —                    | (2.12) | 13.65                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.67                                  | 0.37                                             | (0.14)            | 0.40                          | (2.82)                          | (2.19) | —                                          | (0.21)            | (0.51)                   | —                    | (0.72) | 12.00                               |
| Dec. 31, 2017                 | 13.91                                  | 0.40                                             | (0.13)            | 0.14                          | 0.65                            | 1.06   | —                                          | (0.26)            | —                        | —                    | (0.26) | 14.67                               |
| Dec. 31, 2016                 | 12.95                                  | 0.45                                             | (0.13)            | 0.87                          | 0.40                            | 1.59   | —                                          | (0.27)            | (0.53)                   | —                    | (0.80) | 13.91                               |
| Dec. 31, 2015                 | 13.65                                  | 0.41                                             | (0.13)            | 0.55                          | (0.84)                          | (0.01) | —                                          | (0.25)            | (0.43)                   | —                    | (0.68) | 12.95                               |
| Dec. 31, 2014                 | 15.16                                  | 0.45                                             | (0.14)            | 2.02                          | (1.87)                          | 0.46   | —                                          | (0.22)            | (1.95)                   | —                    | (2.17) | 13.65                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.39                                  | 0.39                                             | —                 | 0.42                          | (2.73)                          | (1.92) | —                                          | (0.35)            | (0.54)                   | —                    | (0.89) | 12.57                               |
| Dec. 31, 2017                 | 14.60                                  | 0.42                                             | —                 | 0.15                          | 0.61                            | 1.18   | —                                          | (0.42)            | —                        | —                    | (0.42) | 15.39                               |
| Dec. 31, 2016                 | 13.59                                  | 0.47                                             | —                 | 0.92                          | 0.58                            | 1.97   | —                                          | (0.42)            | (0.56)                   | —                    | (0.98) | 14.60                               |
| Dec. 31, 2015                 | 14.33                                  | 0.43                                             | —                 | 0.58                          | (0.88)                          | 0.13   | —                                          | (0.40)            | (0.45)                   | —                    | (0.85) | 13.59                               |
| Dec. 31, 2014                 | 15.90                                  | 0.38                                             | —                 | 1.72                          | (1.59)                          | 0.51   | —                                          | (0.36)            | (2.04)                   | —                    | (2.40) | 14.33                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.77</b>                     | <b>141 574</b>              | <b>12 033</b>                         | <b>1.81</b>                                  | <b>1.81</b>                               | <b>49.78</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 14.38                            | 186 843                     | 12 994                                | 1.81                                         | 1.81                                      | 65.41                                       | 0.13                                      |
| Dec. 31, 2016         | 13.64                            | 205 173                     | 15 042                                | 1.82                                         | 1.82                                      | 65.12                                       | 0.16                                      |
| Dec. 31, 2015         | 12.70                            | 206 136                     | 16 238                                | 1.82                                         | 1.82                                      | 67.35                                       | 0.14                                      |
| Dec. 31, 2014         | 13.38                            | 248 841                     | 18 602                                | 1.82                                         | 1.82                                      | 81.87                                       | 0.14                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.82</b>                     | <b>4 480</b>                | <b>379</b>                            | <b>1.77</b>                                  | <b>1.77</b>                               | <b>49.78</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 14.45                            | 5 291                       | 366                                   | 1.78                                         | 1.78                                      | 65.41                                       | 0.13                                      |
| Dec. 31, 2016         | 13.71                            | 6 262                       | 457                                   | 1.78                                         | 1.78                                      | 65.12                                       | 0.16                                      |
| Dec. 31, 2015         | 12.75                            | 5 719                       | 449                                   | 1.78                                         | 1.78                                      | 67.35                                       | 0.14                                      |
| Dec. 31, 2014         | 13.44                            | 6 779                       | 505                                   | 1.78                                         | 1.78                                      | 81.87                                       | 0.14                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.00</b>                     | <b>17 486</b>               | <b>1 457</b>                          | <b>1.21</b>                                  | <b>1.21</b>                               | <b>49.78</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 14.68                            | 22 670                      | 1 545                                 | 1.21                                         | 1.21                                      | 65.41                                       | 0.13                                      |
| Dec. 31, 2016         | 13.93                            | 24 320                      | 1 746                                 | 1.21                                         | 1.21                                      | 65.12                                       | 0.16                                      |
| Dec. 31, 2015         | 12.95                            | 20 662                      | 1 595                                 | 1.21                                         | 1.21                                      | 67.35                                       | 0.14                                      |
| Dec. 31, 2014         | 13.65                            | 22 425                      | 1 643                                 | 1.21                                         | 1.21                                      | 81.87                                       | 0.14                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.00</b>                     | <b>21 632</b>               | <b>1 803</b>                          | <b>0.94</b>                                  | <b>0.94</b>                               | <b>49.78</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 14.67                            | 18 912                      | 1 289                                 | 0.94                                         | 0.94                                      | 65.41                                       | 0.13                                      |
| Dec. 31, 2016         | 13.91                            | 12 273                      | 882                                   | 0.94                                         | 0.94                                      | 65.12                                       | 0.16                                      |
| Dec. 31, 2015         | 12.95                            | 6 935                       | 536                                   | 0.94                                         | 0.94                                      | 67.35                                       | 0.14                                      |
| Dec. 31, 2014         | 13.65                            | 7 446                       | 546                                   | 0.94                                         | 0.94                                      | 81.87                                       | 0.14                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.57</b>                     | <b>259 523</b>              | <b>20 646</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>49.78</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 15.39                            | 303 433                     | 19 722                                | 0.02                                         | 0.02                                      | 65.41                                       | 0.13                                      |
| Dec. 31, 2016         | 14.60                            | 277 960                     | 19 044                                | 0.02                                         | 0.02                                      | 65.12                                       | 0.16                                      |
| Dec. 31, 2015         | 13.59                            | 200 629                     | 14 763                                | 0.02                                         | 0.02                                      | 67.35                                       | 0.14                                      |
| Dec. 31, 2014         | 14.33                            | 206 957                     | 14 439                                | 0.02                                         | 0.02                                      | 81.87                                       | 0.14                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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%           | 50%                   | 50%    |
| Advisor Series | 1.50%           | 50%                   | 50%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

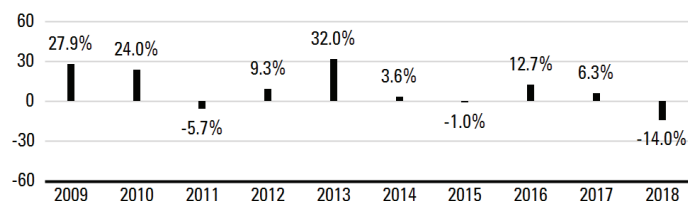
### PAST PERFORMANCE

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.

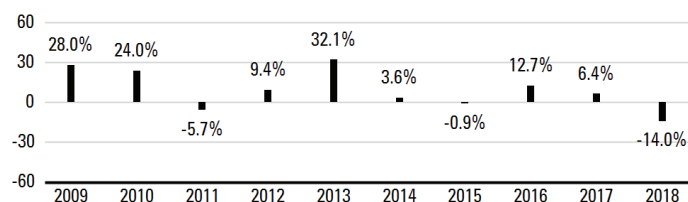
### Year-by-Year Returns (%)

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.

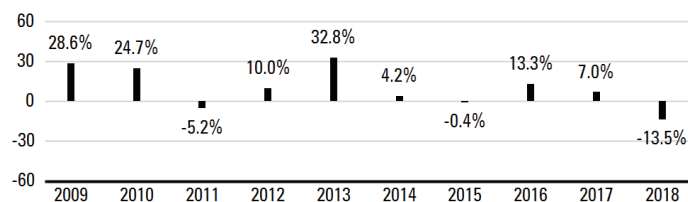
**Series A (%)**



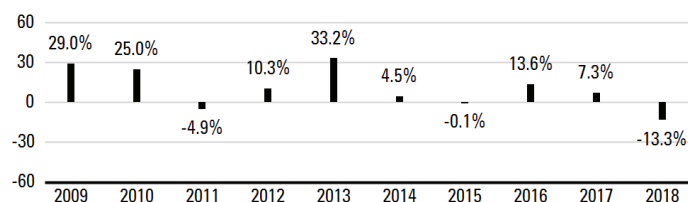
**Advisor Series (%)**



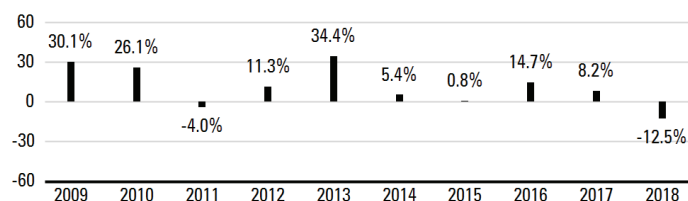
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -14.0        | 1.0             | 1.1             | 8.6              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series | -14.0        | 1.0             | 1.1             | 8.6              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D       | -13.5        | 1.6             | 1.7             | 9.2              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F       | -13.3        | 1.9             | 2.0             | 9.5              | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O       | -12.5        | 2.8             | 2.9             | 10.5             | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Materials              | 19.7                 |
| Industrials            | 17.2                 |
| Financials             | 16.3                 |
| Consumer Discretionary | 10.6                 |
| Real Estate            | 8.7                  |
| Consumer Staples       | 8.4                  |
| Energy                 | 5.8                  |
| Information Technology | 4.4                  |
| Health Care            | 2.7                  |
| Communication Services | 2.5                  |
| Utilities              | 1.8                  |
| Cash/Other             | 1.9                  |

### Top 25 Holdings

|                                                            | % of Net Asset Value |
|------------------------------------------------------------|----------------------|
| Teck Resources Ltd., Class B                               | 3.3                  |
| Air Canada                                                 | 3.3                  |
| Sun Life Financial Inc.                                    | 3.1                  |
| Methanex Corp.                                             | 2.8                  |
| Loblaw Companies Ltd.                                      | 2.6                  |
| Manulife Financial Corporation                             | 2.1                  |
| CGI Group Inc., Class A                                    | 2.1                  |
| Metro Inc., Class A                                        | 2.0                  |
| Norbord Inc.                                               | 2.0                  |
| Canadian Apartment Properties Real Estate Investment Trust | 1.9                  |
| Great-West Lifeco Inc.                                     | 1.9                  |
| WestJet Airlines Ltd.                                      | 1.9                  |
| George Weston Ltd.                                         | 1.9                  |
| BRP Inc.                                                   | 1.9                  |
| Cash & Cash Equivalents                                    | 1.7                  |
| Kirkland Lake Gold Ltd.                                    | 1.7                  |
| Bausch Health Co. Inc.                                     | 1.6                  |
| TFI International Inc.                                     | 1.6                  |
| Husky Energy Inc.                                          | 1.4                  |
| CAE Inc.                                                   | 1.4                  |
| Industrial Alliance Insurance & Financial Services Inc.    | 1.4                  |
| Constellation Software Inc.                                | 1.4                  |
| Canfor Corp.                                               | 1.4                  |
| Enerflex Ltd.                                              | 1.3                  |
| Genworth MI Canada Inc.                                    | 1.3                  |
| Top 25 Holdings                                            | 49.0                 |

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).



CANADIAN EQUITY FUND

**RBC CANADIAN EQUITY INCOME FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a high level of monthly cash flow, relatively tax-efficient distributions consisting primarily of returns of capital, capital gains and interest income, as well as the potential for modest capital growth.

To achieve its objective, the Fund invests primarily in a diversified portfolio of Canadian equity securities including common and preferred shares, real estate investment trusts and income trusts. The Fund may also invest in fixed-income securities, such as government and corporate bonds, debentures and notes.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$2.9 billion as of December 31, 2018, from \$3.5 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 9.1%, which underperformed the 8.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 9.05 cents per Series A unit. For the year, the Fund made total distributions of approximately \$1.33 per Series A unit, consisting of 63 cents per unit of dividends and 70 cents of capital gains. The annual payout reflects an additional year-end distribution of 24 cents per Series A unit.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Both asset weighting and security selection contributed to relative performance in 2018. The Fund benefited from an overweight position in Enbridge Income Fund Holdings after Enbridge Inc., the pipeline company, acquired the unit's outstanding shares in a deal involving cash and stock. An allocation to WPT Industrial REIT also aided the Fund's performance.

The headwinds facing the Canadian Energy sector were reflected in the Fund through its overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from prior estimates thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$533,000 (2017 – \$429,000) or 18% (2017 – 14%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.20                                  | 1.02                                             | (0.50)            | 0.78                          | (3.66)                          | (2.36) | —                                          | (0.63)            | (0.70)                   | —                    | (1.33) | 23.47                               |
| Dec. 31, 2017                 | 26.20                                  | 0.90                                             | (0.51)            | 1.22                          | 0.45                            | 2.06   | —                                          | (0.56)            | (0.37)                   | (0.15)               | (1.08) | 27.20                               |
| Dec. 31, 2016                 | 22.51                                  | 0.92                                             | (0.48)            | (0.17)                        | 4.42                            | 4.69   | —                                          | (0.57)            | —                        | (0.51)               | (1.08) | 26.20                               |
| Dec. 31, 2015                 | 26.48                                  | 0.97                                             | (0.53)            | 0.55                          | (3.62)                          | (2.63) | —                                          | (0.55)            | (0.76)                   | —                    | (1.31) | 22.51                               |
| Dec. 31, 2014                 | 26.13                                  | 0.90                                             | (0.58)            | 1.84                          | 0.07                            | 2.23   | —                                          | (0.42)            | (1.74)                   | —                    | (2.16) | 26.48                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.45                                  | 1.03                                             | (0.49)            | 0.79                          | (3.69)                          | (2.36) | —                                          | (0.63)            | (0.71)                   | —                    | (1.34) | 23.70                               |
| Dec. 31, 2017                 | 26.42                                  | 0.91                                             | (0.49)            | 1.23                          | 0.43                            | 2.08   | —                                          | (0.56)            | (0.37)                   | (0.15)               | (1.08) | 27.45                               |
| Dec. 31, 2016                 | 22.67                                  | 0.93                                             | (0.47)            | (0.17)                        | 4.43                            | 4.72   | —                                          | (0.57)            | —                        | (0.51)               | (1.08) | 26.42                               |
| Dec. 31, 2015                 | 26.64                                  | 0.98                                             | (0.52)            | 0.55                          | (3.65)                          | (2.64) | —                                          | (0.55)            | (0.76)                   | —                    | (1.31) | 22.67                               |
| Dec. 31, 2014                 | 26.27                                  | 0.90                                             | (0.57)            | 1.85                          | 0.07                            | 2.25   | —                                          | (0.42)            | (1.74)                   | —                    | (2.16) | 26.64                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.47                                  | 1.15                                             | (0.31)            | 0.88                          | (4.20)                          | (2.48) | —                                          | (0.70)            | (0.79)                   | —                    | (1.49) | 26.52                               |
| Dec. 31, 2017                 | 28.98                                  | 1.00                                             | (0.31)            | 1.36                          | 0.52                            | 2.57   | —                                          | (0.56)            | (0.38)                   | (0.15)               | (1.09) | 30.47                               |
| Dec. 31, 2016                 | 24.59                                  | 1.02                                             | (0.30)            | (0.19)                        | 4.89                            | 5.42   | —                                          | (0.57)            | —                        | (0.52)               | (1.09) | 28.98                               |
| Dec. 31, 2015                 | 28.58                                  | 1.06                                             | (0.33)            | 0.60                          | (3.93)                          | (2.60) | —                                          | (0.56)            | (0.77)                   | —                    | (1.33) | 24.59                               |
| Dec. 31, 2014                 | 27.90                                  | 0.96                                             | (0.36)            | 1.97                          | 0.07                            | 2.64   | —                                          | (0.42)            | (1.83)                   | —                    | (2.25) | 28.58                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 31.91                                  | 1.21                                             | (0.23)            | 0.92                          | (4.41)                          | (2.51) | —                                          | (0.74)            | (0.82)                   | —                    | (1.56) | 27.86                               |
| Dec. 31, 2017                 | 30.24                                  | 1.05                                             | (0.24)            | 1.42                          | 0.60                            | 2.83   | —                                          | (0.58)            | (0.38)                   | (0.15)               | (1.11) | 31.91                               |
| Dec. 31, 2016                 | 25.57                                  | 1.06                                             | (0.23)            | (0.19)                        | 5.13                            | 5.77   | —                                          | (0.59)            | —                        | (0.52)               | (1.11) | 30.24                               |
| Dec. 31, 2015                 | 29.60                                  | 1.10                                             | (0.26)            | 0.62                          | (4.08)                          | (2.62) | —                                          | (0.57)            | (0.79)                   | —                    | (1.36) | 25.57                               |
| Dec. 31, 2014                 | 28.79                                  | 0.99                                             | (0.29)            | 2.04                          | 0.07                            | 2.81   | —                                          | (0.43)            | (1.88)                   | —                    | (2.31) | 29.60                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 31.64                                  | 1.20                                             | (0.01)            | 0.92                          | (4.34)                          | (2.23) | —                                          | (0.72)            | (0.83)                   | —                    | (1.55) | 27.83                               |
| Dec. 31, 2017                 | 29.74                                  | 1.03                                             | (0.01)            | 1.40                          | 0.55                            | 2.97   | —                                          | (0.56)            | (0.37)                   | (0.15)               | (1.08) | 31.64                               |
| Dec. 31, 2016                 | 24.94                                  | 1.04                                             | (0.01)            | (0.19)                        | 4.96                            | 5.80   | —                                          | (0.57)            | —                        | (0.51)               | (1.08) | 29.74                               |
| Dec. 31, 2015                 | 28.62                                  | 1.07                                             | (0.01)            | 0.60                          | (3.97)                          | (2.31) | —                                          | (0.55)            | (0.78)                   | —                    | (1.33) | 24.94                               |
| Dec. 31, 2014                 | 27.60                                  | 0.94                                             | (0.01)            | 1.92                          | 0.07                            | 2.92   | —                                          | (0.42)            | (1.81)                   | —                    | (2.23) | 28.62                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>23.47</b>                     | <b>1 156 071</b>            | <b>49 261</b>                         | <b>1.92</b>                                  | <b>1.92</b>                               | <b>41.14</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 27.20                            | 1 491 912                   | 54 847                                | 1.92                                         | 1.92                                      | 45.98                                       | 0.09                                      |
| Dec. 31, 2016         | 26.20                            | 1 537 729                   | 58 694                                | 2.00                                         | 2.00                                      | 55.83                                       | 0.13                                      |
| Dec. 31, 2015         | 22.51                            | 1 504 191                   | 66 832                                | 2.08                                         | 2.08                                      | 66.46                                       | 0.14                                      |
| Dec. 31, 2014         | 26.48                            | 2 033 414                   | 76 803                                | 2.09                                         | 2.09                                      | 70.40                                       | 0.16                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>23.70</b>                     | <b>496 211</b>              | <b>20 938</b>                         | <b>1.85</b>                                  | <b>1.85</b>                               | <b>41.14</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 27.45                            | 663 164                     | 24 157                                | 1.86                                         | 1.86                                      | 45.98                                       | 0.09                                      |
| Dec. 31, 2016         | 26.42                            | 724 915                     | 27 443                                | 1.94                                         | 1.94                                      | 55.83                                       | 0.13                                      |
| Dec. 31, 2015         | 22.67                            | 710 826                     | 31 354                                | 2.02                                         | 2.02                                      | 66.46                                       | 0.14                                      |
| Dec. 31, 2014         | 26.64                            | 1 013 100                   | 38 027                                | 2.02                                         | 2.02                                      | 70.40                                       | 0.16                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>26.52</b>                     | <b>223 747</b>              | <b>8 436</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>41.14</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 30.47                            | 265 600                     | 8 718                                 | 1.04                                         | 1.04                                      | 45.98                                       | 0.09                                      |
| Dec. 31, 2016         | 28.98                            | 257 876                     | 8 899                                 | 1.12                                         | 1.12                                      | 55.83                                       | 0.13                                      |
| Dec. 31, 2015         | 24.59                            | 231 129                     | 9 398                                 | 1.20                                         | 1.20                                      | 66.46                                       | 0.14                                      |
| Dec. 31, 2014         | 28.58                            | 304 050                     | 10 637                                | 1.21                                         | 1.21                                      | 70.40                                       | 0.16                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>27.86</b>                     | <b>544 693</b>              | <b>19 551</b>                         | <b>0.76</b>                                  | <b>0.76</b>                               | <b>41.14</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 31.91                            | 548 114                     | 17 179                                | 0.76                                         | 0.76                                      | 45.98                                       | 0.09                                      |
| Dec. 31, 2016         | 30.24                            | 376 706                     | 12 459                                | 0.84                                         | 0.84                                      | 55.83                                       | 0.13                                      |
| Dec. 31, 2015         | 25.57                            | 252 483                     | 9 876                                 | 0.93                                         | 0.93                                      | 66.46                                       | 0.14                                      |
| Dec. 31, 2014         | 29.60                            | 290 113                     | 9 801                                 | 0.93                                         | 0.93                                      | 70.40                                       | 0.16                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>27.83</b>                     | <b>497 424</b>              | <b>17 874</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>41.14</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017         | 31.64                            | 560 713                     | 17 725                                | 0.02                                         | 0.02                                      | 45.98                                       | 0.09                                      |
| Dec. 31, 2016         | 29.74                            | 534 809                     | 17 982                                | 0.02                                         | 0.02                                      | 55.83                                       | 0.13                                      |
| Dec. 31, 2015         | 24.94                            | 530 183                     | 21 260                                | 0.02                                         | 0.02                                      | 66.46                                       | 0.14                                      |
| Dec. 31, 2014         | 28.62                            | 495 332                     | 17 305                                | 0.02                                         | 0.02                                      | 70.40                                       | 0.16                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.92%, Advisor Series – 1.86%, Series D – 1.04% and Series F – 0.77%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.

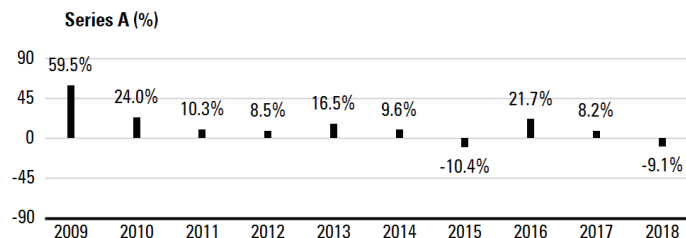
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

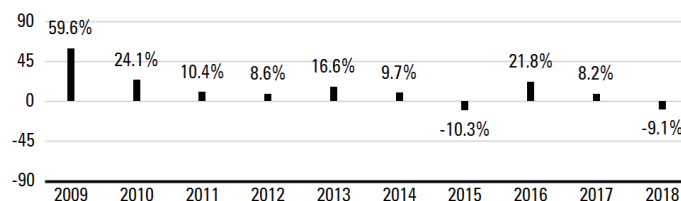
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

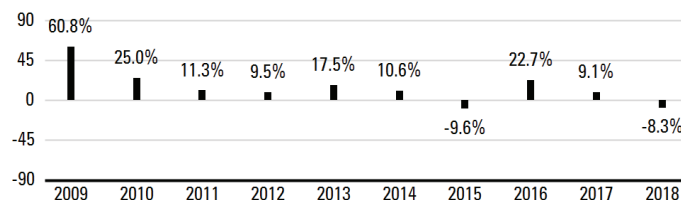
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



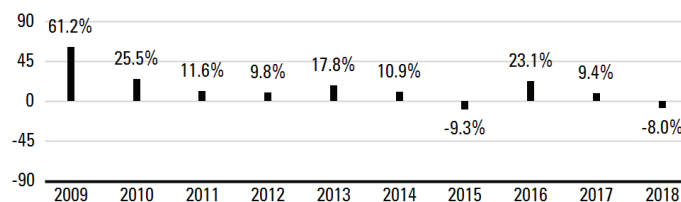
### Advisor Series (%)



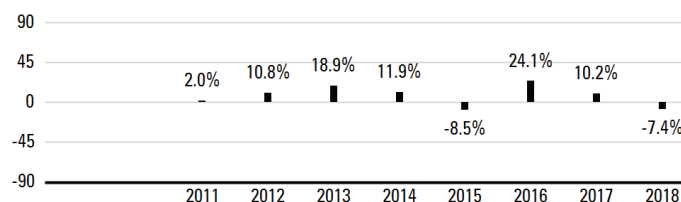
### Series D (%)



### Series F (%)



### Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P/TSX Capped Composite Total Return Index

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -9.1         | 6.1             | 3.3             | 12.5             | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series | -9.1         | 6.2             | 3.4             | 12.6             | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D       | -8.3         | 7.1             | 4.2             | 13.5             | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F       | -8.0         | 7.4             | 4.5             | 13.8             | —                  |
| Benchmark      | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O       | -7.4         | 8.2             | 5.3             | —                | 7.7                |
| Benchmark      | -8.9         | 6.4             | 4.1             | —                | 4.2                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series O units have been available for sale to unitholders since July 11, 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

## INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 31.5                 |
| Energy                 | 19.6                 |
| Real Estate            | 10.4                 |
| Utilities              | 9.7                  |
| Materials              | 8.3                  |
| Industrials            | 8.0                  |
| Communication Services | 4.6                  |
| Consumer Staples       | 2.3                  |
| Consumer Discretionary | 1.5                  |
| Health Care            | 0.7                  |
| Cash/Other             | 3.4                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Royal Bank of Canada                        | 7.8                  |
| Enbridge Inc.                               | 5.5                  |
| Toronto-Dominion Bank                       | 5.4                  |
| Bank of Nova Scotia                         | 5.2                  |
| TransCanada Corp.                           | 3.4                  |
| Manulife Financial Corporation              | 3.1                  |
| Suncor Energy Inc.                          | 3.0                  |
| Brookfield Asset Management Inc., Class A   | 2.7                  |
| Cash & Cash Equivalents                     | 2.5                  |
| Nutrien Ltd.                                | 2.4                  |
| Canadian Imperial Bank of Commerce          | 2.2                  |
| Bank of Montreal                            | 1.9                  |
| BCE Inc.                                    | 1.8                  |
| Sun Life Financial Inc.                     | 1.8                  |
| Canadian Natural Resources Ltd.             | 1.6                  |
| Pembina Pipeline Corp.                      | 1.6                  |
| Canadian Pacific Railway Ltd.               | 1.6                  |
| Brookfield Property Partners LP             | 1.4                  |
| WPT Industrial Real Estate Investment Trust | 1.4                  |
| Canadian National Railway Co.               | 1.4                  |
| George Weston Ltd.                          | 1.3                  |
| Thomson Reuters Corp.                       | 1.3                  |
| TELUS Corp.                                 | 1.3                  |
| Fortis Inc.                                 | 1.1                  |
| Boralex Inc., Class A                       | 1.1                  |
| Top 25 Holdings                             | 63.8                 |

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).



CANADIAN EQUITY FUND

**RBC CANADIAN SMALL & MID-CAP  
RESOURCES FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in small- and mid-cap equity securities of companies that are listed on an exchange in Canada, within the Energy and Materials sectors.

The Fund's investment process is primarily based on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook. The portfolio manager invests in companies that are involved directly or indirectly in the exploration, development, production or distribution of natural or other resources. This includes companies that provide services to, use, or may benefit from, developments in the natural resources sector or companies that develop, design or provide products and services significant to a country's or region's infrastructure and its future evolution.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$215 million as of December 31, 2018, from \$307 million at the end of 2017. The decrease was due to investment losses.

Over the past year, the Fund's Series A units lost 29.2%, which underperformed the 18.2% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Energy equities finished 2018 with losses after a fourth-quarter collapse in crude-oil prices, with most oil and gas shares ending the year near 52-week lows. The plunge in prices was precipitated by President Trump's unexpected decision to allow limited oil exports by Iran, the world's sixth-biggest oil producer, rather than impose sanctions that would ban exports outright. As a result, extra Saudi Arabian production designed to make up for lost Iranian output created excess supply. The price for benchmark West Texas Intermediate crude oil declined 25% for the year to US\$45 per barrel. U.S. natural-gas prices were essentially unchanged from the start of the year, hovering around US\$3 per million per British thermal unit.

The underperformance of the Fund versus the benchmark reflects the fact that the benchmark contains non-resource companies, which the Fund cannot buy.

In the Materials sector, prices for iron ore, steel, lumber and copper all weakened into the second half of 2018, as trade disputes and rising U.S. interest rates led to concern about a recession. Returns were hurt by an underweight position in the copper producer Nevsun, which rose on speculation that the company would be acquired; an underweight position in the container company Winpak, which rallied in December; and exposure to Norbord, a forest-products company that was hurt by supply concerns and a slowing U.S. housing market.

The Fund benefited from stock selection in the Energy sector, as underweight positions in Peyto Exploration, PrairieSky Royalty and Baytex Energy had a positive impact on relative returns. Overweight positions in MEG Energy, Enerflex and Enerplus contributed to the Fund's performance.

### Recent Developments

President Trump's move on Iranian oil exports has temporarily disrupted the supply/demand balance in global crude-oil markets. However, OPEC's decision to cut daily production by 1.2 million barrels (about 1.2% of daily global production) for six months beginning in January 2019 should, in the view of the portfolio manager, lead to a better balance between supply and demand in the first half of 2019, assuming robust demand remains.

Worsening pollution in China and falling profitability in steelmaking could reduce mills' demand for iron ore in 2019, pressuring iron ore prices.

### 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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$63,000 (2017 – \$60,000) or 7% (2017 – 7%) the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 7.72                                   | 0.14                                             | (0.15)            | (0.22)                        | (2.01)                          | (2.24) | —                                          | (0.02)            | —                        | —                    | (0.02) | 5.45                                |
| Dec. 31, 2017                 | 8.72                                   | 0.10                                             | (0.16)            | (0.31)                        | (0.60)                          | (0.97) | —                                          | —                 | —                        | —                    | —      | 7.72                                |
| Dec. 31, 2016                 | 6.27                                   | 0.11                                             | (0.15)            | (1.18)                        | 3.78                            | 2.56   | —                                          | —                 | —                        | —                    | —      | 8.72                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | (0.15)            | (2.08)                        | (0.54)                          | (2.61) | —                                          | (0.07)            | —                        | —                    | (0.07) | 6.27                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 7.83                                   | 0.14                                             | (0.09)            | (0.23)                        | (2.18)                          | (2.36) | —                                          | (0.07)            | —                        | —                    | (0.07) | 5.53                                |
| Dec. 31, 2017                 | 8.78                                   | 0.10                                             | (0.10)            | (0.31)                        | (0.58)                          | (0.89) | —                                          | (0.01)            | —                        | —                    | (0.01) | 7.83                                |
| Dec. 31, 2016                 | 6.28                                   | 0.11                                             | (0.10)            | (1.19)                        | 3.86                            | 2.68   | —                                          | (0.02)            | —                        | —                    | (0.02) | 8.78                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.09)            | (2.09)                        | (0.55)                          | (2.56) | —                                          | (0.12)            | —                        | —                    | (0.12) | 6.28                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 7.82                                   | 0.14                                             | (0.07)            | (0.23)                        | (2.18)                          | (2.34) | —                                          | (0.08)            | —                        | —                    | (0.08) | 5.52                                |
| Dec. 31, 2017                 | 8.76                                   | 0.10                                             | (0.07)            | (0.31)                        | (0.50)                          | (0.78) | —                                          | (0.03)            | —                        | —                    | (0.03) | 7.82                                |
| Dec. 31, 2016                 | 6.26                                   | 0.11                                             | (0.08)            | (1.22)                        | 6.26                            | 5.07   | —                                          | (0.04)            | —                        | —                    | (0.04) | 8.76                                |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.08)            | (2.09)                        | (0.55)                          | (2.55) | —                                          | (0.13)            | —                        | —                    | (0.13) | 6.26                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 6.60                                   | 0.12                                             | —                 | (0.19)                        | (1.74)                          | (1.81) | (0.01)                                     | (0.10)            | —                        | —                    | (0.11) | 4.66                                |
| Dec. 31, 2017                 | 7.39                                   | 0.08                                             | —                 | (0.26)                        | (0.55)                          | (0.73) | —                                          | (0.08)            | —                        | —                    | (0.08) | 6.60                                |
| Dec. 31, 2016                 | 5.28                                   | 0.09                                             | —                 | (1.00)                        | 3.10                            | 2.19   | —                                          | (0.10)            | —                        | —                    | (0.10) | 7.39                                |
| Dec. 31, 2015                 | 7.87                                   | 0.16                                             | —                 | (2.03)                        | (0.53)                          | (2.40) | —                                          | (0.17)            | —                        | —                    | (0.17) | 5.28                                |
| Dec. 31, 2014                 | 10.59                                  | 0.22                                             | —                 | 0.54                          | (2.40)                          | (1.64) | —                                          | (0.21)            | (0.63)                   | —                    | (0.84) | 7.87                                |

<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 February 13, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>5.45</b>                      | <b>1 177</b>                | <b>216</b>                            | <b>2.03</b>                                  | <b>2.03</b>                               | <b>66.57</b>                                | <b>0.34</b>                               |
| Dec. 31, 2017              | 7.72                             | 1 590                       | 206                                   | 2.01                                         | 2.01                                      | 54.66                                       | 0.26                                      |
| Dec. 31, 2016              | 8.72                             | 1 671                       | 192                                   | 2.02                                         | 2.02                                      | 71.10                                       | 0.34                                      |
| Dec. 31, 2015 <sup>4</sup> | 6.27                             | 390                         | 62                                    | 2.09                                         | 2.09                                      | 52.85                                       | 0.25                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>5.53</b>                      | <b>2 105</b>                | <b>381</b>                            | <b>1.21</b>                                  | <b>1.21</b>                               | <b>66.57</b>                                | <b>0.34</b>                               |
| Dec. 31, 2017              | 7.83                             | 4 480                       | 572                                   | 1.21                                         | 1.21                                      | 54.66                                       | 0.26                                      |
| Dec. 31, 2016              | 8.78                             | 5 122                       | 584                                   | 1.25                                         | 1.25                                      | 71.10                                       | 0.34                                      |
| Dec. 31, 2015 <sup>4</sup> | 6.28                             | 856                         | 136                                   | 1.30                                         | 1.30                                      | 52.85                                       | 0.25                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>5.52</b>                      | <b>2 124</b>                | <b>385</b>                            | <b>0.96</b>                                  | <b>0.96</b>                               | <b>66.57</b>                                | <b>0.34</b>                               |
| Dec. 31, 2017              | 7.82                             | 2 250                       | 288                                   | 0.92                                         | 0.92                                      | 54.66                                       | 0.26                                      |
| Dec. 31, 2016              | 8.76                             | 2 485                       | 284                                   | 0.96                                         | 0.96                                      | 71.10                                       | 0.34                                      |
| Dec. 31, 2015 <sup>4</sup> | 6.26                             | 22                          | 4                                     | 1.06                                         | 1.06                                      | 52.85                                       | 0.25                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>4.66</b>                      | <b>209 323</b>              | <b>44 949</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>66.57</b>                                | <b>0.34</b>                               |
| Dec. 31, 2017              | 6.60                             | 298 520                     | 45 243                                | 0.02                                         | 0.02                                      | 54.66                                       | 0.26                                      |
| Dec. 31, 2016              | 7.39                             | 343 267                     | 46 472                                | 0.02                                         | 0.02                                      | 71.10                                       | 0.34                                      |
| Dec. 31, 2015              | 5.28                             | 280 059                     | 53 027                                | 0.02                                         | 0.02                                      | 52.85                                       | 0.25                                      |
| Dec. 31, 2014              | 7.87                             | 410 095                     | 52 089                                | 0.02                                         | 0.02                                      | 85.79                                       | 0.35                                      |

<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 February 13, 2015.

Effective June 30, 2016, the management fees were changed in respect of Series A, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.98%, Series D – 1.21% and Series F – 0.96%.

## 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 | 1.75%           | 57%                   | 43%    |
| Series D | 1.00%           | 25%                   | 75%    |
| 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

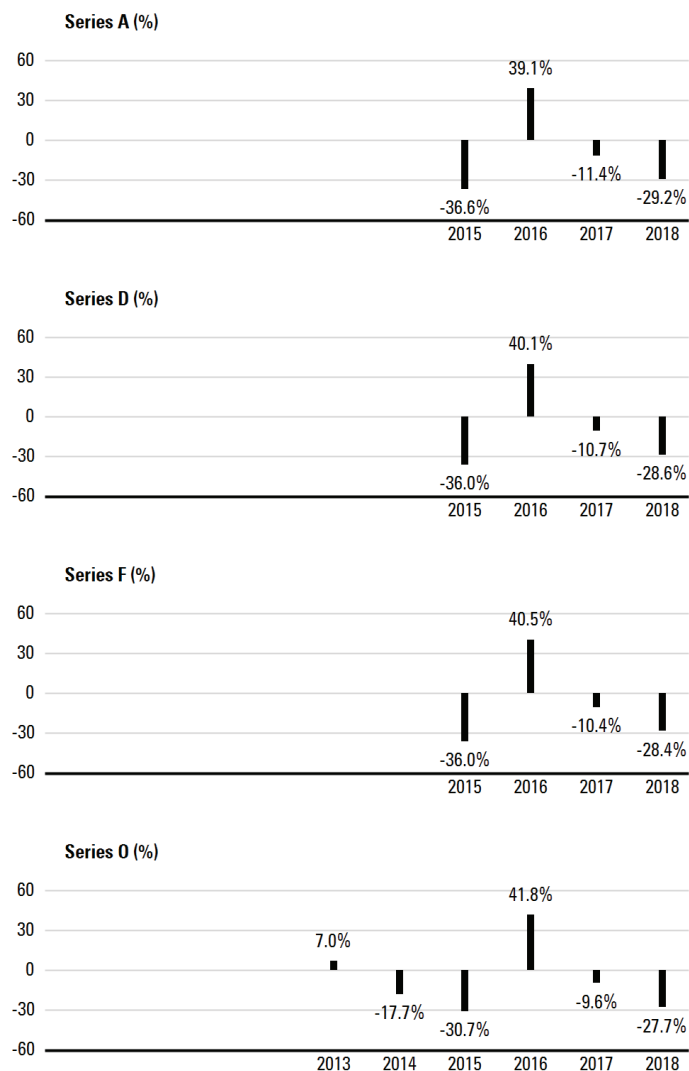
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P/TSX SmallCap Index (CAD)

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series A  | -29.2     | -4.4         | —            | —             | -14.2           |
| Benchmark | -18.2     | 5.2          | —            | —             | -0.7            |
| Series D  | -28.6     | -3.7         | —            | —             | -13.5           |
| Benchmark | -18.2     | 5.2          | —            | —             | -0.7            |
| Series F  | -28.4     | -3.4         | —            | —             | -13.3           |
| Benchmark | -18.2     | 5.2          | —            | —             | -0.7            |
| Series O  | -27.7     | -2.5         | -12.0        | —             | -10.3           |
| Benchmark | -18.2     | 5.2          | -0.3         | —             | 1.1             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Series D and Series F units have been available for sale to unitholders since February 17, 2015 and Series O units since October 3, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**S&P/TSX SmallCap Index (CAD)** This index is a measure of performance for smaller-capitalization stocks that trade on the Toronto Stock Exchange.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                               | % of Net Asset Value |
|-------------------------------|----------------------|
| Oil, Gas and Consumable Fuels | 47.3                 |
| Metals and Mining             | 17.2                 |
| Paper and Forest Products     | 12.8                 |
| Energy Equipment and Services | 8.8                  |
| Chemicals                     | 7.7                  |
| Containers and Packaging      | 2.1                  |
| Cash/Other                    | 4.1                  |

### Top 25 Holdings

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| Parex Resources Inc.            | 7.7                  |
| Tourmaline Oil Corp.            | 6.3                  |
| West Fraser Timber Co. Ltd.     | 6.3                  |
| Methanex Corp.                  | 6.2                  |
| Lundin Mining Corp.             | 5.3                  |
| Enerplus Corp.                  | 4.9                  |
| Vermilion Energy Inc.           | 4.3                  |
| Seven Generations Energy Ltd.   | 4.2                  |
| MEG Energy Corp.                | 3.6                  |
| Labrador Iron Ore Royalty Corp. | 3.5                  |
| Cash & Cash Equivalents         | 3.4                  |
| Enerflex Ltd.                   | 3.3                  |
| Hudbay Minerals Inc.            | 3.1                  |
| PrairieSky Royalty Ltd.         | 3.0                  |
| Turquoise Hill Resources Ltd.   | 3.0                  |
| Gran Tierra Energy Inc.         | 2.8                  |
| Nuvista Energy Ltd.             | 2.8                  |
| Norbord Inc.                    | 2.5                  |
| Interfor Corp.                  | 2.2                  |
| Ivanhoe Mines Ltd., Class A     | 1.9                  |
| Pason Systems Inc.              | 1.8                  |
| Kelt Exploration Ltd.           | 1.8                  |
| Secure Energy Services Inc.     | 1.8                  |
| Whitecap Resources Inc.         | 1.7                  |
| Chemtrade Logistics Income Fund | 1.6                  |
| Top 25 Holdings                 | 89.0                 |

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).



NORTH AMERICAN EQUITY FUND

**RBC NORTH AMERICAN VALUE FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of Canadian and U.S. companies that are priced below their true value.

To achieve its objective, the Fund identifies quality companies that are undervalued based on criteria such as assets, earnings and cash flow. The approach provides for a lower level of volatility than a portfolio of growth companies. The Fund may also invest in income trusts.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$2.9 billion as of December 31, 2018, from \$3.1 billion at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series A units lost 9.0%, which underperformed the 3.9% decline in the benchmark. The broad-based index 1 rose 3.8% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and

earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

Through 2018, the relative performance of the Fund was hurt by security selection in both the Canadian and U.S. portions. The largest driver of performance came from the Energy sector and the Fund's overweight position in MEG Energy. Despite headwinds facing the sector, MEG advanced after Husky Energy tabled a hostile takeover bid consisting of cash and shares.

The headwinds facing the Canadian Energy sector were reflected in the Fund's Canadian segment through an overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land. In the U.S. portion of the Fund, the Consumer Discretionary sector held back returns the most. An overweight position in Mohawk Industries also held back performance, as the manufacturer of flooring products, including carpets and ceramic tile, was exposed to a slower housing market and rising costs for raw materials used in its products.

### Recent Developments

The portfolio manager's Canadian GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from the prior forecast thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

In the U.S., a policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.



## **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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$387,000 (2017 – \$295,000) or 12% (2017 – 11%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.54                                  | 0.56                                             | (0.47)            | 0.77                          | (3.03)                          | (2.17) | —                                          | (0.02)            | (0.66)                   | —                    | (0.68) | 21.66                               |
| Dec. 31, 2017                 | 22.83                                  | 0.48                                             | (0.46)            | 1.43                          | 1.09                            | 2.54   | —                                          | —                 | (0.85)                   | —                    | (0.85) | 24.54                               |
| Dec. 31, 2016                 | 20.65                                  | 0.50                                             | (0.43)            | 0.89                          | 1.58                            | 2.54   | —                                          | (0.03)            | (0.39)                   | —                    | (0.42) | 22.83                               |
| Dec. 31, 2015                 | 20.94                                  | 0.53                                             | (0.45)            | 0.53                          | (0.71)                          | (0.10) | —                                          | (0.03)            | (0.20)                   | —                    | (0.23) | 20.65                               |
| Dec. 31, 2014                 | 19.40                                  | 0.44                                             | (0.43)            | 1.24                          | 1.22                            | 2.47   | —                                          | —                 | (0.95)                   | —                    | (0.95) | 20.94                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 25.07                                  | 0.58                                             | (0.47)            | 0.79                          | (3.08)                          | (2.18) | —                                          | (0.02)            | (0.67)                   | —                    | (0.69) | 22.15                               |
| Dec. 31, 2017                 | 23.30                                  | 0.49                                             | (0.46)            | 1.46                          | 1.11                            | 2.60   | —                                          | —                 | (0.85)                   | —                    | (0.85) | 25.07                               |
| Dec. 31, 2016                 | 21.05                                  | 0.51                                             | (0.43)            | 0.91                          | 1.61                            | 2.60   | —                                          | (0.03)            | (0.39)                   | —                    | (0.42) | 23.30                               |
| Dec. 31, 2015                 | 21.35                                  | 0.54                                             | (0.45)            | 0.54                          | (0.72)                          | (0.09) | —                                          | (0.04)            | (0.21)                   | —                    | (0.25) | 21.05                               |
| Dec. 31, 2014                 | 19.76                                  | 0.45                                             | (0.44)            | 1.27                          | 1.25                            | 2.53   | —                                          | —                 | (0.95)                   | —                    | (0.95) | 21.35                               |
| Advisor T5 Series             |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.83                                  | 0.58                                             | (0.47)            | 0.79                          | (2.97)                          | (2.07) | —                                          | (0.03)            | (0.61)                   | (0.50)               | (1.14) | 19.75                               |
| Dec. 31, 2017                 | 21.56                                  | 0.49                                             | (0.46)            | 1.46                          | 0.94                            | 2.43   | —                                          | —                 | (0.96)                   | (0.12)               | (1.08) | 22.83                               |
| Dec. 31, 2016                 | 20.09                                  | 0.51                                             | (0.43)            | 0.91                          | 1.77                            | 2.76   | —                                          | (0.04)            | (0.39)                   | (0.57)               | (1.00) | 21.56                               |
| Dec. 31, 2015                 | 21.18                                  | 0.54                                             | (0.45)            | 0.54                          | (0.72)                          | (0.09) | —                                          | (0.06)            | (0.43)                   | (0.57)               | (1.06) | 20.09                               |
| Dec. 31, 2014 <sup>3</sup>    | 21.35 <sup>†</sup>                     | 0.45                                             | (0.44)            | 1.27                          | 1.25                            | 2.53   | —                                          | —                 | (1.12)                   | —                    | (1.12) | 21.18                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.81                                  | 0.51                                             | (0.42)            | 0.70                          | (3.63)                          | (2.84) | —                                          | (0.02)            | (0.68)                   | (0.44)               | (1.14) | 19.72                               |
| Dec. 31, 2017                 | 21.53                                  | 0.44                                             | (0.42)            | 1.31                          | 1.03                            | 2.36   | —                                          | —                 | (0.84)                   | (0.23)               | (1.07) | 22.81                               |
| Dec. 31, 2016                 | 20.08                                  | 0.48                                             | (0.41)            | 0.85                          | 1.63                            | 2.55   | —                                          | (0.03)            | (0.44)                   | (0.53)               | (1.00) | 21.53                               |
| Dec. 31, 2015                 | 21.19                                  | 0.52                                             | (0.44)            | 0.52                          | (0.70)                          | (0.10) | —                                          | (0.06)            | (0.24)                   | (0.76)               | (1.06) | 20.08                               |
| Dec. 31, 2014 <sup>3</sup>    | 21.35 <sup>†</sup>                     | 0.16                                             | (0.18)            | 0.46                          | 0.45                            | 0.89   | —                                          | —                 | (1.11)                   | —                    | (1.11) | 21.19                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.26                                  | 0.61                                             | (0.27)            | 0.83                          | (3.34)                          | (2.17) | —                                          | (0.23)            | (0.71)                   | —                    | (0.94) | 23.18                               |
| Dec. 31, 2017                 | 24.31                                  | 0.52                                             | (0.27)            | 1.52                          | 1.19                            | 2.96   | —                                          | (0.11)            | (0.90)                   | —                    | (1.01) | 26.26                               |
| Dec. 31, 2016                 | 21.97                                  | 0.54                                             | (0.26)            | 0.95                          | 1.68                            | 2.91   | —                                          | (0.25)            | (0.41)                   | —                    | (0.66) | 24.31                               |
| Dec. 31, 2015                 | 22.28                                  | 0.57                                             | (0.27)            | 0.57                          | (0.76)                          | 0.11   | —                                          | (0.23)            | (0.21)                   | —                    | (0.44) | 21.97                               |
| Dec. 31, 2014                 | 20.45                                  | 0.47                                             | (0.26)            | 1.32                          | 1.30                            | 2.83   | —                                          | —                 | (1.00)                   | —                    | (1.00) | 22.28                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 28.34                                  | 0.65                                             | (0.22)            | 0.90                          | (3.85)                          | (2.52) | —                                          | (0.33)            | (0.77)                   | —                    | (1.10) | 25.01                               |
| Dec. 31, 2017                 | 26.21                                  | 0.56                                             | (0.21)            | 1.64                          | 1.38                            | 3.37   | —                                          | (0.17)            | (0.97)                   | —                    | (1.14) | 28.34                               |
| Dec. 31, 2016                 | 23.68                                  | 0.58                                             | (0.21)            | 1.03                          | 2.03                            | 3.43   | —                                          | (0.34)            | (0.43)                   | —                    | (0.77) | 26.21                               |
| Dec. 31, 2015                 | 24.02                                  | 0.61                                             | (0.23)            | 0.61                          | (0.82)                          | 0.17   | —                                          | (0.31)            | (0.23)                   | —                    | (0.54) | 23.68                               |
| Dec. 31, 2014                 | 21.99                                  | 0.50                                             | (0.22)            | 1.42                          | 1.39                            | 3.09   | —                                          | —                 | (1.08)                   | —                    | (1.08) | 24.02                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.43                                  | 0.59                                             | (0.20)            | 0.81                          | (4.09)                          | (2.89) | —                                          | (0.30)            | (0.88)                   | (0.14)               | (1.32) | 23.12                               |
| Dec. 31, 2017                 | 24.89                                  | 0.51                                             | (0.20)            | 1.51                          | 1.36                            | 3.18   | (0.06)                                     | (0.24)            | (1.18)                   | —                    | (1.48) | 26.43                               |
| Dec. 31, 2016                 | 22.94                                  | 0.55                                             | (0.19)            | 0.97                          | 1.73                            | 3.06   | —                                          | (0.28)            | (0.60)                   | (0.27)               | (1.15) | 24.89                               |
| Dec. 31, 2015                 | 23.92                                  | 0.59                                             | (0.23)            | 0.59                          | (0.79)                          | 0.16   | —                                          | (0.31)            | (0.31)                   | (0.57)               | (1.19) | 22.94                               |
| Dec. 31, 2014 <sup>3</sup>    | 23.92 <sup>†</sup>                     | 0.18                                             | (0.09)            | 0.51                          | 0.50                            | 1.10   | —                                          | (0.08)            | (1.10)                   | —                    | (1.18) | 23.92                               |





## FINANCIAL HIGHLIGHTS (cont.)

### Change in Net Assets Per Unit (\$) (cont.)

|                                                  |                                        |                            |                   |                               |                                 |               | Annual Distributions <sup>2</sup>  |                   |                          |                      |               |                       |
|--------------------------------------------------|----------------------------------------|----------------------------|-------------------|-------------------------------|---------------------------------|---------------|------------------------------------|-------------------|--------------------------|----------------------|---------------|-----------------------|
| Increase (Decrease) from Operations <sup>1</sup> |                                        |                            |                   |                               |                                 |               | From                               |                   | From                     |                      |               | Net Assets            |
| For the Year/<br>Period Ended                    | Net Assets<br>Beginning of Year/Period | Total<br>Revenue<br>(Loss) | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         | End of<br>Year/Period |
| <b>Series O</b>                                  |                                        |                            |                   |                               |                                 |               |                                    |                   |                          |                      |               |                       |
| <b>Dec. 31, 2018</b>                             | <b>26.35</b>                           | <b>0.61</b>                | <b>(0.01)</b>     | <b>0.84</b>                   | <b>(3.34)</b>                   | <b>(1.90)</b> | —                                  | <b>(0.50)</b>     | <b>(0.71)</b>            | —                    | <b>(1.21)</b> | <b>23.25</b>          |
| Dec. 31, 2017                                    | 24.30                                  | 0.52                       | (0.01)            | 1.53                          | 1.18                            | 3.22          | —                                  | (0.27)            | (0.91)                   | —                    | (1.18)        | 26.35                 |
| Dec. 31, 2016                                    | 21.95                                  | 0.54                       | (0.01)            | 0.95                          | 1.66                            | 3.14          | —                                  | (0.51)            | (0.41)                   | —                    | (0.92)        | 24.30                 |
| Dec. 31, 2015                                    | 22.28                                  | 0.57                       | (0.01)            | 0.57                          | (0.76)                          | 0.37          | —                                  | (0.51)            | (0.22)                   | —                    | (0.73)        | 21.95                 |
| Dec. 31, 2014                                    | 20.21                                  | 0.46                       | —                 | 1.31                          | 1.28                            | 3.05          | —                                  | —                 | (1.00)                   | —                    | (1.00)        | 22.28                 |

<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 August 11, 2014.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.66</b>                     | <b>1 529 169</b>            | <b>70 611</b>                         | <b>1.93</b>                                  | <b>1.93</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 24.54                            | 1 740 366                   | 70 923                                | 1.94                                         | 1.94                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 22.83                            | 1 496 612                   | 65 553                                | 2.01                                         | 2.01                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 20.65                            | 1 462 301                   | 70 829                                | 2.10                                         | 2.10                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014              | 20.94                            | 1 422 902                   | 67 956                                | 2.10                                         | 2.10                                      | 129.63                                      | 0.22                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.15</b>                     | <b>453 490</b>              | <b>20 477</b>                         | <b>1.88</b>                                  | <b>1.88</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 25.07                            | 524 722                     | 20 929                                | 1.89                                         | 1.89                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 23.30                            | 484 432                     | 20 791                                | 1.97                                         | 1.97                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 21.05                            | 464 488                     | 22 062                                | 2.06                                         | 2.06                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014              | 21.35                            | 466 748                     | 21 857                                | 2.06                                         | 2.06                                      | 129.63                                      | 0.22                                      |
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.75</b>                     | <b>3 663</b>                | <b>185</b>                            | <b>1.88</b>                                  | <b>1.88</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 22.83                            | 3 478                       | 152                                   | 1.89                                         | 1.89                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 21.56                            | 1 734                       | 80                                    | 1.94                                         | 1.94                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 20.09                            | 1 048                       | 52                                    | 2.11                                         | 2.11                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014 <sup>4</sup> | 21.18                            | 162                         | 8                                     | 2.09                                         | 2.09                                      | 129.63                                      | 0.22                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.72</b>                     | <b>2 927</b>                | <b>148</b>                            | <b>1.91</b>                                  | <b>1.91</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 22.81                            | 1 931                       | 85                                    | 1.89                                         | 1.89                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 21.53                            | 997                         | 46                                    | 1.99                                         | 1.99                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 20.08                            | 630                         | 31                                    | 2.12                                         | 2.12                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014 <sup>4</sup> | 21.19                            | 124                         | 6                                     | 2.09                                         | 2.09                                      | 129.63                                      | 0.22                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>23.18</b>                     | <b>97 831</b>               | <b>4 221</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 26.26                            | 102 003                     | 3 884                                 | 1.05                                         | 1.05                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 24.31                            | 79 474                      | 3 269                                 | 1.12                                         | 1.12                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 21.97                            | 73 657                      | 3 352                                 | 1.20                                         | 1.20                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014              | 22.28                            | 73 952                      | 3 319                                 | 1.20                                         | 1.20                                      | 129.63                                      | 0.22                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>25.01</b>                     | <b>589 712</b>              | <b>23 582</b>                         | <b>0.77</b>                                  | <b>0.77</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 28.34                            | 464 161                     | 16 378                                | 0.78                                         | 0.78                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 26.21                            | 246 363                     | 9 400                                 | 0.84                                         | 0.84                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 23.68                            | 149 803                     | 6 326                                 | 0.94                                         | 0.94                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014              | 24.02                            | 122 563                     | 5 103                                 | 0.95                                         | 0.95                                      | 129.63                                      | 0.22                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>23.12</b>                     | <b>11 839</b>               | <b>512</b>                            | <b>0.76</b>                                  | <b>0.76</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 26.43                            | 6 354                       | 240                                   | 0.79                                         | 0.79                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 24.89                            | 1 462                       | 59                                    | 0.82                                         | 0.82                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 22.94                            | 717                         | 31                                    | 0.96                                         | 0.96                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014 <sup>4</sup> | 23.92                            | 91                          | 4                                     | 0.96                                         | 0.96                                      | 129.63                                      | 0.22                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>23.25</b>                     | <b>215 628</b>              | <b>9 276</b>                          | <b>0.02</b>                                  | <b>0.02</b>                               | <b>64.01</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 26.35                            | 230 000                     | 8 728                                 | 0.03                                         | 0.03                                      | 58.37                                       | 0.09                                      |
| Dec. 31, 2016              | 24.30                            | 199 609                     | 8 216                                 | 0.02                                         | 0.02                                      | 55.55                                       | 0.10                                      |
| Dec. 31, 2015              | 21.95                            | 202 868                     | 9 242                                 | 0.02                                         | 0.02                                      | 70.55                                       | 0.11                                      |
| Dec. 31, 2014              | 22.28                            | 202 087                     | 9 070                                 | 0.02                                         | 0.02                                      | 129.63                                      | 0.22                                      |

<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 August 11, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Advisor T5 Series, Series T5, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.93%, Advisor Series – 1.89%, Advisor T5 Series – 1.86%, Series T5 – 1.92%, Series D – 1.04%, Series F – 0.77% and Series FT5 – 0.75%.

## 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          | 1.60%           | 63%                   | 37%    |
| Advisor Series    | 1.60%           | 63%                   | 37%    |
| Advisor T5 Series | 1.60%           | 63%                   | 37%    |
| Series T5         | 1.60%           | 63%                   | 37%    |
| Series D          | 0.85%           | 29%                   | 71%    |
| Series F          | 0.60%           | —                     | 100%   |
| Series FT5        | 0.60%           | —                     | 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.

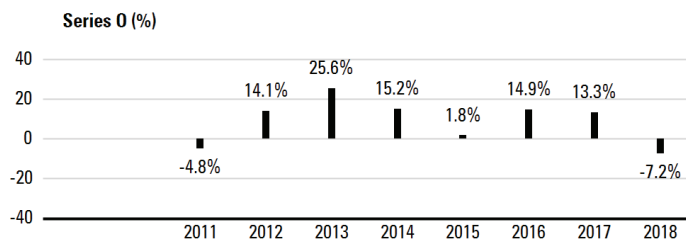
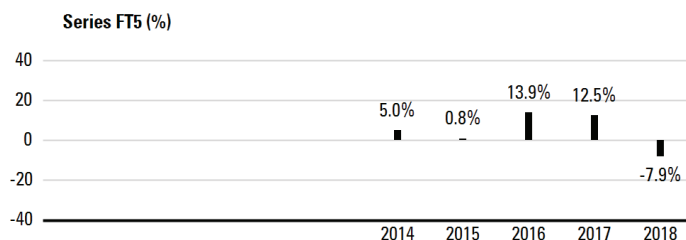
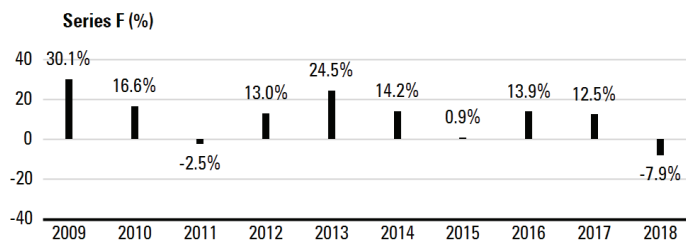
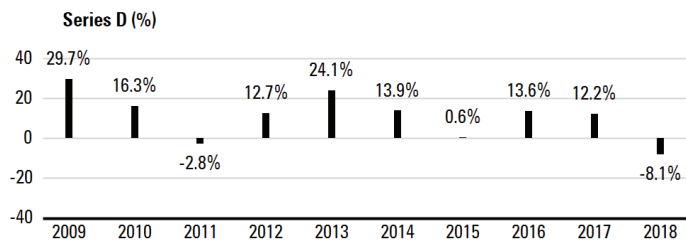
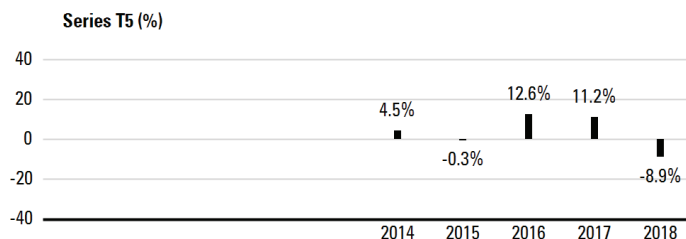
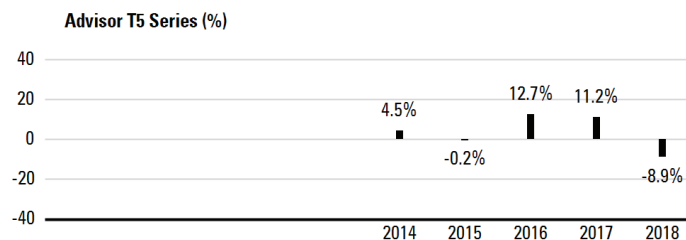
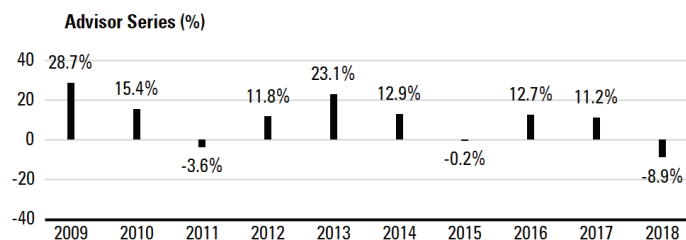
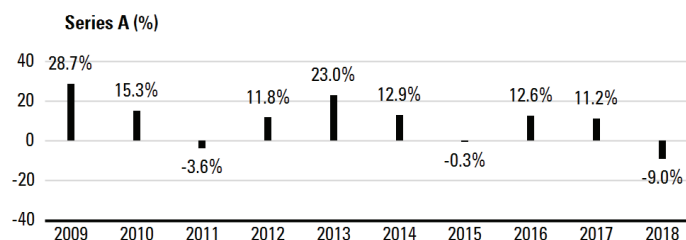


## PAST PERFORMANCE

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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 60% S&P/TSX Capped Composite Total Return Index
- 40% S&P 500 Total Return Index (CAD)

The broad-based indexes are as follows:

Broad-based index 1 – S&P 500 Total Return Index (CAD)

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -9.0         | 4.5             | 5.1             | 9.7              | —                  |
| Benchmark           | -3.9         | 7.4             | 8.1             | 10.6             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -8.9         | 4.5             | 5.2             | 9.7              | —                  |
| Benchmark           | -3.9         | 7.4             | 8.1             | 10.6             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor T5 Series   | -8.9         | 4.5             | —               | —                | 4.1                |
| Benchmark           | -3.9         | 7.4             | —               | —                | 6.5                |
| Broad-based index 1 | 3.8          | 8.8             | —               | —                | 13.9               |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 1.6                |
| Series T5           | -8.9         | 4.5             | —               | —                | 4.0                |
| Benchmark           | -3.9         | 7.4             | —               | —                | 6.5                |
| Broad-based index 1 | 3.8          | 8.8             | —               | —                | 13.9               |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 1.6                |
| Series D            | -8.1         | 5.4             | 6.0             | 10.7             | —                  |
| Benchmark           | -3.9         | 7.4             | 8.1             | 10.6             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -7.9         | 5.7             | 6.3             | 10.9             | —                  |
| Benchmark           | -3.9         | 7.4             | 8.1             | 10.6             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series FT5          | -7.9         | 5.7             | —               | —                | 5.2                |
| Benchmark           | -3.9         | 7.4             | —               | —                | 6.5                |
| Broad-based index 1 | 3.8          | 8.8             | —               | —                | 13.9               |
| Broad-based index 2 | -8.9         | 6.4             | —               | —                | 1.6                |
| Series O            | -7.2         | 6.5             | 7.2             | —                | 9.2                |
| Benchmark           | -3.9         | 7.4             | 8.1             | —                | 9.1                |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | —                | 16.5               |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | —                | 4.2                |

The returns of each series may vary because of differences in management fees and expenses. 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.

Advisor T5 Series, Series T5 and Series FT5 units have been available for sale to unitholders since August 11, 2014, and Series O units since July 11, 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

## INDEX DESCRIPTIONS

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix – Sectors

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 28.3                 |
| Energy                 | 13.4                 |
| Industrials            | 10.1                 |
| Communication Services | 8.5                  |
| Underlying Funds       | 8.1                  |
| Consumer Discretionary | 7.7                  |
| Health Care            | 6.6                  |
| Materials              | 5.5                  |
| Information Technology | 5.4                  |
| Consumer Staples       | 4.0                  |
| Real Estate            | 1.7                  |
| Utilities              | 1.6                  |
| Bonds                  | 0.2                  |
| Cash/Other             | (1.1)                |

### Investment Mix – Countries/Regions

|                 | % of Net Asset Value |
|-----------------|----------------------|
| Canada          | 68.3                 |
| United States   | 31.2                 |
| Other Countries | 1.6                  |
| Cash/Other      | (1.1)                |



## SUMMARY OF INVESTMENT PORTFOLIO (cont.)

(after consideration of derivative products, if any)

As at December 31, 2018

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Cash & Cash Equivalents                   | 6.9                  |
| Toronto-Dominion Bank                     | 4.8                  |
| Royal Bank of Canada                      | 4.4                  |
| Bank of Nova Scotia                       | 3.5                  |
| Enbridge Inc.                             | 2.6                  |
| Brookfield Asset Management Inc., Class A | 2.6                  |
| Suncor Energy Inc.                        | 2.2                  |
| Alphabet Inc., Class C                    | 2.1                  |
| JPMorgan Chase & Co.                      | 1.9                  |
| Canadian Natural Resources Ltd.           | 1.9                  |
| UnitedHealth Group Incorporated           | 1.9                  |
| Berkshire Hathaway Inc., Class B          | 1.8                  |
| Canadian Pacific Railway Ltd.             | 1.6                  |
| Bank of America Corp.                     | 1.6                  |
| MEG Energy Corp.                          | 1.5                  |
| Manulife Financial Corporation            | 1.5                  |
| Canadian National Railway Co.             | 1.5                  |
| Ross Stores Inc.                          | 1.5                  |
| BCE Inc.                                  | 1.4                  |
| Nutrien Ltd.                              | 1.3                  |
| Thomson Reuters Corp.                     | 1.3                  |
| Microsoft Corp.                           | 1.3                  |
| Charter Communications Inc.               | 1.3                  |
| TransCanada Corp.                         | 1.3                  |
| Apple Inc.                                | 1.2                  |
| Top 25 Holdings                           | 54.9                 |

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).



NORTH AMERICAN EQUITY FUND

## RBC NORTH AMERICAN GROWTH FUND

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing in equity securities of Canadian and U.S. companies that offer above-average prospects for growth.

To achieve its goal, the Fund searches for companies with a history of sales and earnings growth and prospects for continued expansion. The Fund may invest in equities of large, medium and small companies, and may also invest in income-trust units.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$487 million as of December 31, 2018, from \$546 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 6.0%, which underperformed the 2.6% decline in the benchmark. The broad-based index 1 rose 3.8% and the broad-based index 2 fell 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and

earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The Fund's Canadian and U.S. portions both underperformed the benchmark. In the Canadian segment, performance was hurt by a stake in UrtheCast, which sells geodata from space satellites. The stock fell after a funding shortage led to a change in its chief executive officer and a reassessment of the company's operations. Positive for the Fund's relative performance was the portfolio manager's decision to avoid Encana for most of the year, as the stock performed poorly. The stock was added to the Fund in November after the valuation fell significantly.

In the U.S. segment, lower-than-benchmark exposure to General Electric aided relative performance, given that the conglomerate's plan to turn itself around has so far disappointed investors.

The Fund does not generally have too much of a bias toward any single sector. However, slight underweight allocations to the Health Care and Consumer Discretionary sectors negatively affected relative returns in 2018.

### Recent Developments

The portfolio manager's Canadian GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from the prior forecast thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

In the U.S., a policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.



## **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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$10,000 (2017 – \$17,000) or 7% (2017 – 13%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 34.18                                  | 0.81                                             | (0.66)            | 0.49                          | (2.56)                          | (1.92) | —                                          | (0.04)            | (0.07)                   | —                    | (0.11) | 32.04                               |
| Dec. 31, 2017                 | 32.57                                  | 0.79                                             | (0.65)            | 1.09                          | 1.68                            | 2.91   | —                                          | (0.05)            | (1.28)                   | —                    | (1.33) | 34.18                               |
| Dec. 31, 2016                 | 29.43                                  | 1.08                                             | (0.60)            | 1.84                          | 1.24                            | 3.56   | —                                          | (0.51)            | (0.05)                   | —                    | (0.56) | 32.57                               |
| Dec. 31, 2015                 | 30.22                                  | 0.73                                             | (0.65)            | 1.52                          | (1.05)                          | 0.55   | —                                          | (0.07)            | (1.19)                   | —                    | (1.26) | 29.43                               |
| Dec. 31, 2014                 | 28.07                                  | 0.96                                             | (0.62)            | 2.51                          | 0.02                            | 2.87   | —                                          | (0.30)            | (0.40)                   | —                    | (0.70) | 30.22                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 35.43                                  | 0.84                                             | (0.67)            | 0.51                          | (2.70)                          | (2.02) | —                                          | (0.05)            | (0.07)                   | —                    | (0.12) | 33.21                               |
| Dec. 31, 2017                 | 33.75                                  | 0.82                                             | (0.66)            | 1.13                          | 1.73                            | 3.02   | (0.01)                                     | (0.06)            | (1.32)                   | —                    | (1.39) | 35.43                               |
| Dec. 31, 2016                 | 30.50                                  | 1.12                                             | (0.61)            | 1.91                          | 0.92                            | 3.34   | —                                          | (0.54)            | (0.05)                   | —                    | (0.59) | 33.75                               |
| Dec. 31, 2015                 | 31.30                                  | 0.75                                             | (0.66)            | 1.57                          | (1.08)                          | 0.58   | —                                          | (0.09)            | (1.22)                   | —                    | (1.31) | 30.50                               |
| Dec. 31, 2014                 | 29.04                                  | 1.00                                             | (0.63)            | 2.60                          | 0.02                            | 2.99   | —                                          | (0.29)            | (0.40)                   | —                    | (0.69) | 31.30                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 34.83                                  | 0.83                                             | (0.37)            | 0.50                          | (2.82)                          | (1.86) | (0.02)                                     | (0.31)            | (0.07)                   | —                    | (0.40) | 32.63                               |
| Dec. 31, 2017                 | 33.19                                  | 0.81                                             | (0.36)            | 1.12                          | 1.72                            | 3.29   | (0.03)                                     | (0.35)            | (1.31)                   | —                    | (1.69) | 34.83                               |
| Dec. 31, 2016                 | 30.00                                  | 1.10                                             | (0.35)            | 1.88                          | 1.40                            | 4.03   | —                                          | (0.82)            | (0.05)                   | —                    | (0.87) | 33.19                               |
| Dec. 31, 2015                 | 30.81                                  | 0.74                                             | (0.39)            | 1.55                          | (1.07)                          | 0.83   | —                                          | (0.35)            | (1.22)                   | —                    | (1.57) | 30.00                               |
| Dec. 31, 2014                 | 28.59                                  | 0.98                                             | (0.37)            | 2.56                          | 0.02                            | 3.19   | —                                          | (0.55)            | (0.40)                   | —                    | (0.95) | 30.81                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 37.42                                  | 0.90                                             | (0.29)            | 0.54                          | (3.43)                          | (2.28) | (0.02)                                     | (0.45)            | (0.07)                   | —                    | (0.54) | 35.06                               |
| Dec. 31, 2017                 | 35.67                                  | 0.87                                             | (0.29)            | 1.21                          | 2.02                            | 3.81   | (0.04)                                     | (0.48)            | (1.41)                   | —                    | (1.93) | 37.42                               |
| Dec. 31, 2016                 | 32.23                                  | 1.20                                             | (0.28)            | 2.05                          | 2.55                            | 5.52   | —                                          | (0.98)            | (0.05)                   | —                    | (1.03) | 35.67                               |
| Dec. 31, 2015                 | 33.10                                  | 0.80                                             | (0.32)            | 1.67                          | (1.15)                          | 1.00   | —                                          | (0.47)            | (1.31)                   | —                    | (1.78) | 32.23                               |
| Dec. 31, 2014                 | 30.64                                  | 1.06                                             | (0.31)            | 2.76                          | 0.02                            | 3.53   | —                                          | (0.59)            | (0.44)                   | —                    | (1.03) | 33.10                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 39.59                                  | 0.95                                             | (0.01)            | 0.57                          | (3.22)                          | (1.71) | (0.04)                                     | (0.74)            | (0.07)                   | —                    | (0.85) | 37.09                               |
| Dec. 31, 2017                 | 37.75                                  | 0.93                                             | (0.01)            | 1.28                          | 1.95                            | 4.15   | (0.07)                                     | (0.80)            | (1.50)                   | —                    | (2.37) | 39.59                               |
| Dec. 31, 2016                 | 34.09                                  | 1.26                                             | (0.01)            | 2.16                          | 1.78                            | 5.19   | —                                          | (1.34)            | (0.05)                   | —                    | (1.39) | 37.75                               |
| Dec. 31, 2015                 | 35.03                                  | 0.85                                             | (0.01)            | 1.78                          | (1.23)                          | 1.39   | —                                          | (0.83)            | (1.40)                   | —                    | (2.23) | 34.09                               |
| Dec. 31, 2014                 | 32.48                                  | 1.12                                             | (0.01)            | 2.93                          | 0.02                            | 4.06   | —                                          | (1.01)            | (0.46)                   | —                    | (1.47) | 35.03                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>32.04</b>                     | <b>393 346</b>              | <b>12 278</b>                         | <b>1.92</b>                                  | <b>1.92</b>                               | <b>16.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 34.18                            | 465 458                     | 13 618                                | 1.92                                         | 1.92                                      | 15.80                                       | 0.02                                      |
| Dec. 31, 2016         | 32.57                            | 475 345                     | 14 596                                | 2.00                                         | 2.00                                      | 152.07                                      | 0.10                                      |
| Dec. 31, 2015         | 29.43                            | 478 597                     | 16 262                                | 2.09                                         | 2.09                                      | 139.89                                      | 0.09                                      |
| Dec. 31, 2014         | 30.22                            | 520 202                     | 17 213                                | 2.09                                         | 2.09                                      | 182.73                                      | 0.14                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>33.21</b>                     | <b>2 496</b>                | <b>75</b>                             | <b>1.88</b>                                  | <b>1.88</b>                               | <b>16.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 35.43                            | 2 839                       | 80                                    | 1.89                                         | 1.89                                      | 15.80                                       | 0.02                                      |
| Dec. 31, 2016         | 33.75                            | 2 986                       | 88                                    | 1.97                                         | 1.97                                      | 152.07                                      | 0.10                                      |
| Dec. 31, 2015         | 30.50                            | 3 238                       | 106                                   | 2.05                                         | 2.05                                      | 139.89                                      | 0.09                                      |
| Dec. 31, 2014         | 31.30                            | 2 921                       | 93                                    | 2.05                                         | 2.05                                      | 182.73                                      | 0.14                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>32.63</b>                     | <b>37 708</b>               | <b>1 155</b>                          | <b>1.04</b>                                  | <b>1.04</b>                               | <b>16.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 34.83                            | 38 806                      | 1 114                                 | 1.05                                         | 1.05                                      | 15.80                                       | 0.02                                      |
| Dec. 31, 2016         | 33.19                            | 34 589                      | 1 042                                 | 1.12                                         | 1.12                                      | 152.07                                      | 0.10                                      |
| Dec. 31, 2015         | 30.00                            | 30 982                      | 1 033                                 | 1.21                                         | 1.21                                      | 139.89                                      | 0.09                                      |
| Dec. 31, 2014         | 30.81                            | 29 434                      | 955                                   | 1.21                                         | 1.21                                      | 182.73                                      | 0.14                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>35.06</b>                     | <b>47 649</b>               | <b>1 359</b>                          | <b>0.76</b>                                  | <b>0.76</b>                               | <b>16.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 37.42                            | 33 629                      | 899                                   | 0.77                                         | 0.77                                      | 15.80                                       | 0.02                                      |
| Dec. 31, 2016         | 35.67                            | 14 059                      | 394                                   | 0.83                                         | 0.83                                      | 152.07                                      | 0.10                                      |
| Dec. 31, 2015         | 32.23                            | 4 291                       | 133                                   | 0.94                                         | 0.94                                      | 139.89                                      | 0.09                                      |
| Dec. 31, 2014         | 33.10                            | 3 207                       | 97                                    | 0.95                                         | 0.95                                      | 182.73                                      | 0.14                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>37.09</b>                     | <b>5 745</b>                | <b>155</b>                            | <b>0.02</b>                                  | <b>0.02</b>                               | <b>16.92</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017         | 39.59                            | 5 081                       | 128                                   | 0.02                                         | 0.02                                      | 15.80                                       | 0.02                                      |
| Dec. 31, 2016         | 37.75                            | 3 624                       | 96                                    | 0.02                                         | 0.02                                      | 152.07                                      | 0.10                                      |
| Dec. 31, 2015         | 34.09                            | 2 755                       | 81                                    | 0.02                                         | 0.02                                      | 139.89                                      | 0.09                                      |
| Dec. 31, 2014         | 35.03                            | 2 352                       | 67                                    | 0.02                                         | 0.02                                      | 182.73                                      | 0.14                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.92%, Advisor Series – 1.88%, Series D – 1.04% and Series F – 0.78%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.

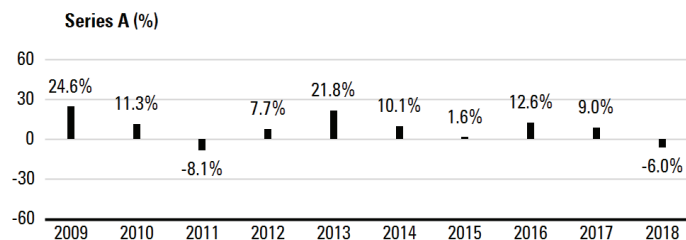
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

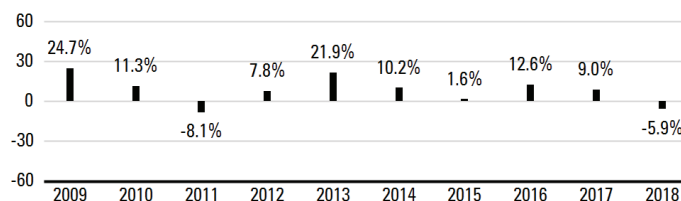
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

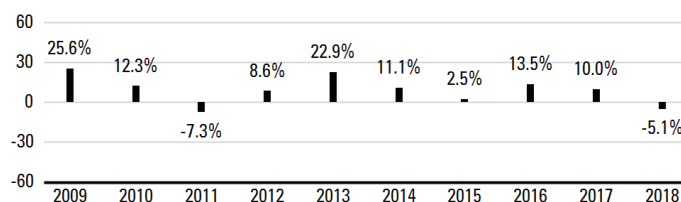
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



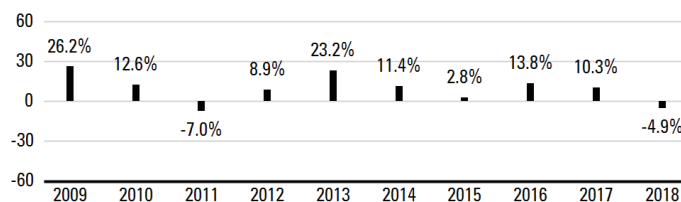
### Advisor Series (%)



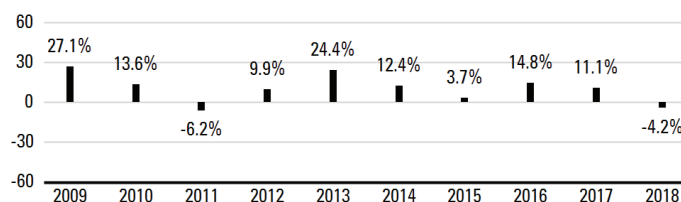
### Series D (%)



### Series F (%)



### Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 50% S&P/TSX Capped Composite Total Return Index
- 50% S&P 500 Total Return Index (CAD)

The broad-based indexes are as follows:

Broad-based index 1 – S&P 500 Total Return Index (CAD)

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A            | -6.0         | 4.9             | 5.2             | 8.0              | —                  |
| Benchmark           | -2.6         | 7.7             | 9.1             | 11.3             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series      | -5.9         | 4.9             | 5.3             | 8.0              | —                  |
| Benchmark           | -2.6         | 7.7             | 9.1             | 11.3             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D            | -5.1         | 5.8             | 6.2             | 8.9              | —                  |
| Benchmark           | -2.6         | 7.7             | 9.1             | 11.3             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F            | -4.9         | 6.1             | 6.5             | 9.3              | —                  |
| Benchmark           | -2.6         | 7.7             | 9.1             | 11.3             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O            | -4.2         | 6.9             | 7.3             | 10.2             | —                  |
| Benchmark           | -2.6         | 7.7             | 9.1             | 11.3             | —                  |
| Broad-based index 1 | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Broad-based index 2 | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix – Sectors

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 24.0                 |
| Information Technology | 12.1                 |
| Energy                 | 11.7                 |
| Industrials            | 10.4                 |
| Health Care            | 8.2                  |
| Communication Services | 8.1                  |
| Consumer Discretionary | 7.1                  |
| Materials              | 7.0                  |
| Consumer Staples       | 5.6                  |
| Real Estate            | 2.8                  |
| Utilities              | 2.6                  |
| Cash/Other             | 0.4                  |

### Investment Mix – Countries/Regions

|                 | % of Net Asset Value |
|-----------------|----------------------|
| Canada          | 50.9                 |
| United States   | 48.1                 |
| Other Countries | 0.6                  |
| Cash/Other      | 0.4                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Royal Bank of Canada                      | 3.7                  |
| Toronto-Dominion Bank                     | 3.3                  |
| Bank of Nova Scotia                       | 2.5                  |
| Canadian National Railway Co.             | 2.1                  |
| Microsoft Corp.                           | 2.1                  |
| Enbridge Inc.                             | 1.9                  |
| Suncor Energy Inc.                        | 1.9                  |
| Alphabet Inc., Class A                    | 1.6                  |
| Amazon.com, Inc.                          | 1.6                  |
| Apple Inc.                                | 1.6                  |
| Bank of Montreal                          | 1.5                  |
| Brookfield Asset Management Inc., Class A | 1.4                  |
| Nutrien Ltd.                              | 1.3                  |
| TransCanada Corp.                         | 1.3                  |
| Canadian Imperial Bank of Commerce        | 1.2                  |
| Manulife Financial Corporation            | 1.2                  |
| Canadian Pacific Railway Ltd.             | 1.2                  |
| Canadian Natural Resources Ltd.           | 1.1                  |
| JPMorgan Chase & Co.                      | 1.0                  |
| Alimentation Couche-Tard Inc.             | 0.9                  |
| BCE Inc.                                  | 0.9                  |
| Berkshire Hathaway Inc., Class B          | 0.9                  |
| Rogers Communications Inc., Class B       | 0.8                  |
| Sun Life Financial Inc.                   | 0.8                  |
| UnitedHealth Group Incorporated           | 0.8                  |
| Top 25 Holdings                           | 38.6                 |

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).



U.S. EQUITY FUND

## RBC U.S. DIVIDEND FUND

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 invests primarily in common and preferred shares of major U.S. companies with above-average dividend yields in order to provide targeted exposure to opportunities in U.S. equity markets. Stocks that qualify as investments will generally carry above-average dividend yields and offer the potential for increased payouts.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$4.0 billion as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series A units gained 0.4%, which underperformed the 3.8% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The Fund underperformed the benchmark in 2018 given that the Fund is not permitted to invest in companies that do not pay dividends. During the year, it was non-dividend-paying companies such as Amazon, Netflix, Berkshire Hathaway and Adobe that generally outperformed. Overweight positions in the tobacco companies Altria Group and Philip Morris International also hurt performance. Philip Morris fell early in the year on weak earnings, largely driven by lower-than-expected sales of its smokeless product in Japan. Altria Group serves an entirely different market but was dragged down by Philip Morris's poor results.

The Fund held up relatively well in the fourth quarter amid volatile markets. Exposure to companies and sectors that tend to fall less in a down market aided relative returns late in the year, as did the portfolio manager's decision to devote a portion of the Fund's assets to fixed income, as allowed under the mandate.

Portfolio turnover can be high for the Fund, as the portfolio manager attempts to generate better returns through active security and sector selection.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$521,000 (2017 – \$214,000) or 11% (2017 – 6%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.44                                  | 0.65                                             | (0.54)            | 1.32                          | (1.27)                          | 0.16   | —                                          | (0.07)            | (0.99)                   | —                    | (1.06) | 26.47                               |
| Dec. 31, 2017                 | 25.27                                  | 0.61                                             | (0.51)            | 0.97                          | 1.79                            | 2.86   | —                                          | (0.08)            | (0.65)                   | —                    | (0.73) | 27.44                               |
| Dec. 31, 2016                 | 24.07                                  | 0.58                                             | (0.47)            | 0.54                          | 0.83                            | 1.48   | —                                          | (0.11)            | (0.28)                   | —                    | (0.39) | 25.27                               |
| Dec. 31, 2015                 | 21.63                                  | 0.63                                             | (0.49)            | 1.96                          | 2.11                            | 4.21   | —                                          | (0.02)            | (1.08)                   | —                    | (1.10) | 24.07                               |
| Dec. 31, 2014                 | 20.24                                  | 0.49                                             | (0.44)            | 2.86                          | 1.13                            | 4.04   | —                                          | (0.02)            | (2.44)                   | —                    | (2.46) | 21.63                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 27.47                                  | 0.65                                             | (0.53)            | 1.32                          | (1.26)                          | 0.18   | —                                          | (0.08)            | (0.99)                   | —                    | (1.07) | 26.50                               |
| Dec. 31, 2017                 | 25.30                                  | 0.61                                             | (0.50)            | 0.97                          | 1.78                            | 2.86   | —                                          | (0.09)            | (0.65)                   | —                    | (0.74) | 27.47                               |
| Dec. 31, 2016                 | 24.09                                  | 0.58                                             | (0.46)            | 0.54                          | 0.78                            | 1.44   | —                                          | (0.11)            | (0.29)                   | —                    | (0.40) | 25.30                               |
| Dec. 31, 2015                 | 21.64                                  | 0.64                                             | (0.49)            | 1.99                          | 2.14                            | 4.28   | —                                          | (0.02)            | (1.08)                   | —                    | (1.10) | 24.09                               |
| Dec. 31, 2014                 | 20.26                                  | 0.48                                             | (0.43)            | 2.82                          | 1.11                            | 3.98   | —                                          | (0.03)            | (2.44)                   | —                    | (2.47) | 21.64                               |
| Advisor T5 Series             |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 25.13                                  | 0.65                                             | (0.53)            | 1.32                          | (1.32)                          | 0.12   | —                                          | (0.07)            | (0.84)                   | (0.34)               | (1.25) | 24.00                               |
| Dec. 31, 2017                 | 23.66                                  | 0.61                                             | (0.50)            | 0.97                          | 1.53                            | 2.61   | —                                          | (0.10)            | (0.58)                   | (0.50)               | (1.18) | 25.13                               |
| Dec. 31, 2016                 | 23.37                                  | 0.58                                             | (0.46)            | 0.54                          | 1.03                            | 1.69   | —                                          | (0.10)            | (0.28)                   | (0.79)               | (1.17) | 23.66                               |
| Dec. 31, 2015                 | 21.35                                  | 0.64                                             | (0.49)            | 1.99                          | 2.14                            | 4.28   | —                                          | (0.07)            | (1.37)                   | —                    | (1.44) | 23.37                               |
| Dec. 31, 2014 <sup>3</sup>    | 19.89 <sup>†</sup>                     | 0.48                                             | (0.43)            | 2.82                          | 1.11                            | 3.98   | —                                          | —                 | (1.33)                   | —                    | (1.33) | 21.35                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 25.51                                  | 0.59                                             | (0.49)            | 1.20                          | (1.32)                          | (0.02) | —                                          | (0.08)            | (0.91)                   | (0.29)               | (1.28) | 24.36                               |
| Dec. 31, 2017                 | 24.02                                  | 0.56                                             | (0.46)            | 0.90                          | 1.70                            | 2.70   | —                                          | (0.11)            | (0.57)                   | (0.52)               | (1.20) | 25.51                               |
| Dec. 31, 2016                 | 23.72                                  | 0.56                                             | (0.44)            | 0.52                          | 0.74                            | 1.38   | —                                          | (0.11)            | (0.25)                   | (0.83)               | (1.19) | 24.02                               |
| Dec. 31, 2015                 | 21.41                                  | 0.62                                             | (0.47)            | 1.91                          | 2.05                            | 4.11   | —                                          | (0.05)            | (1.09)                   | —                    | (1.14) | 23.72                               |
| Dec. 31, 2014                 | 19.75                                  | 0.47                                             | (0.42)            | 2.76                          | 1.09                            | 3.90   | —                                          | (0.03)            | (2.04)                   | —                    | (2.07) | 21.41                               |
| Series T8                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.75                                  | 0.27                                             | (0.22)            | 0.54                          | (0.53)                          | 0.06   | —                                          | (0.03)            | (0.40)                   | (0.51)               | (0.94) | 10.88                               |
| Dec. 31, 2017                 | 11.40                                  | 0.26                                             | (0.21)            | 0.42                          | 0.70                            | 1.17   | —                                          | (0.05)            | (0.24)                   | (0.62)               | (0.91) | 11.75                               |
| Dec. 31, 2016                 | 11.63                                  | 0.27                                             | (0.21)            | 0.25                          | 0.32                            | 0.63   | —                                          | (0.05)            | (0.12)                   | (0.76)               | (0.93) | 11.40                               |
| Dec. 31, 2015                 | 10.77                                  | 0.30                                             | (0.23)            | 0.94                          | 1.01                            | 2.02   | —                                          | (0.03)            | (0.54)                   | (0.29)               | (0.86) | 11.63                               |
| Dec. 31, 2014                 | 10.02                                  | 0.23                                             | (0.21)            | 1.38                          | 0.54                            | 1.94   | —                                          | (0.02)            | (0.93)                   | (0.17)               | (1.12) | 10.77                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 28.18                                  | 0.67                                             | (0.30)            | 1.35                          | (1.39)                          | 0.33   | —                                          | (0.34)            | (1.01)                   | —                    | (1.35) | 27.17                               |
| Dec. 31, 2017                 | 25.94                                  | 0.62                                             | (0.28)            | 0.99                          | 1.81                            | 3.14   | —                                          | (0.34)            | (0.65)                   | —                    | (0.99) | 28.18                               |
| Dec. 31, 2016                 | 24.69                                  | 0.59                                             | (0.27)            | 0.56                          | 0.84                            | 1.72   | —                                          | (0.31)            | (0.29)                   | —                    | (0.60) | 25.94                               |
| Dec. 31, 2015                 | 22.15                                  | 0.65                                             | (0.29)            | 2.01                          | 2.16                            | 4.53   | —                                          | (0.21)            | (1.10)                   | —                    | (1.31) | 24.69                               |
| Dec. 31, 2014                 | 20.73                                  | 0.50                                             | (0.26)            | 2.93                          | 1.15                            | 4.32   | —                                          | (0.20)            | (2.51)                   | —                    | (2.71) | 22.15                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.13                                  | 0.71                                             | (0.24)            | 1.44                          | (1.65)                          | 0.26   | —                                          | (0.43)            | (1.09)                   | —                    | (1.52) | 29.07                               |
| Dec. 31, 2017                 | 27.73                                  | 0.66                                             | (0.22)            | 1.06                          | 2.04                            | 3.54   | —                                          | (0.43)            | (0.69)                   | —                    | (1.12) | 30.13                               |
| Dec. 31, 2016                 | 26.40                                  | 0.63                                             | (0.22)            | 0.60                          | 1.48                            | 2.49   | —                                          | (0.40)            | (0.31)                   | —                    | (0.71) | 27.73                               |
| Dec. 31, 2015                 | 23.68                                  | 0.70                                             | (0.24)            | 2.15                          | 2.31                            | 4.92   | —                                          | (0.29)            | (1.17)                   | —                    | (1.46) | 26.40                               |
| Dec. 31, 2014                 | 22.17                                  | 0.53                                             | (0.21)            | 3.09                          | 1.22                            | 4.63   | —                                          | (0.27)            | (2.69)                   | —                    | (2.96) | 23.68                               |





**FINANCIAL HIGHLIGHTS (cont.)**

**Change in Net Assets Per Unit (\$) (cont.)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>28.30</b>                           | <b>0.66</b>                                      | <b>(0.22)</b>     | <b>1.33</b>                   | <b>(2.52)</b>                   | <b>(0.75)</b> | —                                          | <b>(0.41)</b>     | <b>(1.09)</b>            | —                    | <b>(1.50)</b> | <b>27.27</b>                        |
| Dec. 31, 2017                 | 26.35                                  | 0.62                                             | (0.21)            | 0.99                          | 1.88                            | 3.28          | —                                          | (0.40)            | (0.75)                   | (0.17)               | (1.32)        | 28.30                               |
| Dec. 31, 2016                 | 25.72                                  | 0.60                                             | (0.21)            | 0.57                          | 1.58                            | 2.54          | —                                          | (0.37)            | (0.42)                   | (0.49)               | (1.28)        | 26.35                               |
| Dec. 31, 2015                 | 23.43                                  | 0.62                                             | (0.23)            | 1.93                          | 2.07                            | 4.39          | —                                          | (0.31)            | (1.48)                   | —                    | (1.79)        | 25.72                               |
| Dec. 31, 2014 <sup>3</sup>    | 21.79 <sup>†</sup>                     | 0.18                                             | (0.10)            | 1.05                          | 0.41                            | 1.54          | —                                          | (0.03)            | (1.48)                   | —                    | (1.51)        | 23.43                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>29.53</b>                           | <b>0.70</b>                                      | <b>(0.01)</b>     | <b>1.42</b>                   | <b>(1.36)</b>                   | <b>0.75</b>   | —                                          | <b>(0.66)</b>     | <b>(1.07)</b>            | —                    | <b>(1.73)</b> | <b>28.47</b>                        |
| Dec. 31, 2017                 | 27.19                                  | 0.65                                             | (0.01)            | 1.04                          | 2.08                            | 3.76          | —                                          | (0.65)            | (0.68)                   | —                    | (1.33)        | 29.53                               |
| Dec. 31, 2016                 | 25.89                                  | 0.62                                             | (0.01)            | 0.58                          | 1.31                            | 2.50          | —                                          | (0.60)            | (0.32)                   | —                    | (0.92)        | 27.19                               |
| Dec. 31, 2015                 | 23.23                                  | 0.54                                             | (0.01)            | 1.66                          | 1.79                            | 3.98          | —                                          | (0.51)            | (1.16)                   | —                    | (1.67)        | 25.89                               |
| Dec. 31, 2014                 | 21.78                                  | 0.52                                             | (0.01)            | 3.07                          | 1.21                            | 4.79          | —                                          | (0.47)            | (2.69)                   | —                    | (3.16)        | 23.23                               |

<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 August 11, 2014.

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>26.47</b>                     | <b>742 057</b>              | <b>28 038</b>                         | <b>1.93</b>                                  | <b>1.93</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 27.44                            | 810 315                     | 29 528                                | 1.94                                         | 1.94                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 25.27                            | 731 326                     | 28 936                                | 2.00                                         | 2.00                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 24.07                            | 746 420                     | 31 013                                | 2.09                                         | 2.09                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 21.63                            | 527 594                     | 24 397                                | 2.08                                         | 2.08                                      | 299.68                                      | 0.24                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>26.50</b>                     | <b>241 057</b>              | <b>9 098</b>                          | <b>1.89</b>                                  | <b>1.89</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 27.47                            | 266 663                     | 9 706                                 | 1.89                                         | 1.89                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 25.30                            | 271 832                     | 10 745                                | 1.97                                         | 1.97                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 24.09                            | 287 795                     | 11 947                                | 2.07                                         | 2.07                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 21.64                            | 243 718                     | 11 263                                | 2.05                                         | 2.05                                      | 299.68                                      | 0.24                                      |
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>24.00</b>                     | <b>2 032</b>                | <b>85</b>                             | <b>1.91</b>                                  | <b>1.91</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 25.13                            | 2 043                       | 81                                    | 1.92                                         | 1.92                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 23.66                            | 1 310                       | 55                                    | 1.99                                         | 1.99                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 23.37                            | 1 109                       | 47                                    | 1.94                                         | 1.94                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014 <sup>4</sup> | 21.35                            | 121                         | 6                                     | 2.09                                         | 2.09                                      | 299.68                                      | 0.24                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>24.36</b>                     | <b>4 305</b>                | <b>177</b>                            | <b>1.90</b>                                  | <b>1.90</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 25.51                            | 3 971                       | 156                                   | 1.90                                         | 1.90                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 24.02                            | 3 679                       | 153                                   | 1.96                                         | 1.96                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 23.72                            | 3 903                       | 165                                   | 2.04                                         | 2.04                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 21.41                            | 2 999                       | 140                                   | 2.05                                         | 2.05                                      | 299.68                                      | 0.24                                      |



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data (cont.)**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series T8</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.88</b>                     | <b>6 663</b>                | <b>612</b>                            | <b>1.88</b>                                  | <b>1.88</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 11.75                            | 6 398                       | 545                                   | 1.87                                         | 1.87                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 11.40                            | 7 234                       | 635                                   | 1.94                                         | 1.94                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 11.63                            | 8 221                       | 707                                   | 2.04                                         | 2.04                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 10.77                            | 5 838                       | 542                                   | 2.05                                         | 2.05                                      | 299.68                                      | 0.24                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>27.17</b>                     | <b>74 493</b>               | <b>2 742</b>                          | <b>1.05</b>                                  | <b>1.05</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 28.18                            | 71 684                      | 2 544                                 | 1.05                                         | 1.05                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 25.94                            | 52 156                      | 2 011                                 | 1.12                                         | 1.12                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 24.69                            | 54 023                      | 2 188                                 | 1.19                                         | 1.19                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 22.15                            | 34 753                      | 1 569                                 | 1.19                                         | 1.19                                      | 299.68                                      | 0.24                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>29.07</b>                     | <b>389 015</b>              | <b>13 384</b>                         | <b>0.78</b>                                  | <b>0.78</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 30.13                            | 311 542                     | 10 340                                | 0.78                                         | 0.78                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 27.73                            | 200 387                     | 7 225                                 | 0.84                                         | 0.84                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 26.40                            | 136 453                     | 5 170                                 | 0.93                                         | 0.93                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 23.68                            | 94 864                      | 4 006                                 | 0.94                                         | 0.94                                      | 299.68                                      | 0.24                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>27.27</b>                     | <b>5 753</b>                | <b>211</b>                            | <b>0.77</b>                                  | <b>0.77</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 28.30                            | 2 685                       | 95                                    | 0.77                                         | 0.77                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 26.35                            | 1 204                       | 46                                    | 0.83                                         | 0.83                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 25.72                            | 611                         | 24                                    | 0.90                                         | 0.90                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014 <sup>4</sup> | 23.43                            | 22                          | 1                                     | 0.89                                         | 0.89                                      | 299.68                                      | 0.24                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>28.47</b>                     | <b>2 556 098</b>            | <b>89 792</b>                         | <b>0.03</b>                                  | <b>0.03</b>                               | <b>145.65</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 29.53                            | 2 535 173                   | 85 852                                | 0.04                                         | 0.04                                      | 89.68                                       | 0.09                                      |
| Dec. 31, 2016              | 27.19                            | 1 774 593                   | 65 261                                | 0.02                                         | 0.02                                      | 121.06                                      | 0.11                                      |
| Dec. 31, 2015              | 25.89                            | 1 378 762                   | 53 260                                | 0.02                                         | 0.02                                      | 205.51                                      | 0.17                                      |
| Dec. 31, 2014              | 23.23                            | 167 808                     | 7 223                                 | 0.02                                         | 0.02                                      | 299.68                                      | 0.24                                      |

<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 August 11, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Advisor T5 Series, Series T5, Series T8, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.92%, Advisor Series – 1.88%, Advisor T5 Series – 1.91%, Series T5 – 1.88%, Series T8 – 1.86%, Series D – 1.04%, Series F – 0.77% and Series FT5 – 0.76%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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          | 1.60%           | 63%                   | 37%    |
| Advisor Series    | 1.60%           | 63%                   | 37%    |
| Advisor T5 Series | 1.60%           | 63%                   | 37%    |
| Series T5         | 1.60%           | 63%                   | 37%    |
| Series T8         | 1.60%           | 63%                   | 37%    |
| Series D          | 0.85%           | 29%                   | 71%    |
| Series F          | 0.60%           | —                     | 100%   |
| Series FT5        | 0.60%           | —                     | 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.

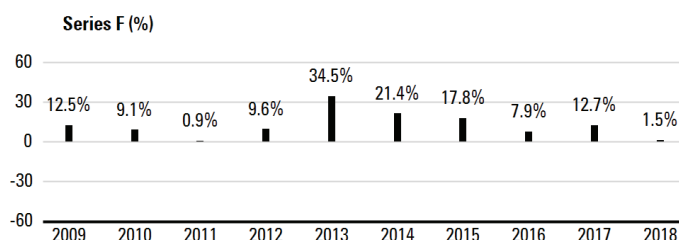
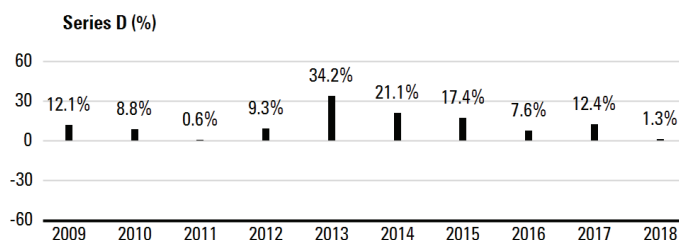
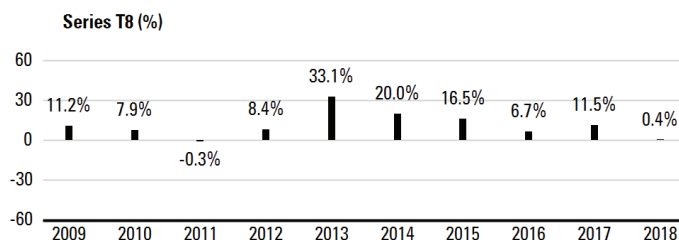
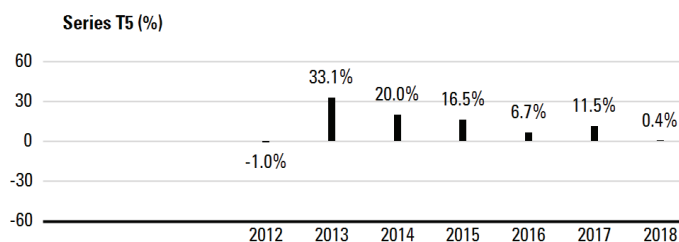
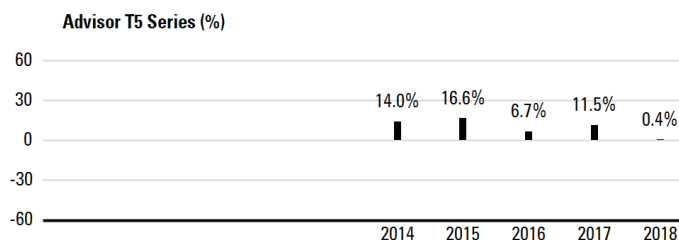
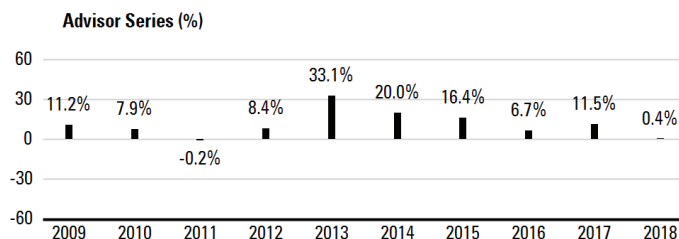
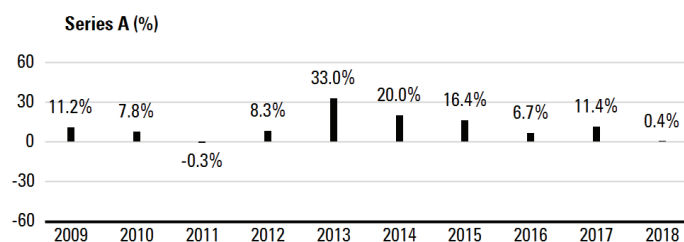
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.

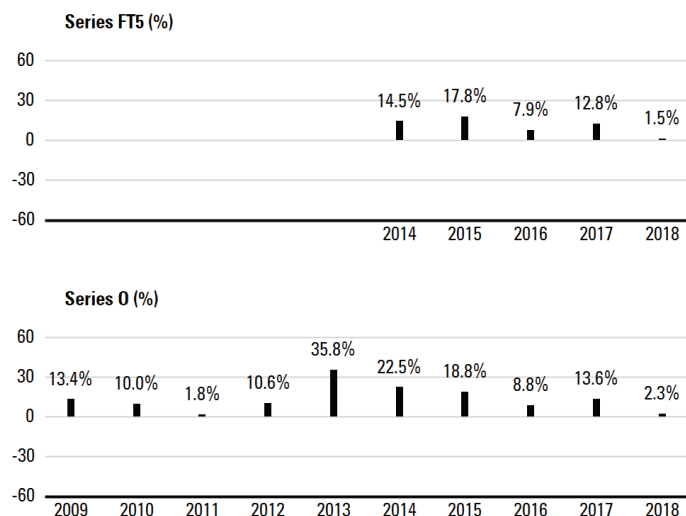
### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P 500 Total Return Index (CAD)

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | 0.4          | 6.1             | 10.7            | 11.1             | —                  |
| Benchmark         | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Advisor Series    | 0.4          | 6.1             | 10.8            | 11.2             | —                  |
| Benchmark         | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Advisor T5 Series | 0.4          | 6.1             | —               | —                | 11.1               |
| Benchmark         | 3.8          | 8.8             | —               | —                | 13.9               |
| Series T5         | 0.4          | 6.1             | 10.8            | —                | 13.4               |
| Benchmark         | 3.8          | 8.8             | 14.1            | —                | 17.4               |
| Series T8         | 0.4          | 6.1             | 10.8            | 11.2             | —                  |
| Benchmark         | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series D          | 1.3          | 7.0             | 11.7            | 12.1             | —                  |
| Benchmark         | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series F          | 1.5          | 7.3             | 12.0            | 12.4             | —                  |
| Benchmark         | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series FT5        | 1.5          | 7.3             | —               | —                | 12.3               |
| Benchmark         | 3.8          | 8.8             | —               | —                | 13.9               |
| Series O          | 2.3          | 8.1             | 13.0            | 13.4             | —                  |
| Benchmark         | 3.8          | 8.8             | 14.1            | 14.4             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Advisor T5 Series and Series FT5 units have been available for sale to unitholders since August 11, 2014, and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

## INDEX DESCRIPTION

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 24.5                 |
| Health Care            | 17.7                 |
| Financials             | 9.9                  |
| Consumer Staples       | 9.2                  |
| Industrials            | 9.2                  |
| Consumer Discretionary | 6.5                  |
| Utilities              | 4.9                  |
| Energy                 | 4.2                  |
| Communication Services | 3.5                  |
| Real Estate            | 2.5                  |
| Materials              | 1.3                  |
| Cash/Other             | 6.6                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Microsoft Corp.                             | 5.4                  |
| Apple Inc.                                  | 3.5                  |
| Cisco Systems Inc.                          | 3.4                  |
| Cash & Cash Equivalents                     | 3.3                  |
| iShares Dow Jones US Real Estate Index Fund | 3.2                  |
| Broadcom Inc.                               | 2.9                  |
| Texas Instruments Inc.                      | 2.7                  |
| Bank of America Corp.                       | 2.6                  |
| JPMorgan Chase & Co.                        | 2.5                  |
| UnitedHealth Group Incorporated             | 2.3                  |
| Intel Corp.                                 | 2.2                  |
| Boeing Co.                                  | 2.1                  |
| Johnson & Johnson                           | 2.0                  |
| Philip Morris International Inc.            | 1.9                  |
| Anthem Inc.                                 | 1.9                  |
| Merck & Co. Inc.                            | 1.8                  |
| CVS Health Corp.                            | 1.7                  |
| Union Pacific Corp.                         | 1.6                  |
| Home Depot Inc.                             | 1.6                  |
| Pfizer Inc.                                 | 1.5                  |
| McDonald's Corp.                            | 1.5                  |
| Altria Group Inc.                           | 1.4                  |
| The Walt Disney Company                     | 1.4                  |
| Visa Inc., Class A                          | 1.4                  |
| The Procter & Gamble Co.                    | 1.3                  |
| Top 25 Holdings                             | 57.1                 |

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).



U.S. EQUITY FUND

## RBC U.S. DIVIDEND CURRENCY NEUTRAL FUND

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to achieve long-term capital growth and regular dividend income through investing primarily in common and preferred shares of U.S. companies with above-average dividend yields while minimizing the exposure to currency fluctuations between the U.S. and Canadian dollars. The Fund may also invest in other mutual funds managed by RBC GAM or an affiliate.

The portfolio manager selects companies with a sustainable dividend and good long-term prospects of growing their dividends and with potential to create value through events such as stock buybacks, takeovers and the reduction of debt. The Fund uses currency hedges to minimize the impact of fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$40 million as of December 31, 2018, from \$26 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 8.3%, which underperformed the 5.7% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The portfolio underperformed the benchmark in 2018 given that the Fund is not permitted to invest in companies that do not pay dividends. During the year, it was non-dividend-paying companies such as Amazon, Netflix, Berkshire Hathaway and Adobe that

generally outperformed. Overweight positions in the tobacco companies Altria Group and Philip Morris International also hurt performance. Philip Morris fell early in the year on weak earnings, largely driven by lower-than-expected sales of its smokeless product in Japan. Altria Group serves an entirely different market but was dragged down by Philip Morris's poor results.

The Fund held up relatively well in the fourth quarter amid volatile markets. Exposure to companies and sectors that tend to fall less in a down market aided relative returns late in the year, as did the portfolio manager's decision to devote a portion of the Fund's assets to fixed income, as allowed under the mandate.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative impact on the Fund in 2018.

Portfolio turnover can be high for the Fund, as the portfolio manager attempts to generate better returns through active security and sector selection.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve ("the Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### 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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$5,000 (2017 – \$0) or 11% (2017 – 0%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.60</b>                           | <b>0.29</b>                                      | <b>(0.24)</b>     | <b>(0.51)</b>                 | <b>(0.66)</b>                   | <b>(1.12)</b> | —                                          | <b>(0.02)</b>     | —                        | —                    | <b>(0.02)</b> | <b>11.53</b>                        |
| Dec. 31, 2017                 | 10.83                                  | 0.25                                             | (0.23)            | 0.17                          | 1.87                            | 2.06          | —                                          | —                 | (0.16)                   | —                    | (0.16)        | 12.60                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.13)            | (0.16)                        | 1.07                            | 0.92          | —                                          | (0.03)            | —                        | —                    | (0.03)        | 10.83                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.61</b>                           | <b>0.29</b>                                      | <b>(0.23)</b>     | <b>(0.51)</b>                 | <b>(0.71)</b>                   | <b>(1.16)</b> | —                                          | <b>(0.03)</b>     | —                        | —                    | <b>(0.03)</b> | <b>11.54</b>                        |
| Dec. 31, 2017                 | 10.83                                  | 0.31                                             | (0.22)            | 0.21                          | 1.60                            | 1.90          | —                                          | (0.01)            | (0.16)                   | —                    | (0.17)        | 12.61                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | (0.13)            | (0.18)                        | 0.86                            | 0.71          | —                                          | (0.03)            | —                        | —                    | (0.03)        | 10.83                               |
| <b>Advisor T5 Series</b>      |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.83</b>                           | <b>0.29</b>                                      | <b>(0.23)</b>     | <b>(0.51)</b>                 | <b>(0.49)</b>                   | <b>(0.94)</b> | —                                          | <b>(0.02)</b>     | —                        | <b>(0.57)</b>        | <b>(0.59)</b> | <b>10.29</b>                        |
| Dec. 31, 2017                 | 10.52                                  | 0.31                                             | (0.22)            | 0.21                          | 1.53                            | 1.83          | —                                          | (0.02)            | (0.15)                   | (0.36)               | (0.53)        | 11.83                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | (0.13)            | (0.18)                        | 1.25                            | 1.10          | —                                          | (0.02)            | —                        | (0.31)               | (0.33)        | 10.52                               |
| <b>Series T5</b>              |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.85</b>                           | <b>0.27</b>                                      | <b>(0.22)</b>     | <b>(0.48)</b>                 | <b>(0.46)</b>                   | <b>(0.89)</b> | —                                          | <b>(0.03)</b>     | —                        | <b>(0.56)</b>        | <b>(0.59)</b> | <b>10.32</b>                        |
| Dec. 31, 2017                 | 10.52                                  | 0.18                                             | (0.21)            | 0.12                          | 2.11                            | 2.20          | —                                          | (0.03)            | (0.31)                   | (0.19)               | (0.53)        | 11.85                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.12)            | (0.19)                        | 0.99                            | 0.85          | —                                          | (0.04)            | —                        | (0.29)               | (0.33)        | 10.52                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.60</b>                           | <b>0.30</b>                                      | <b>(0.13)</b>     | <b>(0.52)</b>                 | <b>(0.63)</b>                   | <b>(0.98)</b> | —                                          | <b>(0.13)</b>     | —                        | —                    | <b>(0.13)</b> | <b>11.53</b>                        |
| Dec. 31, 2017                 | 10.84                                  | 0.27                                             | (0.12)            | 0.19                          | 1.79                            | 2.13          | —                                          | (0.13)            | (0.16)                   | —                    | (0.29)        | 12.60                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | (0.07)            | (0.19)                        | 0.94                            | 0.84          | —                                          | (0.07)            | —                        | —                    | (0.07)        | 10.84                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.61</b>                           | <b>0.29</b>                                      | <b>(0.10)</b>     | <b>(0.50)</b>                 | <b>(1.08)</b>                   | <b>(1.39)</b> | —                                          | <b>(0.16)</b>     | —                        | —                    | <b>(0.16)</b> | <b>11.55</b>                        |
| Dec. 31, 2017                 | 10.84                                  | 0.27                                             | (0.09)            | 0.19                          | 1.79                            | 2.16          | —                                          | (0.13)            | (0.17)                   | —                    | (0.30)        | 12.61                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.05)            | (0.17)                        | 1.02                            | 0.95          | —                                          | (0.09)            | —                        | —                    | (0.09)        | 10.84                               |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.07</b>                           | <b>0.28</b>                                      | <b>(0.07)</b>     | <b>(0.49)</b>                 | <b>(0.55)</b>                   | <b>(0.83)</b> | —                                          | <b>(0.19)</b>     | —                        | <b>(0.42)</b>        | <b>(0.61)</b> | <b>10.65</b>                        |
| Dec. 31, 2017                 | 10.59                                  | 0.38                                             | (0.08)            | 0.27                          | (3.18)                          | (2.61)        | —                                          | (0.09)            | (0.02)                   | (0.42)               | (0.53)        | 12.07                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.05)            | (0.20)                        | 1.00                            | 0.92          | —                                          | (0.10)            | —                        | (0.23)               | (0.33)        | 10.59                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.63</b>                           | <b>0.29</b>                                      | —                 | <b>(0.51)</b>                 | <b>(0.86)</b>                   | <b>(1.08)</b> | —                                          | <b>(0.26)</b>     | —                        | —                    | <b>(0.26)</b> | <b>11.56</b>                        |
| Dec. 31, 2017                 | 10.85                                  | 0.27                                             | —                 | 0.19                          | 1.94                            | 2.40          | —                                          | (0.23)            | (0.16)                   | —                    | (0.39)        | 12.63                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.01)            | (0.20)                        | 1.02                            | 0.98          | —                                          | (0.13)            | —                        | —                    | (0.13)        | 10.85                               |

<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 May 4, 2016.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.53</b>                     | <b>16 097</b>               | <b>1 396</b>                          | <b>1.89</b>                                  | <b>1.90</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.60                            | 12 256                      | 973                                   | 1.96                                         | 1.98                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.83                            | 913                         | 84                                    | 1.93                                         | 1.97                                      | 54.56                                       | 0.07                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.54</b>                     | <b>709</b>                  | <b>61</b>                             | <b>1.86</b>                                  | <b>1.87</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.61                            | 329                         | 26                                    | 1.85                                         | 1.87                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.83                            | 154                         | 14                                    | 1.84                                         | 1.88                                      | 54.56                                       | 0.07                                      |
| <b>Advisor T5 Series</b>   |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.29</b>                     | <b>32</b>                   | <b>3</b>                              | <b>1.96</b>                                  | <b>1.97</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 11.83                            | 36                          | 3                                     | 1.96                                         | 1.98                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.52                            | 32                          | 3                                     | 1.79                                         | 1.82                                      | 54.56                                       | 0.07                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.32</b>                     | <b>131</b>                  | <b>13</b>                             | <b>1.91</b>                                  | <b>1.92</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 11.85                            | 153                         | 13                                    | 1.80                                         | 1.82                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.52                            | 1                           | —                                     | 1.79                                         | 1.82                                      | 54.56                                       | 0.07                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.53</b>                     | <b>1 608</b>                | <b>139</b>                            | <b>1.05</b>                                  | <b>1.06</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.60                            | 1 404                       | 112                                   | 1.03                                         | 1.05                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.84                            | 180                         | 17                                    | 1.01                                         | 1.05                                      | 54.56                                       | 0.07                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.55</b>                     | <b>9 762</b>                | <b>845</b>                            | <b>0.78</b>                                  | <b>0.79</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.61                            | 4 010                       | 318                                   | 0.79                                         | 0.81                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.84                            | 794                         | 73                                    | 0.77                                         | 0.81                                      | 54.56                                       | 0.07                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.65</b>                     | <b>1</b>                    | <b>—</b>                              | <b>0.75</b>                                  | <b>0.76</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.07                            | 1                           | —                                     | 0.74                                         | 0.76                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.59                            | 1                           | —                                     | 0.74                                         | 0.77                                      | 54.56                                       | 0.07                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.56</b>                     | <b>11 811</b>               | <b>1 022</b>                          | <b>0.03</b>                                  | <b>0.04</b>                               | <b>146.69</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017              | 12.63                            | 7 876                       | 624                                   | 0.04                                         | 0.06                                      | 86.07                                       | 0.10                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.85                            | 2 309                       | 213                                   | 0.02                                         | 0.06                                      | 54.56                                       | 0.07                                      |

<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 May 4, 2016.



## FINANCIAL HIGHLIGHTS (cont.)

### 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          | 1.60%           | 63%                   | 37%    |
| Advisor Series    | 1.60%           | 63%                   | 37%    |
| Advisor T5 Series | 1.60%           | 63%                   | 37%    |
| Series T5         | 1.60%           | 63%                   | 37%    |
| Series D          | 0.85%           | 29%                   | 71%    |
| Series F          | 0.60%           | —                     | 100%   |
| Series FT5        | 0.60%           | —                     | 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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P 500 Total Return Index (hedged to CAD)

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -8.3         | —               | —               | —                | 6.3                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Advisor Series    | -8.2         | —               | —               | —                | 6.4                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Advisor T5 Series | -8.3         | —               | —               | —                | 6.3                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Series T5         | -8.3         | —               | —               | —                | 6.4                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Series D          | -7.5         | —               | —               | —                | 7.2                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Series F          | -7.2         | —               | —               | —                | 7.5                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Series FT5        | -7.1         | —               | —               | —                | 7.7                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |
| Series O          | -6.5         | —               | —               | —                | 8.3                |
| Benchmark         | -5.7         | —               | —               | —                | 9.0                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Advisor T5 Series, Series T5, Series D, Series F, Series FT5 and Series O units have been available for sale to unitholders since May 16, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**S&P 500 Total Return Index (hedged to CAD)** This index is a capitalization-weighted index measuring the performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market and is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

## Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 25.3                 |
| Health Care            | 18.4                 |
| Financials             | 10.4                 |
| Consumer Staples       | 9.8                  |
| Industrials            | 9.5                  |
| Consumer Discretionary | 7.1                  |
| Utilities              | 5.2                  |
| Energy                 | 4.3                  |
| Communication Services | 3.8                  |
| Real Estate            | 2.7                  |
| Materials              | 1.4                  |
| Cash/Other             | 2.1                  |

## Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Microsoft Corp.                             | 5.7                  |
| Apple Inc.                                  | 3.7                  |
| iShares Dow Jones US Real Estate Index Fund | 3.5                  |
| Cisco Systems Inc.                          | 3.3                  |
| Broadcom Inc.                               | 3.0                  |
| Texas Instruments Inc.                      | 2.9                  |
| Bank of America Corp.                       | 2.8                  |
| JPMorgan Chase & Co.                        | 2.7                  |
| UnitedHealth Group Incorporated             | 2.4                  |
| Intel Corp.                                 | 2.3                  |
| Boeing Co.                                  | 2.2                  |
| Johnson & Johnson                           | 2.1                  |
| Philip Morris International Inc.            | 2.0                  |
| Merck & Co. Inc.                            | 1.9                  |
| CVS Health Corp.                            | 1.8                  |
| Anthem Inc.                                 | 1.8                  |
| Pfizer Inc.                                 | 1.7                  |
| Home Depot Inc.                             | 1.6                  |
| McDonald's Corp.                            | 1.6                  |
| Altria Group Inc.                           | 1.5                  |
| PepsiCo Inc.                                | 1.5                  |
| Union Pacific Corp.                         | 1.5                  |
| Visa Inc., Class A                          | 1.4                  |
| The Procter & Gamble Co.                    | 1.4                  |
| The Coca-Cola Co.                           | 1.4                  |
| Top 25 Holdings                             | 57.7                 |

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).



U.S. EQUITY FUND

**RBC U.S. EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. companies, providing broad exposure to economic growth through the U.S. stock market.

The Fund diversifies across industries and selects companies with strong management, focused business models and the potential for growth in earnings and cash flow.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$1.9 billion as of December 31, 2018, from \$2.0 billion at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series A units gained 1.7%, which underperformed the 3.8% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The Fund's performance this year was boosted by an allocation to the RBC U.S. Mid-Cap Growth Equity Fund. The Fund had strong security selection in the Consumer Discretionary and Information Technology sectors, with overweight positions in companies such as Adobe and Dollar General.

Positions in the RBC U.S. Mid-Cap Value Equity Fund and the RBC U.S. Small-Cap Core Equity Fund had the most significant negative impact on relative returns, as both funds underperformed their benchmarks in 2018.

Portfolio turnover can be high for the Fund, as the portfolio manager attempts to generate better returns through active security and sector selection.

### **Recent Developments**

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### **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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$204,000 (2017 – \$131,000) or 11% (2017 – 8%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.11                                  | 0.57                                             | (0.61)            | 2.28                          | (1.58)                          | 0.66   | —                                          | —                 | (1.80)                   | —                    | (1.80) | 28.78                               |
| Dec. 31, 2017                 | 28.54                                  | 0.52                                             | (0.58)            | 1.74                          | 1.30                            | 2.98   | —                                          | —                 | (1.47)                   | —                    | (1.47) | 30.11                               |
| Dec. 31, 2016                 | 27.27                                  | 0.47                                             | (0.53)            | 0.58                          | 0.48                            | 1.00   | —                                          | —                 | —                        | —                    | —      | 28.54                               |
| Dec. 31, 2015                 | 29.93                                  | 0.76                                             | (0.67)            | 9.92                          | (4.03)                          | 5.98   | —                                          | (6.44)            | (0.28)                   | —                    | (6.72) | 27.27                               |
| Dec. 31, 2014                 | 28.56                                  | 0.47                                             | (0.64)            | 6.08                          | (1.27)                          | 4.64   | —                                          | —                 | (3.50)                   | —                    | (3.50) | 29.93                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.27                                  | 0.57                                             | (0.61)            | 2.29                          | (1.72)                          | 0.53   | —                                          | —                 | (1.82)                   | —                    | (1.82) | 28.93                               |
| Dec. 31, 2017                 | 28.68                                  | 0.52                                             | (0.57)            | 1.75                          | 1.30                            | 3.00   | —                                          | —                 | (1.47)                   | —                    | (1.47) | 30.27                               |
| Dec. 31, 2016                 | 27.39                                  | 0.47                                             | (0.53)            | 0.58                          | 0.61                            | 1.13   | —                                          | —                 | —                        | —                    | —      | 28.68                               |
| Dec. 31, 2015                 | 30.07                                  | 0.78                                             | (0.67)            | 10.11                         | (4.11)                          | 6.11   | —                                          | (6.46)            | (0.28)                   | —                    | (6.74) | 27.39                               |
| Dec. 31, 2014                 | 28.66                                  | 0.47                                             | (0.63)            | 6.13                          | (1.28)                          | 4.69   | —                                          | —                 | (3.50)                   | —                    | (3.50) | 30.07                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.29                                  | 0.56                                             | (0.57)            | 2.24                          | (7.34)                          | (5.11) | —                                          | —                 | (2.47)                   | —                    | (2.47) | 28.42                               |
| Dec. 31, 2017 <sup>3</sup>    | 29.53 <sup>†</sup>                     | 0.43                                             | (0.42)            | 1.44                          | 0.73                            | 2.18   | —                                          | (0.04)            | (1.22)                   | —                    | (1.26) | 30.29                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 31.77                                  | 0.60                                             | (0.35)            | 2.41                          | (1.83)                          | 0.83   | —                                          | (0.23)            | (1.93)                   | —                    | (2.16) | 30.40                               |
| Dec. 31, 2017                 | 30.05                                  | 0.55                                             | (0.33)            | 1.84                          | 1.33                            | 3.39   | —                                          | (0.19)            | (1.58)                   | —                    | (1.77) | 31.77                               |
| Dec. 31, 2016                 | 28.60                                  | 0.50                                             | (0.31)            | 0.61                          | 0.71                            | 1.51   | —                                          | (0.15)            | —                        | —                    | (0.15) | 30.05                               |
| Dec. 31, 2015                 | 31.44                                  | 0.83                                             | (0.41)            | 10.71                         | (4.35)                          | 6.78   | —                                          | (7.10)            | (0.29)                   | —                    | (7.39) | 28.60                               |
| Dec. 31, 2014                 | 29.81                                  | 0.49                                             | (0.39)            | 6.39                          | (1.34)                          | 5.15   | —                                          | (0.08)            | (3.68)                   | —                    | (3.76) | 31.44                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 34.13                                  | 0.65                                             | (0.28)            | 2.60                          | (2.42)                          | 0.55   | —                                          | (0.36)            | (2.08)                   | —                    | (2.44) | 32.63                               |
| Dec. 31, 2017                 | 32.26                                  | 0.59                                             | (0.26)            | 1.98                          | 1.60                            | 3.91   | —                                          | (0.31)            | (1.68)                   | —                    | (1.99) | 34.13                               |
| Dec. 31, 2016                 | 30.70                                  | 0.53                                             | (0.25)            | 0.65                          | 4.15                            | 5.08   | —                                          | (0.24)            | —                        | —                    | (0.24) | 32.26                               |
| Dec. 31, 2015                 | 33.78                                  | 0.87                                             | (0.35)            | 11.24                         | (4.57)                          | 7.19   | —                                          | (7.76)            | (0.31)                   | —                    | (8.07) | 30.70                               |
| Dec. 31, 2014                 | 32.04                                  | 0.53                                             | (0.33)            | 6.85                          | (1.43)                          | 5.62   | —                                          | (0.18)            | (3.97)                   | —                    | (4.15) | 33.78                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 33.42                                  | 0.62                                             | (0.25)            | 2.49                          | (7.68)                          | (4.82) | —                                          | (0.31)            | (2.66)                   | —                    | (2.97) | 31.45                               |
| Dec. 31, 2017 <sup>3</sup>    | 33.44 <sup>†</sup>                     | 0.48                                             | (0.21)            | 1.62                          | 8.55                            | 10.44  | —                                          | (0.50)            | (2.12)                   | —                    | (2.62) | 33.42                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 32.80                                  | 0.62                                             | (0.01)            | 2.50                          | (1.69)                          | 1.42   | (0.01)                                     | (0.59)            | (2.01)                   | —                    | (2.61) | 31.35                               |
| Dec. 31, 2017                 | 31.00                                  | 0.56                                             | (0.01)            | 1.91                          | 1.50                            | 3.96   | —                                          | (0.55)            | (1.62)                   | —                    | (2.17) | 32.80                               |
| Dec. 31, 2016                 | 29.46                                  | 0.51                                             | (0.01)            | 0.63                          | 1.13                            | 2.26   | —                                          | (0.46)            | —                        | —                    | (0.46) | 31.00                               |
| Dec. 31, 2015                 | 32.61                                  | 0.67                                             | (0.01)            | 8.66                          | (3.52)                          | 5.80   | —                                          | (8.00)            | (0.31)                   | —                    | (8.31) | 29.46                               |
| Dec. 31, 2014                 | 31.02                                  | 0.51                                             | (0.01)            | 6.58                          | (1.37)                          | 5.71   | —                                          | (0.58)            | (3.88)                   | —                    | (4.46) | 32.61                               |

<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 February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>28.78</b>                     | <b>422 903</b>              | <b>14 694</b>                         | <b>1.94</b>                                  | <b>1.94</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017              | 30.11                            | 471 766                     | 15 670                                | 1.95                                         | 1.95                                      | 91.78                                       | 0.09                                      |
| Dec. 31, 2016              | 28.54                            | 492 097                     | 17 243                                | 2.02                                         | 2.02                                      | 109.31                                      | 0.11                                      |
| Dec. 31, 2015              | 27.27                            | 558 417                     | 20 478                                | 2.10                                         | 2.10                                      | 216.79                                      | 0.19                                      |
| Dec. 31, 2014              | 29.93                            | 549 483                     | 18 356                                | 2.11                                         | 2.11                                      | 302.20                                      | 0.28                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>28.93</b>                     | <b>9 299</b>                | <b>321</b>                            | <b>1.93</b>                                  | <b>1.93</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017              | 30.27                            | 9 595                       | 317                                   | 1.93                                         | 1.93                                      | 91.78                                       | 0.09                                      |
| Dec. 31, 2016              | 28.68                            | 8 753                       | 305                                   | 2.01                                         | 2.01                                      | 109.31                                      | 0.11                                      |
| Dec. 31, 2015              | 27.39                            | 8 930                       | 326                                   | 2.11                                         | 2.11                                      | 216.79                                      | 0.19                                      |
| Dec. 31, 2014              | 30.07                            | 7 790                       | 259                                   | 2.07                                         | 2.07                                      | 302.20                                      | 0.28                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>28.42</b>                     | <b>27</b>                   | <b>1</b>                              | <b>1.80</b>                                  | <b>1.80</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 30.29                            | 1                           | —                                     | 1.80                                         | 1.80                                      | 91.78                                       | 0.09                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>30.40</b>                     | <b>31 411</b>               | <b>1 033</b>                          | <b>1.07</b>                                  | <b>1.07</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017              | 31.77                            | 31 023                      | 976                                   | 1.07                                         | 1.07                                      | 91.78                                       | 0.09                                      |
| Dec. 31, 2016              | 30.05                            | 28 264                      | 941                                   | 1.14                                         | 1.14                                      | 109.31                                      | 0.11                                      |
| Dec. 31, 2015              | 28.60                            | 27 576                      | 964                                   | 1.22                                         | 1.22                                      | 216.79                                      | 0.19                                      |
| Dec. 31, 2014              | 31.44                            | 21 752                      | 692                                   | 1.23                                         | 1.23                                      | 302.20                                      | 0.28                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>32.63</b>                     | <b>82 297</b>               | <b>2 522</b>                          | <b>0.78</b>                                  | <b>0.78</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017              | 34.13                            | 60 378                      | 1 769                                 | 0.78                                         | 0.78                                      | 91.78                                       | 0.09                                      |
| Dec. 31, 2016              | 32.26                            | 33 858                      | 1 050                                 | 0.84                                         | 0.84                                      | 109.31                                      | 0.11                                      |
| Dec. 31, 2015              | 30.70                            | 6 483                       | 211                                   | 0.97                                         | 0.97                                      | 216.79                                      | 0.19                                      |
| Dec. 31, 2014              | 33.78                            | 7 556                       | 224                                   | 0.97                                         | 0.97                                      | 302.20                                      | 0.28                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>31.45</b>                     | <b>410</b>                  | <b>13</b>                             | <b>0.75</b>                                  | <b>0.75</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 33.42                            | 30                          | 1                                     | 0.75                                         | 0.75                                      | 91.78                                       | 0.09                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>31.35</b>                     | <b>1 355 941</b>            | <b>43 253</b>                         | <b>0.04</b>                                  | <b>0.04</b>                               | <b>119.95</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017              | 32.80                            | 1 397 929                   | 42 620                                | 0.04                                         | 0.04                                      | 91.78                                       | 0.09                                      |
| Dec. 31, 2016              | 31.00                            | 1 233 463                   | 39 790                                | 0.03                                         | 0.03                                      | 109.31                                      | 0.11                                      |
| Dec. 31, 2015              | 29.46                            | 1 027 971                   | 34 890                                | 0.03                                         | 0.03                                      | 216.79                                      | 0.19                                      |
| Dec. 31, 2014              | 32.61                            | 3 070 013                   | 94 137                                | 0.03                                         | 0.03                                      | 302.20                                      | 0.28                                      |

<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 February 15, 2017.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.94%, Advisor Series – 1.92%, Series D – 1.06% and Series F – 0.80%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series T5      | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 100%   |
| Series FT5     | 0.60%           | —                     | 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.

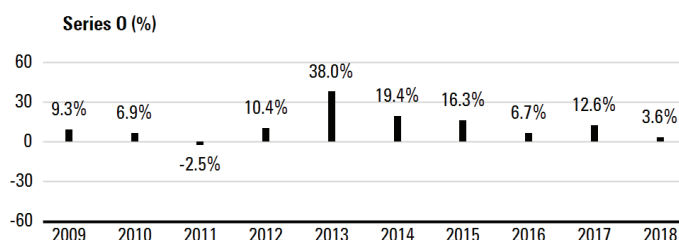
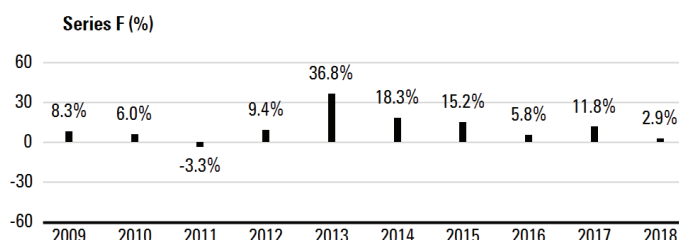
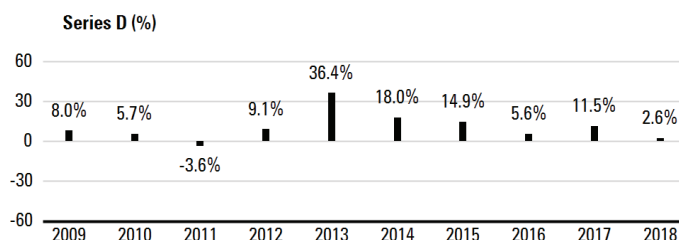
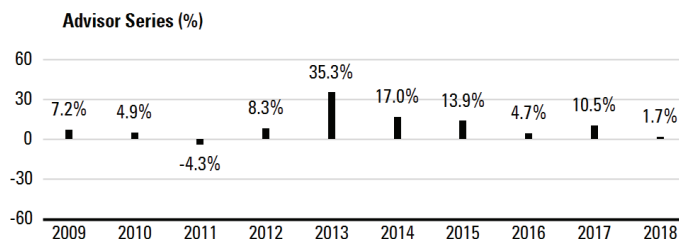
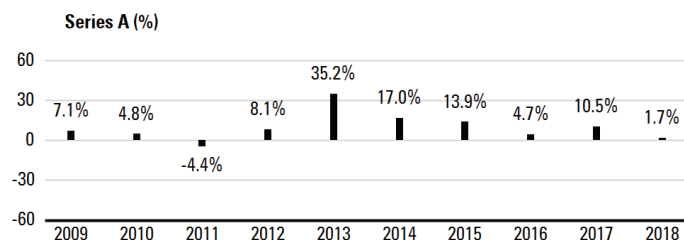
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### S&P 500 Total Return Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 1.7          | 5.5             | 9.4             | 9.4              | —                  |
| Benchmark      | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Advisor Series | 1.7          | 5.6             | 9.4             | 9.5              | —                  |
| Benchmark      | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series T5      | 1.8          | —               | —               | —                | 4.8                |
| Benchmark      | 3.8          | —               | —               | —                | 7.3                |
| Series D       | 2.6          | 6.5             | 10.4            | 10.4             | —                  |
| Benchmark      | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series F       | 2.9          | 6.8             | 10.7            | 10.7             | —                  |
| Benchmark      | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series FT5     | 2.9          | —               | —               | —                | 5.9                |
| Benchmark      | 3.8          | —               | —               | —                | 7.3                |
| Series O       | 3.6          | 7.6             | 11.6            | 11.6             | —                  |
| Benchmark      | 3.8          | 8.8             | 14.1            | 14.4             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| Information Technology     | 16.8                 |
| Health Care                | 14.6                 |
| Financials                 | 10.6                 |
| United States Equity Funds | 10.6                 |
| Consumer Discretionary     | 9.3                  |
| Communication Services     | 9.0                  |
| Industrials                | 7.6                  |
| Consumer Staples           | 6.7                  |
| Energy                     | 4.9                  |
| Utilities                  | 2.6                  |
| Materials                  | 1.5                  |
| Real Estate                | 1.3                  |
| Cash/Other                 | 4.5                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| RBC U.S. Mid-Cap Growth Equity Fund         | 4.5                  |
| Cash & Cash Equivalents                     | 4.4                  |
| Microsoft Corp.                             | 3.8                  |
| Amazon.com, Inc.                            | 3.4                  |
| Apple Inc.                                  | 3.1                  |
| Alphabet Inc., Class A                      | 3.0                  |
| RBC U.S. Mid-Cap Value Equity Fund          | 2.8                  |
| iShares Dow Jones US Real Estate Index Fund | 2.5                  |
| Bank of America Corp.                       | 2.2                  |
| UnitedHealth Group Incorporated             | 2.0                  |
| Berkshire Hathaway Inc., Class B            | 2.0                  |
| JPMorgan Chase & Co.                        | 1.9                  |
| Boeing Co.                                  | 1.6                  |
| Facebook Inc., Class A                      | 1.5                  |
| Home Depot Inc.                             | 1.5                  |
| Johnson & Johnson                           | 1.5                  |
| Cisco Systems Inc.                          | 1.3                  |
| CVS Health Corp.                            | 1.3                  |
| Exxon Mobil Corp.                           | 1.2                  |
| Pfizer Inc.                                 | 1.2                  |
| McDonald's Corp.                            | 1.2                  |
| Visa Inc., Class A                          | 1.2                  |
| PepsiCo Inc.                                | 1.2                  |
| The Coca-Cola Co.                           | 1.2                  |
| Anthem Inc.                                 | 1.2                  |
| Top 25 Holdings                             | 52.7                 |

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).



U.S. EQUITY FUND

**RBC U.S. EQUITY  
CURRENCY NEUTRAL FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital appreciation primarily through investing in equities of U.S. companies while minimizing the exposure to fluctuations between the U.S. and Canadian dollars. The Fund seeks to provide broad exposure to superior investment opportunities in the U.S. equity market.

The Fund diversifies across industries and selects companies with strong management, focused business models and the potential for growth in earnings and cash flow. The Fund uses currency hedges to minimize the impact of fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$37 million as of December 31, 2018, from \$41 million at the end of 2017. The decrease was due to investment losses.

Over the past year, the Fund's Series A units lost 7.7%, which underperformed the 5.7% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The Fund's performance this year was boosted by an allocation to the RBC U.S. Mid-Cap Growth Equity Fund. The Fund had strong security selection in the Consumer Discretionary and Information Technology sectors, with overweight positions in companies such as Adobe and Dollar General.

Positions in the RBC U.S. Mid-Cap Value Equity Fund and the RBC U.S. Small-Cap Core Equity Fund had the most significant negative impact on relative returns, as both funds underperformed their benchmarks in 2018.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative impact on the Fund in 2018.

Portfolio turnover can be high for the Fund, as the portfolio manager attempts to generate better returns through active security and sector selection.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### 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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$4,000 (2017 – \$3,000) or 10% (2017 – 9%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.61                                  | 0.26                                             | (0.29)            | 0.35                          | (1.35)                          | (1.03) | —                                          | —                 | —                        | —                    | —      | 13.48                               |
| Dec. 31, 2017                 | 12.42                                  | 0.23                                             | (0.26)            | 1.58                          | 0.64                            | 2.19   | —                                          | —                 | —                        | —                    | —      | 14.61                               |
| Dec. 31, 2016                 | 11.60                                  | 0.20                                             | (0.23)            | 0.51                          | 0.26                            | 0.74   | —                                          | —                 | —                        | —                    | —      | 12.42                               |
| Dec. 31, 2015                 | 12.04                                  | 0.24                                             | (0.25)            | (0.52)                        | 0.08                            | (0.45) | —                                          | —                 | —                        | —                    | —      | 11.60                               |
| Dec. 31, 2014                 | 11.19                                  | 0.18                                             | (0.24)            | 1.48                          | (0.58)                          | 0.84   | —                                          | —                 | —                        | —                    | —      | 12.04                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.40                                  | 0.28                                             | (0.30)            | 0.37                          | (1.60)                          | (1.25) | —                                          | —                 | —                        | —                    | —      | 14.22                               |
| Dec. 31, 2017                 | 13.09                                  | 0.24                                             | (0.27)            | 1.66                          | 0.65                            | 2.28   | —                                          | —                 | —                        | —                    | —      | 15.40                               |
| Dec. 31, 2016                 | 12.23                                  | 0.21                                             | (0.24)            | 0.54                          | 0.32                            | 0.83   | —                                          | —                 | —                        | —                    | —      | 13.09                               |
| Dec. 31, 2015                 | 12.69                                  | 0.25                                             | (0.26)            | (0.55)                        | 0.09                            | (0.47) | —                                          | —                 | —                        | —                    | —      | 12.23                               |
| Dec. 31, 2014                 | 11.79                                  | 0.19                                             | (0.25)            | 1.55                          | (0.61)                          | 0.88   | —                                          | —                 | —                        | —                    | —      | 12.69                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.91                                  | 0.29                                             | (0.17)            | 0.38                          | (1.82)                          | (1.32) | —                                          | —                 | —                        | —                    | —      | 14.81                               |
| Dec. 31, 2017                 | 13.41                                  | 0.25                                             | (0.15)            | 1.72                          | 0.70                            | 2.52   | (0.01)                                     | (0.01)            | —                        | —                    | (0.02) | 15.91                               |
| Dec. 31, 2016                 | 12.42                                  | 0.22                                             | (0.14)            | 0.55                          | 0.45                            | 1.08   | —                                          | —                 | —                        | —                    | —      | 13.41                               |
| Dec. 31, 2015                 | 12.78                                  | 0.25                                             | (0.15)            | (0.56)                        | 0.09                            | (0.37) | —                                          | —                 | —                        | —                    | —      | 12.42                               |
| Dec. 31, 2014                 | 11.76                                  | 0.19                                             | (0.15)            | 1.57                          | (0.62)                          | 0.99   | —                                          | —                 | —                        | —                    | —      | 12.78                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.63                                  | 0.30                                             | (0.13)            | 0.40                          | (2.00)                          | (1.43) | —                                          | —                 | —                        | —                    | —      | 15.53                               |
| Dec. 31, 2017                 | 13.98                                  | 0.26                                             | (0.12)            | 1.79                          | 0.78                            | 2.71   | (0.01)                                     | (0.01)            | —                        | —                    | (0.02) | 16.63                               |
| Dec. 31, 2016                 | 12.91                                  | 0.23                                             | (0.11)            | 0.57                          | 0.26                            | 0.95   | —                                          | —                 | —                        | —                    | —      | 13.98                               |
| Dec. 31, 2015                 | 13.25                                  | 0.26                                             | (0.13)            | (0.58)                        | 0.09                            | (0.36) | —                                          | —                 | —                        | —                    | —      | 12.91                               |
| Dec. 31, 2014                 | 12.17                                  | 0.19                                             | (0.12)            | 1.62                          | (0.64)                          | 1.05   | —                                          | —                 | —                        | —                    | —      | 13.25                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.76                                  | 0.32                                             | —                 | 0.43                          | (2.55)                          | (1.80) | —                                          | —                 | —                        | —                    | —      | 16.70                               |
| Dec. 31, 2017                 | 14.82                                  | 0.29                                             | —                 | 1.98                          | 1.87                            | 4.14   | (0.02)                                     | (0.01)            | —                        | —                    | (0.03) | 17.76                               |
| Dec. 31, 2016                 | 13.58                                  | 0.24                                             | —                 | 0.61                          | 0.40                            | 1.25   | —                                          | —                 | —                        | —                    | —      | 14.82                               |
| Dec. 31, 2015                 | 13.80                                  | 0.27                                             | —                 | (0.61)                        | 0.10                            | (0.24) | —                                          | —                 | —                        | —                    | —      | 13.58                               |
| Dec. 31, 2014                 | 12.55                                  | 0.20                                             | —                 | 1.68                          | (0.66)                          | 1.22   | —                                          | —                 | —                        | —                    | —      | 13.80                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.48</b>                     | <b>25 445</b>               | <b>1 887</b>                          | <b>1.94</b>                                  | <b>1.94</b>                               | <b>124.34</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017         | 14.61                            | 30 655                      | 2 098                                 | 1.94                                         | 1.95                                      | 94.00                                       | 0.09                                      |
| Dec. 31, 2016         | 12.42                            | 29 725                      | 2 394                                 | 2.01                                         | 2.02                                      | 105.84                                      | 0.11                                      |
| Dec. 31, 2015         | 11.60                            | 32 605                      | 2 811                                 | 2.11                                         | 2.12                                      | 192.68                                      | 0.18                                      |
| Dec. 31, 2014         | 12.04                            | 34 495                      | 2 865                                 | 2.11                                         | 2.12                                      | 284.36                                      | 0.27                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.22</b>                     | <b>3 387</b>                | <b>238</b>                            | <b>1.90</b>                                  | <b>1.90</b>                               | <b>124.34</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017         | 15.40                            | 3 627                       | 235                                   | 1.94                                         | 1.95                                      | 94.00                                       | 0.09                                      |
| Dec. 31, 2016         | 13.09                            | 4 263                       | 326                                   | 2.01                                         | 2.02                                      | 105.84                                      | 0.11                                      |
| Dec. 31, 2015         | 12.23                            | 4 785                       | 391                                   | 2.10                                         | 2.10                                      | 192.68                                      | 0.18                                      |
| Dec. 31, 2014         | 12.69                            | 4 228                       | 333                                   | 2.10                                         | 2.11                                      | 284.36                                      | 0.27                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.81</b>                     | <b>2 547</b>                | <b>172</b>                            | <b>1.05</b>                                  | <b>1.05</b>                               | <b>124.34</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017         | 15.91                            | 2 285                       | 144                                   | 1.06                                         | 1.07                                      | 94.00                                       | 0.09                                      |
| Dec. 31, 2016         | 13.41                            | 1 548                       | 115                                   | 1.13                                         | 1.13                                      | 105.84                                      | 0.11                                      |
| Dec. 31, 2015         | 12.42                            | 1 335                       | 107                                   | 1.21                                         | 1.22                                      | 192.68                                      | 0.18                                      |
| Dec. 31, 2014         | 12.78                            | 1 210                       | 95                                    | 1.20                                         | 1.21                                      | 284.36                                      | 0.27                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>15.53</b>                     | <b>5 733</b>                | <b>369</b>                            | <b>0.78</b>                                  | <b>0.78</b>                               | <b>124.34</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017         | 16.63                            | 4 143                       | 249                                   | 0.78                                         | 0.79                                      | 94.00                                       | 0.09                                      |
| Dec. 31, 2016         | 13.98                            | 3 030                       | 217                                   | 0.84                                         | 0.84                                      | 105.84                                      | 0.11                                      |
| Dec. 31, 2015         | 12.91                            | 3 102                       | 240                                   | 0.95                                         | 0.95                                      | 192.68                                      | 0.18                                      |
| Dec. 31, 2014         | 13.25                            | 1 377                       | 104                                   | 0.94                                         | 0.95                                      | 284.36                                      | 0.27                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>16.70</b>                     | <b>55</b>                   | <b>3</b>                              | <b>0.03</b>                                  | <b>0.03</b>                               | <b>124.34</b>                               | <b>0.10</b>                               |
| Dec. 31, 2017         | 17.76                            | 177                         | 10                                    | 0.04                                         | 0.05                                      | 94.00                                       | 0.09                                      |
| Dec. 31, 2016         | 14.82                            | 2                           | —                                     | 0.03                                         | 0.03                                      | 105.84                                      | 0.11                                      |
| Dec. 31, 2015         | 13.58                            | 2                           | —                                     | 0.03                                         | 0.04                                      | 192.68                                      | 0.18                                      |
| Dec. 31, 2014         | 13.80                            | 2                           | —                                     | 0.03                                         | 0.04                                      | 284.36                                      | 0.27                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.93%, Advisor Series – 1.92%, Series D – 1.05% and Series F – 0.76%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.

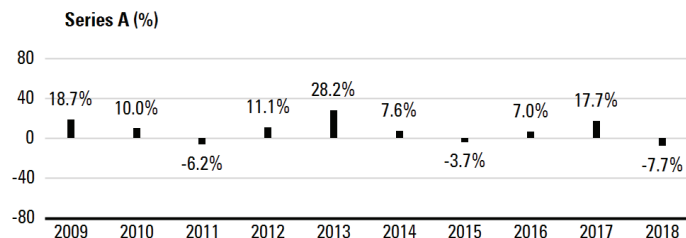
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

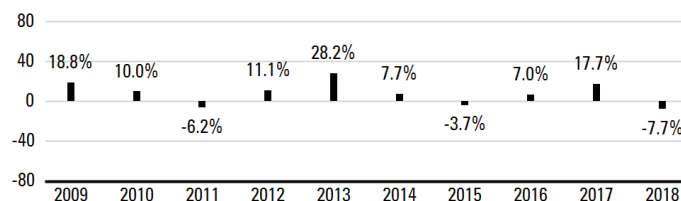
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

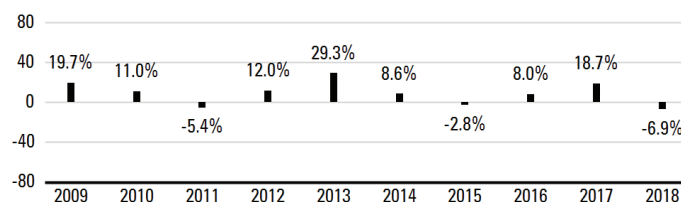
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



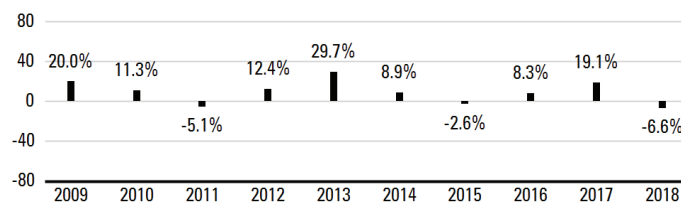
**Advisor Series (%)**



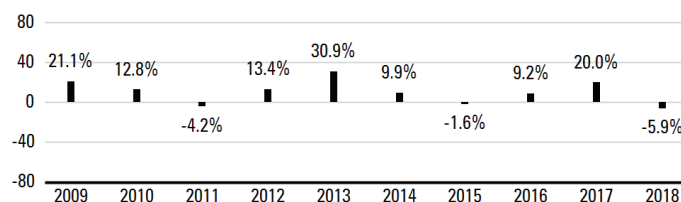
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P 500 Total Return Index (hedged to CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -7.7         | 5.1             | 3.8             | 7.7              | —                  |
| Benchmark      | -5.7         | 8.4             | 8.1             | 12.5             | —                  |
| Advisor Series | -7.7         | 5.2             | 3.8             | 7.7              | —                  |
| Benchmark      | -5.7         | 8.4             | 8.1             | 12.5             | —                  |
| Series D       | -6.9         | 6.1             | 4.7             | 8.7              | —                  |
| Benchmark      | -5.7         | 8.4             | 8.1             | 12.5             | —                  |
| Series F       | -6.6         | 6.4             | 5.0             | 9.0              | —                  |
| Benchmark      | -5.7         | 8.4             | 8.1             | 12.5             | —                  |
| Series O       | -5.9         | 7.2             | 5.9             | 10.0             | —                  |
| Benchmark      | -5.7         | 8.4             | 8.1             | 12.5             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P 500 Total Return Index (hedged to CAD)** This index is a capitalization-weighted index measuring the performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market and is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| Information Technology     | 18.5                 |
| Health Care                | 15.7                 |
| Financials                 | 11.4                 |
| United States Equity Funds | 11.3                 |
| Consumer Discretionary     | 10.0                 |
| Communication Services     | 9.0                  |
| Industrials                | 8.5                  |
| Consumer Staples           | 6.9                  |
| Energy                     | 4.7                  |
| Utilities                  | 2.8                  |
| Materials                  | 1.6                  |
| Real Estate                | 1.4                  |
| Cash/Other                 | (1.8)                |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| RBC U.S. Mid-Cap Growth Equity Fund         | 4.6                  |
| Microsoft Corp.                             | 4.1                  |
| Amazon.com, Inc.                            | 3.9                  |
| Apple Inc.                                  | 3.4                  |
| Alphabet Inc., Class A                      | 3.1                  |
| RBC U.S. Mid-Cap Value Equity Fund          | 3.0                  |
| iShares Dow Jones US Real Estate Index Fund | 2.7                  |
| Bank of America Corp.                       | 2.4                  |
| Berkshire Hathaway Inc., Class B            | 2.2                  |
| UnitedHealth Group Incorporated             | 2.1                  |
| JPMorgan Chase & Co.                        | 1.8                  |
| Boeing Co.                                  | 1.8                  |
| Facebook Inc., Class A                      | 1.7                  |
| Johnson & Johnson                           | 1.7                  |
| Cisco Systems Inc.                          | 1.5                  |
| Home Depot Inc.                             | 1.5                  |
| CVS Health Corp.                            | 1.4                  |
| Pfizer Inc.                                 | 1.4                  |
| The Coca-Cola Co.                           | 1.3                  |
| McDonald's Corp.                            | 1.3                  |
| PepsiCo Inc.                                | 1.3                  |
| Visa Inc., Class A                          | 1.3                  |
| ConocoPhillips                              | 1.3                  |
| Anthem Inc.                                 | 1.3                  |
| Union Pacific Corp.                         | 1.2                  |
| Top 25 Holdings                             | 53.3                 |

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).



U.S. EQUITY FUND

**RBC QUBE U.S. EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. companies using a quantitative investment approach.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager will diversify across industries within the U.S. equity market.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$3.5 billion as of December 31, 2018, from \$3.6 billion at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series O units gained 2.7%, which underperformed the 3.8% rise in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Holding back the Fund's returns during the year were positions in the Financials sector. Holdings in Ameriprise Financial and Citigroup hurt performance over the period. Positions in the Consumer Staples sector also had a negative impact on performance. A position in Walmart had a negative impact on relative returns for the year.

In the Industrials sector, the Fund's position in Boeing added significantly to returns. The Information Technology sector also performed well during the year, with big contributions from Intuit and Mastercard.

Portfolio turnover was high for the Fund given the portfolio manager's model-driven investment process.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$4,000) or 0% (2017 – 0%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.06</b>                                      | <b>(0.03)</b>     | <b>0.23</b>                   | <b>(1.52)</b>                   | <b>(1.26)</b> | <b>—</b>                                   | <b>(0.09)</b>     | <b>(0.61)</b>            | <b>—</b>             | <b>(0.70)</b> | <b>8.42</b>                         |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>             | <b>15.42</b>                           | <b>0.29</b>                                      | <b>—</b>          | <b>1.06</b>                   | <b>(0.84)</b>                   | <b>0.51</b>   | <b>(0.01)</b>                              | <b>(0.28)</b>     | <b>(1.05)</b>            | <b>—</b>             | <b>(1.34)</b> | <b>14.47</b>                        |
| Dec. 31, 2017                    | 15.49                                  | 0.31                                             | —                 | 2.24                          | (0.21)                          | 2.34          | —                                          | (0.29)            | (2.16)                   | —                    | (2.45)        | 15.42                               |
| Dec. 31, 2016                    | 15.40                                  | 0.29                                             | —                 | 0.73                          | 0.20                            | 1.22          | —                                          | (0.27)            | (0.70)                   | —                    | (0.97)        | 15.49                               |
| Dec. 31, 2015                    | 13.93                                  | 0.42                                             | —                 | 1.19                          | 1.15                            | 2.76          | —                                          | (0.34)            | (0.99)                   | —                    | (1.33)        | 15.40                               |
| Dec. 31, 2014                    | 11.28                                  | 0.26                                             | —                 | 0.41                          | 2.98                            | 3.65          | —                                          | (0.15)            | (0.26)                   | —                    | (0.41)        | 13.93                               |

<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 August 16, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.42</b>                      | <b>3 310</b>                | <b>393</b>                            | <b>0.29</b>                                  | <b>0.29</b>                               | <b>104.15</b>                               | <b>0.02</b>                               |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>             | <b>14.47</b>                     | <b>3 536 612</b>            | <b>244 343</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>104.15</b>                               | <b>0.02</b>                               |
| Dec. 31, 2017                    | 15.42                            | 3 633 176                   | 235 557                               | 0.02                                         | 0.02                                      | 138.32                                      | 0.04                                      |
| Dec. 31, 2016                    | 15.49                            | 3 161 002                   | 204 066                               | 0.02                                         | 0.02                                      | 77.64                                       | 0.03                                      |
| Dec. 31, 2015                    | 15.40                            | 2 653 978                   | 172 353                               | 0.02                                         | 0.02                                      | 81.56                                       | 0.03                                      |
| Dec. 31, 2014                    | 13.93                            | 1 330 890                   | 95 546                                | 0.02                                         | 0.02                                      | 61.49                                       | 0.04                                      |

<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 August 16, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 F | 0.60%           | —                     | 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.

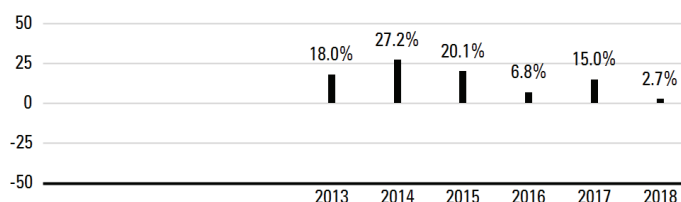
### Year-by-Year Returns (%)

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.

Series F (%)



Series O (%)



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### S&P 500 Total Return Index (CAD)

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series F  | —         | —            | —            | —             | -8.6            |
| Benchmark | —         | —            | —            | —             | -7.5            |
| Series O  | 2.7       | 8.0          | 14.0         | —             | 16.1            |
| Benchmark | 3.8       | 8.8          | 14.1         | —             | 16.1            |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series F units have been available for sale to unitholders since August 20, 2018, and Series O units since June 28, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 21.3                 |
| Health Care            | 14.4                 |
| Consumer Discretionary | 14.2                 |
| Industrials            | 11.6                 |
| Financials             | 10.7                 |
| Consumer Staples       | 8.6                  |
| Communication Services | 8.6                  |
| Energy                 | 3.5                  |
| Real Estate            | 2.8                  |
| Materials              | 2.4                  |
| Utilities              | 1.8                  |
| Cash/Other             | 0.1                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Microsoft Corp.                  | 4.9                  |
| Alphabet Inc., Class C           | 3.4                  |
| Merck & Co. Inc.                 | 3.1                  |
| Mastercard Inc.                  | 3.1                  |
| Amazon.com, Inc.                 | 2.9                  |
| Verizon Communications Inc.      | 2.7                  |
| S&P Global Inc.                  | 2.6                  |
| Boeing Co.                       | 2.5                  |
| Citigroup Inc.                   | 2.4                  |
| Intuit Inc.                      | 2.4                  |
| Simon Property Group Inc.        | 2.4                  |
| Home Depot Inc.                  | 2.2                  |
| Texas Instruments Inc.           | 2.0                  |
| Philip Morris International Inc. | 2.0                  |
| Colgate-Palmolive Company        | 2.0                  |
| LyondellBasell Industries N.V.   | 2.0                  |
| Amgen Inc.                       | 1.9                  |
| Vertex Pharmaceuticals Inc.      | 1.7                  |
| Apple Inc.                       | 1.7                  |
| Bristol-Myers Squibb Co.         | 1.6                  |
| United Continental Holdings Inc. | 1.6                  |
| Phillips 66 Company              | 1.5                  |
| Target Corporation               | 1.5                  |
| ConocoPhillips                   | 1.5                  |
| Accenture Plc., Class A          | 1.4                  |
| Top 25 Holdings                  | 57.0                 |

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).





U.S. EQUITY FUND

**RBC QUBE LOW VOLATILITY  
U.S. EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. companies using a quantitative approach. The Fund seeks to achieve a reduced level of volatility of returns compared with the broader U.S. equity market.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager will diversify across industries within the U.S. equity market.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$1.8 billion as of December 31, 2018, from \$1.7 billion at the end of 2017. The increase was due to investment returns, partially offset by net redemptions.

Over the past year, the Fund's Series A units gained 8.4%, which outperformed the 3.2% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

A holding in Walmart hurt performance during the period. Other positions in the Consumer Staples sector also had a negative impact on performance. A position in Colgate-Palmolive had a negative impact on relative returns for the year.

In the Information Technology sector, the Fund's position in Intuit added significantly to returns. The Health Care sector also performed well during the year, with big contributions from Pfizer and UnitedHealth.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2017 – \$1,000) or 0% (2017 – 0%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.72                                  | 0.43                                             | (0.43)            | 1.71                          | 0.06                            | 1.77  | —                                          | —                 | (1.16)                   | —                    | (1.16) | 22.37                               |
| Dec. 31, 2017                 | 20.46                                  | 0.43                                             | (0.40)            | 1.86                          | 0.19                            | 2.08  | —                                          | —                 | (0.91)                   | —                    | (0.91) | 21.72                               |
| Dec. 31, 2016                 | 19.31                                  | 0.43                                             | (0.38)            | 1.21                          | 0.52                            | 1.78  | —                                          | (0.03)            | (0.48)                   | —                    | (0.51) | 20.46                               |
| Dec. 31, 2015                 | 16.17                                  | 0.41                                             | (0.36)            | 0.48                          | 2.25                            | 2.78  | —                                          | —                 | (0.07)                   | —                    | (0.07) | 19.31                               |
| Dec. 31, 2014                 | 13.16                                  | 0.34                                             | (0.30)            | 0.68                          | 2.69                            | 3.41  | —                                          | (0.02)            | (0.16)                   | —                    | (0.18) | 16.17                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.48                                  | 0.43                                             | (0.42)            | 1.69                          | 0.01                            | 1.71  | —                                          | —                 | (1.14)                   | —                    | (1.14) | 22.12                               |
| Dec. 31, 2017                 | 20.24                                  | 0.42                                             | (0.40)            | 1.84                          | 0.19                            | 2.05  | —                                          | —                 | (0.91)                   | —                    | (0.91) | 21.48                               |
| Dec. 31, 2016                 | 19.10                                  | 0.43                                             | (0.38)            | 1.20                          | 0.55                            | 1.80  | —                                          | (0.03)            | (0.48)                   | —                    | (0.51) | 20.24                               |
| Dec. 31, 2015                 | 16.00                                  | 0.42                                             | (0.37)            | 0.49                          | 2.32                            | 2.86  | —                                          | —                 | (0.07)                   | —                    | (0.07) | 19.10                               |
| Dec. 31, 2014                 | 13.15                                  | 0.35                                             | (0.29)            | 0.70                          | 2.74                            | 3.50  | —                                          | (0.17)            | (0.16)                   | —                    | (0.33) | 16.00                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.09                                  | 0.41                                             | (0.40)            | 1.63                          | (0.27)                          | 1.37  | —                                          | (0.01)            | (1.33)                   | —                    | (1.34) | 21.50                               |
| Dec. 31, 2017                 | 20.03                                  | 0.41                                             | (0.38)            | 1.77                          | 0.36                            | 2.16  | —                                          | (0.03)            | (0.93)                   | (0.04)               | (1.00) | 21.09                               |
| Dec. 31, 2016 <sup>3</sup>    | 19.05 <sup>†</sup>                     | 0.38                                             | (0.34)            | 1.07                          | 1.15                            | 2.26  | —                                          | (0.05)            | (0.64)                   | (0.20)               | (0.89) | 20.03                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.95                                  | 0.44                                             | (0.24)            | 1.74                          | 0.01                            | 1.95  | —                                          | (0.19)            | (1.17)                   | —                    | (1.36) | 22.61                               |
| Dec. 31, 2017                 | 20.75                                  | 0.43                                             | (0.23)            | 1.90                          | 0.23                            | 2.33  | —                                          | (0.27)            | (0.93)                   | —                    | (1.20) | 21.95                               |
| Dec. 31, 2016                 | 19.58                                  | 0.44                                             | (0.22)            | 1.24                          | 0.40                            | 1.86  | —                                          | (0.21)            | (0.49)                   | —                    | (0.70) | 20.75                               |
| Dec. 31, 2015                 | 16.32                                  | 0.44                                             | (0.21)            | 0.51                          | 2.40                            | 3.14  | —                                          | (0.08)            | (0.07)                   | —                    | (0.15) | 19.58                               |
| Dec. 31, 2014                 | 13.24                                  | 0.34                                             | (0.17)            | 0.69                          | 2.72                            | 3.58  | —                                          | (0.10)            | (0.16)                   | —                    | (0.26) | 16.32                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.86                                  | 0.44                                             | (0.18)            | 1.73                          | (0.09)                          | 1.90  | —                                          | (0.23)            | (1.17)                   | —                    | (1.40) | 22.54                               |
| Dec. 31, 2017                 | 20.67                                  | 0.43                                             | (0.17)            | 1.88                          | 0.24                            | 2.38  | —                                          | (0.33)            | (0.93)                   | —                    | (1.26) | 21.86                               |
| Dec. 31, 2016                 | 19.50                                  | 0.43                                             | (0.16)            | 1.21                          | 0.69                            | 2.17  | —                                          | (0.26)            | (0.49)                   | —                    | (0.75) | 20.67                               |
| Dec. 31, 2015                 | 16.25                                  | 0.42                                             | (0.17)            | 0.49                          | 2.32                            | 3.06  | —                                          | (0.12)            | (0.07)                   | —                    | (0.19) | 19.50                               |
| Dec. 31, 2014                 | 13.20                                  | 0.35                                             | (0.13)            | 0.70                          | 2.77                            | 3.69  | —                                          | (0.17)            | (0.16)                   | —                    | (0.33) | 16.25                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.05                                  | 0.41                                             | (0.16)            | 1.63                          | (0.06)                          | 1.82  | (0.01)                                     | (0.23)            | (1.25)                   | —                    | (1.49) | 21.54                               |
| Dec. 31, 2017                 | 20.18                                  | 0.40                                             | (0.15)            | 1.73                          | 1.88                            | 3.86  | (0.01)                                     | (0.21)            | (1.24)                   | —                    | (1.46) | 21.05                               |
| Dec. 31, 2016 <sup>3</sup>    | 19.25 <sup>†</sup>                     | 0.38                                             | (0.14)            | 1.07                          | 1.94                            | 3.25  | —                                          | (0.13)            | (1.06)                   | —                    | (1.19) | 20.18                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.96                                  | 0.44                                             | (0.01)            | 1.75                          | 0.17                            | 2.35  | —                                          | (0.46)            | (1.19)                   | —                    | (1.65) | 22.58                               |
| Dec. 31, 2017                 | 20.90                                  | 0.44                                             | —                 | 1.92                          | 0.40                            | 2.76  | —                                          | (0.48)            | (1.11)                   | —                    | (1.59) | 21.96                               |
| Dec. 31, 2016                 | 19.73                                  | 0.45                                             | —                 | 1.25                          | 0.51                            | 2.21  | —                                          | (0.44)            | (0.50)                   | —                    | (0.94) | 20.90                               |
| Dec. 31, 2015                 | 16.44                                  | 0.40                                             | —                 | 0.47                          | 2.21                            | 3.08  | —                                          | (0.29)            | (0.07)                   | —                    | (0.36) | 19.73                               |
| Dec. 31, 2014                 | 13.28                                  | 0.35                                             | —                 | 0.70                          | 2.75                            | 3.80  | —                                          | (0.23)            | (0.16)                   | —                    | (0.39) | 16.44                               |

<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 January 25, 2016.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.37</b>                     | <b>466 792</b>              | <b>20 867</b>                         | <b>1.87</b>                                  | <b>1.87</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.72                            | 430 856                     | 19 836                                | 1.87                                         | 1.87                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016              | 20.46                            | 307 445                     | 15 025                                | 1.95                                         | 1.95                                      | 59.78                                       | 0.02                                      |
| Dec. 31, 2015              | 19.31                            | 206 910                     | 10 715                                | 2.04                                         | 2.04                                      | 40.47                                       | 0.02                                      |
| Dec. 31, 2014              | 16.17                            | 67 364                      | 4 167                                 | 2.05                                         | 2.05                                      | 34.18                                       | 0.02                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.12</b>                     | <b>37 911</b>               | <b>1 714</b>                          | <b>1.86</b>                                  | <b>1.86</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.48                            | 34 836                      | 1 622                                 | 1.86                                         | 1.86                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016              | 20.24                            | 28 479                      | 1 407                                 | 1.94                                         | 1.94                                      | 59.78                                       | 0.02                                      |
| Dec. 31, 2015              | 19.10                            | 18 622                      | 975                                   | 2.09                                         | 2.09                                      | 40.47                                       | 0.02                                      |
| Dec. 31, 2014              | 16.00                            | 8 064                       | 504                                   | 2.05                                         | 2.05                                      | 34.18                                       | 0.02                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.50</b>                     | <b>3 571</b>                | <b>166</b>                            | <b>1.83</b>                                  | <b>1.83</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.09                            | 2 112                       | 100                                   | 1.84                                         | 1.84                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 20.03                            | 804                         | 40                                    | 1.86                                         | 1.86                                      | 59.78                                       | 0.02                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.61</b>                     | <b>91 268</b>               | <b>4 036</b>                          | <b>1.03</b>                                  | <b>1.03</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.95                            | 82 851                      | 3 775                                 | 1.03                                         | 1.03                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016              | 20.75                            | 66 100                      | 3 185                                 | 1.10                                         | 1.10                                      | 59.78                                       | 0.02                                      |
| Dec. 31, 2015              | 19.58                            | 47 633                      | 2 433                                 | 1.18                                         | 1.18                                      | 40.47                                       | 0.02                                      |
| Dec. 31, 2014              | 16.32                            | 25 162                      | 1 542                                 | 1.18                                         | 1.18                                      | 34.18                                       | 0.02                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.54</b>                     | <b>225 653</b>              | <b>10 013</b>                         | <b>0.76</b>                                  | <b>0.76</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.86                            | 158 760                     | 7 263                                 | 0.76                                         | 0.76                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016              | 20.67                            | 89 413                      | 4 326                                 | 0.82                                         | 0.82                                      | 59.78                                       | 0.02                                      |
| Dec. 31, 2015              | 19.50                            | 29 794                      | 1 528                                 | 0.92                                         | 0.92                                      | 40.47                                       | 0.02                                      |
| Dec. 31, 2014              | 16.25                            | 11 841                      | 729                                   | 0.91                                         | 0.91                                      | 34.18                                       | 0.02                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.54</b>                     | <b>6 702</b>                | <b>311</b>                            | <b>0.74</b>                                  | <b>0.74</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.05                            | 4 321                       | 205                                   | 0.74                                         | 0.74                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016 <sup>4</sup> | 20.18                            | 182                         | 9                                     | 0.77                                         | 0.77                                      | 59.78                                       | 0.02                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>22.58</b>                     | <b>944 922</b>              | <b>41 852</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>54.31</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017              | 21.96                            | 965 146                     | 43 944                                | 0.02                                         | 0.02                                      | 81.72                                       | 0.02                                      |
| Dec. 31, 2016              | 20.90                            | 934 290                     | 44 702                                | 0.02                                         | 0.02                                      | 59.78                                       | 0.02                                      |
| Dec. 31, 2015              | 19.73                            | 731 735                     | 37 084                                | 0.02                                         | 0.02                                      | 40.47                                       | 0.02                                      |
| Dec. 31, 2014              | 16.44                            | 135 491                     | 8 243                                 | 0.02                                         | 0.02                                      | 34.18                                       | 0.02                                      |

<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 January 25, 2016.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series T5, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.87%, Advisor Series – 1.87%, Series T5 – 1.92%, Series D – 1.03%, Series F – 0.77% and Series FT5 – 0.79%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series T5      | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 100%   |
| Series FT5     | 0.60%           | —                     | 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.

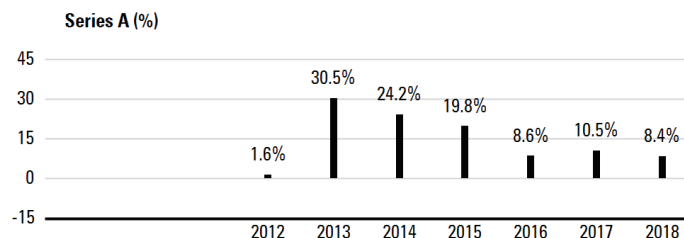
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

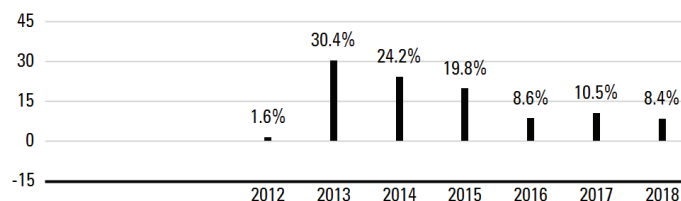
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



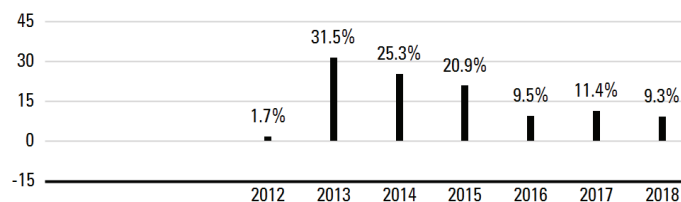
**Advisor Series (%)**



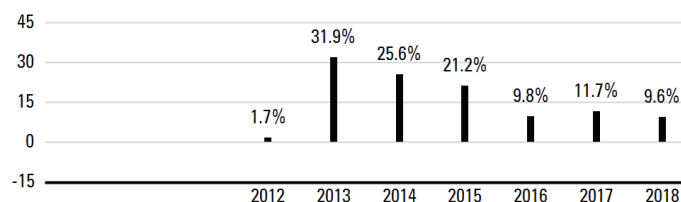
**Series T5 (%)**



**Series D (%)**



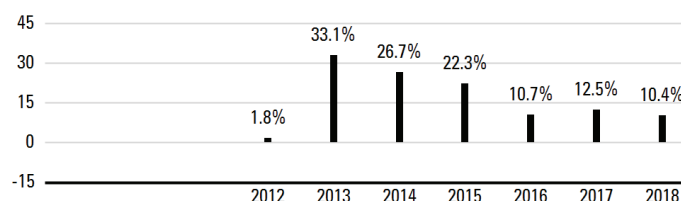
**Series F (%)**



**Series FT5 (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the S&P Composite 1500 Total Return Index (CAD).

The old benchmark (the "Old benchmark") is the S&P 500 Total Return Index (CAD).

The change in benchmark better reflects the composition of the Fund.

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 8.4          | 9.1             | 14.1            | —                | 16.7               |
| New benchmark  | 3.2          | 8.7             | 13.8            | —                | 18.3               |
| Old benchmark  | 3.8          | 8.8             | 14.1            | —                | 18.4               |
| Advisor Series | 8.4          | 9.2             | 14.1            | —                | 16.6               |
| New benchmark  | 3.2          | 8.7             | 13.8            | —                | 18.3               |
| Old benchmark  | 3.8          | 8.8             | 14.1            | —                | 18.4               |
| Series T5      | 8.4          | —               | —               | —                | 9.9                |
| New benchmark  | 3.2          | —               | —               | —                | 11.0               |
| Old benchmark  | 3.8          | —               | —               | —                | 11.0               |
| Series D       | 9.3          | 10.1            | 15.1            | —                | 17.6               |
| New benchmark  | 3.2          | 8.7             | 13.8            | —                | 18.3               |
| Old benchmark  | 3.8          | 8.8             | 14.1            | —                | 18.4               |
| Series F       | 9.6          | 10.4            | 15.4            | —                | 18.0               |
| New benchmark  | 3.2          | 8.7             | 13.8            | —                | 18.3               |
| Old benchmark  | 3.8          | 8.8             | 14.1            | —                | 18.4               |
| Series FT5     | 9.6          | —               | —               | —                | 11.1               |
| New benchmark  | 3.2          | —               | —               | —                | 11.0               |
| Old benchmark  | 3.8          | —               | —               | —                | 11.0               |
| Series O       | 10.4         | 11.2            | 16.3            | —                | 18.9               |
| New benchmark  | 3.2          | 8.7             | 13.8            | —                | 18.3               |
| Old benchmark  | 3.8          | 8.8             | 14.1            | —                | 18.4               |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since January 25, 2016, and Series A, Advisor Series, Series D, Series F and Series O units since November 19, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

### INDEX DESCRIPTIONS

**S&P Composite 1500 Total Return Index (CAD)** This index combines the S&P 500, the S&P 400 and the S&P 600 to cover approximately 90% of the U.S. stock-market capitalization, and is measured in Canadian dollars. It is designed for investors seeking to replicate the performance of the U.S. equity market.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Health Care            | 20.5                 |
| Utilities              | 17.4                 |
| Information Technology | 17.3                 |
| Consumer Staples       | 15.0                 |
| Consumer Discretionary | 9.8                  |
| Financials             | 8.3                  |
| Industrials            | 5.8                  |
| Real Estate            | 1.7                  |
| Materials              | 1.5                  |
| Communication Services | 1.4                  |
| Energy                 | 0.9                  |
| Cash/Other             | 0.4                  |

### Top 25 Holdings

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| UnitedHealth Group Incorporated | 3.0                  |
| Mastercard Inc.                 | 3.0                  |
| Danaher Corp.                   | 3.0                  |
| Intuit Inc.                     | 3.0                  |
| Colgate-Palmolive Company       | 2.9                  |
| Xcel Energy Inc.                | 2.9                  |
| TJX Companies Inc.              | 2.8                  |
| Johnson & Johnson               | 2.8                  |
| Pfizer Inc.                     | 2.8                  |
| Consolidated Edison Inc.        | 2.8                  |
| PepsiCo Inc.                    | 2.8                  |
| The Procter & Gamble Co.        | 2.8                  |
| Amdocs Ltd.                     | 2.7                  |
| The Coca-Cola Co.               | 2.5                  |
| American Electric Power         | 2.5                  |
| Microsoft Corp.                 | 2.4                  |
| DTE Energy Company              | 2.3                  |
| Accenture Plc., Class A         | 2.2                  |
| Loews Corp.                     | 2.0                  |
| Home Depot Inc.                 | 1.6                  |
| Exelon Corp.                    | 1.6                  |
| Republic Services Inc.          | 1.5                  |
| Amgen Inc.                      | 1.5                  |
| Eli Lilly & Co.                 | 1.5                  |
| WEC Energy Group Inc.           | 1.5                  |
| Top 25 Holdings                 | 60.4                 |

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



U.S. EQUITY FUND

**RBC QUBE LOW VOLATILITY U.S. EQUITY  
CURRENCY NEUTRAL FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital appreciation by investing primarily in equity securities of U.S. companies using a quantitative approach while minimizing the exposure to currency fluctuations between the U.S. and Canadian dollars. The Fund may also invest in mutual funds managed by RBC GAM or an affiliate. The Fund seeks to achieve a reduced level of volatility of returns compared with the broader U.S. equity market.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager diversifies across industries within the U.S. equity market. The Fund uses currency hedges to minimize the impact of fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$41 million as of December 31, 2018, from \$27 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 1.3%, which outperformed the 6.3% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which

the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

A holding in Walmart hurt performance during the period. Other positions in the Consumer Staples sector also had a negative impact on performance. A position in Colgate-Palmolive had a negative impact on relative returns for the year.

In the Information Technology sector, the Fund's position in Intuit added significantly to returns. The Health Care sector also performed well during the year, with big contributions from Pfizer and UnitedHealth.

It is the policy of the Fund to maintain currency hedges in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. Given this approach, unitholders did not benefit from the U.S. dollar's rise against the Canadian dollar during the period.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### 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., 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 Investor Services Trust ("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 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.



**RBC QUBE LOW VOLATILITY U.S. EQUITY  
CURRENCY NEUTRAL 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

**Change in Net Assets Per Unit (\$)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.80</b>                           | <b>0.23</b>                                      | <b>(0.22)</b>     | <b>0.12</b>                   | <b>(0.31)</b>                   | <b>(0.18)</b> | —                                          | —                 | <b>(0.01)</b>            | —                    | <b>(0.01)</b> | <b>11.64</b>                        |
| Dec. 31, 2017                 | 10.49                                  | 0.21                                             | (0.22)            | 0.78                          | 1.10                            | 1.87          | —                                          | —                 | (0.52)                   | —                    | (0.52)        | 11.80                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.12)            | (0.25)                        | 0.74                            | 0.52          | —                                          | —                 | —                        | —                    | —             | 10.49                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.80</b>                           | <b>0.23</b>                                      | <b>(0.23)</b>     | <b>0.12</b>                   | <b>(0.34)</b>                   | <b>(0.22)</b> | —                                          | —                 | <b>(0.01)</b>            | —                    | <b>(0.01)</b> | <b>11.64</b>                        |
| Dec. 31, 2017                 | 10.49                                  | 0.24                                             | (0.22)            | 0.86                          | 1.00                            | 1.88          | —                                          | —                 | (0.52)                   | —                    | (0.52)        | 11.80                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.12)            | (0.23)                        | 0.51                            | 0.29          | —                                          | —                 | —                        | —                    | —             | 10.49                               |
| <b>Series T5</b>              |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.17</b>                           | <b>0.22</b>                                      | <b>(0.21)</b>     | <b>0.11</b>                   | <b>0.23</b>                     | <b>0.35</b>   | —                                          | —                 | <b>(0.01)</b>            | <b>(0.55)</b>        | <b>(0.56)</b> | <b>10.48</b>                        |
| Dec. 31, 2017                 | 10.16                                  | 0.21                                             | (0.20)            | 0.78                          | 0.63                            | 1.42          | —                                          | (0.02)            | (0.73)                   | —                    | (0.75)        | 11.17                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.11)            | (0.18)                        | 2.25                            | 2.07          | —                                          | —                 | —                        | (0.33)               | (0.33)        | 10.16                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.89</b>                           | <b>0.24</b>                                      | <b>(0.13)</b>     | <b>0.12</b>                   | <b>(0.39)</b>                   | <b>(0.16)</b> | —                                          | <b>(0.07)</b>     | <b>(0.01)</b>            | —                    | <b>(0.08)</b> | <b>11.76</b>                        |
| Dec. 31, 2017                 | 10.53                                  | 0.22                                             | (0.12)            | 0.80                          | 1.09                            | 1.99          | —                                          | (0.07)            | (0.52)                   | —                    | (0.59)        | 11.89                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.07)            | (0.23)                        | 0.88                            | 0.71          | —                                          | (0.01)            | —                        | —                    | (0.01)        | 10.53                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.86</b>                           | <b>0.23</b>                                      | <b>(0.09)</b>     | <b>0.12</b>                   | <b>(0.38)</b>                   | <b>(0.12)</b> | —                                          | <b>(0.10)</b>     | <b>(0.01)</b>            | —                    | <b>(0.11)</b> | <b>11.73</b>                        |
| Dec. 31, 2017                 | 10.52                                  | 0.23                                             | (0.09)            | 0.83                          | 1.04                            | 2.01          | —                                          | (0.10)            | (0.55)                   | —                    | (0.65)        | 11.86                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.05)            | (0.22)                        | 0.49                            | 0.35          | —                                          | (0.04)            | —                        | —                    | (0.04)        | 10.52                               |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.49</b>                           | <b>0.22</b>                                      | <b>(0.09)</b>     | <b>0.11</b>                   | <b>(0.90)</b>                   | <b>(0.66)</b> | —                                          | <b>(0.09)</b>     | <b>(0.01)</b>            | <b>(0.48)</b>        | <b>(0.58)</b> | <b>10.92</b>                        |
| Dec. 31, 2017                 | 10.22                                  | 0.23                                             | (0.08)            | 0.85                          | 0.89                            | 1.89          | —                                          | (0.13)            | (0.49)                   | —                    | (0.62)        | 11.49                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | (0.05)            | (0.21)                        | 0.52                            | 0.38          | —                                          | (0.06)            | —                        | (0.27)               | (0.33)        | 10.22                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.85</b>                           | <b>0.23</b>                                      | —                 | <b>0.12</b>                   | <b>(0.67)</b>                   | <b>(0.32)</b> | —                                          | <b>(0.18)</b>     | <b>(0.01)</b>            | —                    | <b>(0.19)</b> | <b>11.73</b>                        |
| Dec. 31, 2017                 | 10.50                                  | 0.24                                             | —                 | 0.88                          | 0.96                            | 2.08          | —                                          | (0.19)            | (0.53)                   | —                    | (0.72)        | 11.85                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | —                 | (0.27)                        | 0.78                            | 0.67          | —                                          | (0.11)            | —                        | —                    | (0.11)        | 10.50                               |

<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 May 4, 2016.

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.64</b>                     | <b>10 295</b>               | <b>884</b>                            | <b>1.87</b>                                  | <b>1.88</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.80                            | 7 668                       | 650                                   | 1.89                                         | 1.90                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.49                            | 550                         | 52                                    | 1.89                                         | 1.91                                      | 37.57                                       | 0.02                                      |



**RBC QUBE LOW VOLATILITY U.S. EQUITY  
CURRENCY NEUTRAL FUND**

**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data (cont.)**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.64</b>                     | <b>618</b>                  | <b>53</b>                             | <b>1.91</b>                                  | <b>1.92</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.80                            | 600                         | 51                                    | 1.91                                         | 1.92                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.49                            | 411                         | 39                                    | 1.90                                         | 1.92                                      | 37.57                                       | 0.02                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.48</b>                     | <b>142</b>                  | <b>14</b>                             | <b>1.94</b>                                  | <b>1.95</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.17                            | 137                         | 12                                    | 1.79                                         | 1.80                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.16                            | 117                         | 12                                    | 1.79                                         | 1.80                                      | 37.57                                       | 0.02                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.76</b>                     | <b>3 617</b>                | <b>308</b>                            | <b>1.05</b>                                  | <b>1.06</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.89                            | 2 661                       | 224                                   | 1.05                                         | 1.06                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.53                            | 500                         | 47                                    | 1.06                                         | 1.08                                      | 37.57                                       | 0.02                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.73</b>                     | <b>12 506</b>               | <b>1 066</b>                          | <b>0.76</b>                                  | <b>0.77</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.86                            | 7 910                       | 667                                   | 0.75                                         | 0.76                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.52                            | 2 440                       | 232                                   | 0.76                                         | 0.77                                      | 37.57                                       | 0.02                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.92</b>                     | <b>362</b>                  | <b>33</b>                             | <b>0.74</b>                                  | <b>0.75</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.49                            | 55                          | 5                                     | 0.74                                         | 0.75                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.22                            | 48                          | 5                                     | 0.74                                         | 0.75                                      | 37.57                                       | 0.02                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.73</b>                     | <b>13 648</b>               | <b>1 164</b>                          | <b>0.02</b>                                  | <b>0.03</b>                               | <b>67.08</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.85                            | 7 539                       | 636                                   | 0.02                                         | 0.03                                      | 74.08                                       | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.50                            | 5 750                       | 548                                   | 0.02                                         | 0.04                                      | 37.57                                       | 0.02                                      |

<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 May 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 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series T5      | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 100%   |
| Series FT5     | 0.60%           | —                     | 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.



**Series D (%)**



**Series F (%)**



**Series FT5 (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the S&P Composite 1500 Total Return Index (hedged to CAD).

The old benchmark (the "Old benchmark") is the S&P 500 Total Return Index (hedged to CAD).

The change in benchmark better reflects the composition of the Fund.

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -1.3         | —               | —               | —                | 7.8                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |
| Advisor Series | -1.3         | —               | —               | —                | 7.7                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |
| Series T5      | -1.3         | —               | —               | —                | 7.8                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |
| Series D       | -0.5         | —               | —               | —                | 8.7                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |
| Series F       | -0.2         | —               | —               | —                | 9.0                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |
| Series FT5     | -0.1         | —               | —               | —                | 9.0                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |
| Series O       | 0.6          | —               | —               | —                | 9.8                |
| New benchmark  | -6.3         | —               | —               | —                | 8.8                |
| Old benchmark  | -5.7         | —               | —               | —                | 9.0                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Series A, Advisor Series, Series T5, Series D, Series F, Series FT5 and Series O units have been available for sale to unitholders since May 16, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**S&P Composite 1500 Total Return Index (hedged to CAD)** This index combines the S&P 500, the S&P 400 and the S&P 600 to cover approximately 90% of the U.S. stock-market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market. The index is hedged to Canadian dollars.

**S&P 500 Total Return Index (hedged to CAD)** This index is a capitalization-weighted index measuring the performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market and is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Health Care            | 20.8                 |
| Utilities              | 18.1                 |
| Information Technology | 17.7                 |
| Consumer Staples       | 15.4                 |
| Consumer Discretionary | 10.2                 |
| Financials             | 9.0                  |
| Industrials            | 5.9                  |
| Real Estate            | 1.9                  |
| Materials              | 1.7                  |
| Communication Services | 1.5                  |
| Energy                 | 0.9                  |
| Cash/Other             | (3.1)                |

### Top 25 Holdings

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| UnitedHealth Group Incorporated | 3.0                  |
| Mastercard Inc.                 | 3.0                  |
| Danaher Corp.                   | 3.0                  |
| Intuit Inc.                     | 3.0                  |
| Xcel Energy Inc.                | 3.0                  |
| Consolidated Edison Inc.        | 2.9                  |
| Colgate-Palmolive Company       | 2.9                  |
| The Procter & Gamble Co.        | 2.9                  |
| TJX Companies Inc.              | 2.8                  |
| Johnson & Johnson               | 2.8                  |
| Pfizer Inc.                     | 2.8                  |
| PepsiCo Inc.                    | 2.8                  |
| Amdocs Ltd.                     | 2.7                  |
| American Electric Power         | 2.6                  |
| The Coca-Cola Co.               | 2.6                  |
| Microsoft Corp.                 | 2.4                  |
| DTE Energy Company              | 2.3                  |
| Accenture Plc., Class A         | 2.2                  |
| Loews Corp.                     | 2.0                  |
| Home Depot Inc.                 | 1.7                  |
| Republic Services Inc.          | 1.7                  |
| Exelon Corp.                    | 1.6                  |
| Amgen Inc.                      | 1.5                  |
| Eli Lilly & Co.                 | 1.5                  |
| WEC Energy Group Inc.           | 1.5                  |
| Top 25 Holdings                 | 61.2                 |

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).



U.S. EQUITY FUND

**RBC U.S. EQUITY VALUE FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. companies that are attractively valued relative to their peers, their own history and the broader stock market while offering long-term opportunities for growth.

To achieve the Fund's objectives, the portfolio manager applies a bottom-up stock-selection process to identify quality companies that are undervalued based on criteria such as assets, earnings and cash flow. The portfolio manager reviews economic, industry and company-specific information to assess a company's prospects and monitors companies to ensure that the best relative values are identified.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$48 million as of December 31, 2018, from \$47 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 1.0%, which underperformed the 3.8% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

In 2018, the Consumer Discretionary sector was the main source of underperformance for the Fund. The absence of Amazon from the portfolio had a significant negative impact on returns, given that investors' extremely high growth expectations for the company made it unsuitable for inclusion in the Fund. An overweight position in

Mohawk Industries also held back performance, as the manufacturer of flooring products, including carpets and ceramic tile, was exposed to a slower housing market and rising costs for the raw materials used to make its products.

Health Care was a positive sector for the Fund, specifically due to overweight positions in Pfizer, Eli Lilly, UnitedHealth Group and Edwards Lifesciences.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$2,000 (2017 – \$1,000) or 18% (2017 – 8%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.66                                  | 0.29                                             | (0.29)            | 0.55                          | (0.69)                          | (0.14) | —                                          | —                 | (0.11)                   | —                    | (0.11) | 14.40                               |
| Dec. 31, 2017                 | 13.04                                  | 0.23                                             | (0.26)            | 0.41                          | 1.22                            | 1.60   | —                                          | —                 | —                        | —                    | —      | 14.66                               |
| Dec. 31, 2016                 | 12.39                                  | 0.23                                             | (0.24)            | 0.65                          | (0.06)                          | 0.58   | —                                          | —                 | —                        | —                    | —      | 13.04                               |
| Dec. 31, 2015                 | 11.25                                  | 0.26                                             | (0.25)            | 1.21                          | 0.51                            | 1.73   | —                                          | (0.01)            | (0.64)                   | —                    | (0.65) | 12.39                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.18)            | 0.07                          | 1.46                            | 1.49   | —                                          | —                 | (0.03)                   | —                    | (0.03) | 11.25                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.67                                  | 0.29                                             | (0.29)            | 0.55                          | (0.62)                          | (0.07) | —                                          | —                 | (0.11)                   | —                    | (0.11) | 14.41                               |
| Dec. 31, 2017                 | 13.05                                  | 0.23                                             | (0.26)            | 0.42                          | 1.19                            | 1.58   | —                                          | —                 | —                        | —                    | —      | 14.67                               |
| Dec. 31, 2016                 | 12.40                                  | 0.23                                             | (0.24)            | 0.64                          | (0.23)                          | 0.40   | —                                          | —                 | —                        | —                    | —      | 13.05                               |
| Dec. 31, 2015                 | 11.25                                  | 0.26                                             | (0.25)            | 1.21                          | 0.51                            | 1.73   | —                                          | (0.01)            | (0.64)                   | —                    | (0.65) | 12.40                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.17)            | 0.08                          | 1.54                            | 1.60   | —                                          | —                 | (0.03)                   | —                    | (0.03) | 11.25                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.79                                  | 0.30                                             | (0.16)            | 0.55                          | (0.80)                          | (0.11) | (0.01)                                     | (0.10)            | (0.11)                   | —                    | (0.22) | 14.54                               |
| Dec. 31, 2017                 | 13.10                                  | 0.23                                             | (0.14)            | 0.42                          | 1.19                            | 1.70   | —                                          | (0.07)            | —                        | —                    | (0.07) | 14.79                               |
| Dec. 31, 2016                 | 12.45                                  | 0.23                                             | (0.14)            | 0.65                          | (0.15)                          | 0.59   | —                                          | (0.11)            | —                        | —                    | (0.11) | 13.10                               |
| Dec. 31, 2015                 | 11.31                                  | 0.26                                             | (0.15)            | 1.21                          | 0.51                            | 1.83   | —                                          | (0.11)            | (0.65)                   | —                    | (0.76) | 12.45                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.11)            | 0.08                          | 1.55                            | 1.67   | —                                          | (0.02)            | (0.02)                   | —                    | (0.04) | 11.31                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.83                                  | 0.30                                             | (0.12)            | 0.55                          | (0.60)                          | 0.13   | (0.01)                                     | (0.14)            | (0.11)                   | —                    | (0.26) | 14.58                               |
| Dec. 31, 2017                 | 13.13                                  | 0.24                                             | (0.11)            | 0.42                          | 1.23                            | 1.78   | —                                          | (0.09)            | —                        | —                    | (0.09) | 14.83                               |
| Dec. 31, 2016                 | 12.48                                  | 0.24                                             | (0.11)            | 0.67                          | 0.27                            | 1.07   | —                                          | (0.15)            | —                        | —                    | (0.15) | 13.13                               |
| Dec. 31, 2015                 | 11.33                                  | 0.26                                             | (0.12)            | 1.22                          | 0.51                            | 1.87   | —                                          | (0.14)            | (0.65)                   | —                    | (0.79) | 12.48                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.08)            | 0.07                          | 1.42                            | 1.55   | —                                          | (0.02)            | (0.03)                   | —                    | (0.05) | 11.33                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.84                                  | 0.30                                             | —                 | 0.56                          | (0.94)                          | (0.08) | (0.01)                                     | (0.25)            | (0.11)                   | —                    | (0.37) | 14.59                               |
| Dec. 31, 2017                 | 13.11                                  | 0.23                                             | —                 | 0.41                          | 1.00                            | 1.64   | (0.01)                                     | (0.17)            | —                        | —                    | (0.18) | 14.84                               |
| Dec. 31, 2016                 | 12.46                                  | 0.22                                             | —                 | 0.60                          | (1.04)                          | (0.22) | —                                          | (0.26)            | —                        | —                    | (0.26) | 13.11                               |
| Dec. 31, 2015                 | 11.34                                  | 0.27                                             | —                 | 1.23                          | 0.52                            | 2.02   | —                                          | (0.27)            | (0.67)                   | —                    | (0.94) | 12.46                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | —                 | 0.09                          | 1.83                            | 2.09   | —                                          | (0.10)            | (0.03)                   | —                    | (0.13) | 11.34                               |

<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 March 10, 2014.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.40</b>                     | <b>18 119</b>               | <b>1 259</b>                          | <b>1.87</b>                                  | <b>1.87</b>                               | <b>44.86</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 14.66                            | 19 290                      | 1 316                                 | 1.89                                         | 1.90                                      | 47.33                                       | 0.03                                      |
| Dec. 31, 2016              | 13.04                            | 14 219                      | 1 091                                 | 1.96                                         | 1.97                                      | 120.60                                      | 0.07                                      |
| Dec. 31, 2015              | 12.39                            | 14 303                      | 1 154                                 | 2.03                                         | 2.04                                      | 127.76                                      | 0.12                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.25                            | 9 917                       | 881                                   | 2.06                                         | 2.07                                      | 106.63                                      | 0.14                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.41</b>                     | <b>3 006</b>                | <b>209</b>                            | <b>1.88</b>                                  | <b>1.88</b>                               | <b>44.86</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 14.67                            | 3 572                       | 243                                   | 1.87                                         | 1.88                                      | 47.33                                       | 0.03                                      |
| Dec. 31, 2016              | 13.05                            | 3 864                       | 296                                   | 1.95                                         | 1.96                                      | 120.60                                      | 0.07                                      |
| Dec. 31, 2015              | 12.40                            | 5 446                       | 439                                   | 2.01                                         | 2.02                                      | 127.76                                      | 0.12                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.25                            | 3 678                       | 327                                   | 2.04                                         | 2.05                                      | 106.63                                      | 0.14                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.54</b>                     | <b>4 680</b>                | <b>322</b>                            | <b>1.03</b>                                  | <b>1.03</b>                               | <b>44.86</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 14.79                            | 4 169                       | 282                                   | 1.03                                         | 1.04                                      | 47.33                                       | 0.03                                      |
| Dec. 31, 2016              | 13.10                            | 2 928                       | 224                                   | 1.13                                         | 1.14                                      | 120.60                                      | 0.07                                      |
| Dec. 31, 2015              | 12.45                            | 3 046                       | 245                                   | 1.22                                         | 1.23                                      | 127.76                                      | 0.12                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.31                            | 1 585                       | 140                                   | 1.24                                         | 1.25                                      | 106.63                                      | 0.14                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.58</b>                     | <b>14 491</b>               | <b>994</b>                            | <b>0.78</b>                                  | <b>0.78</b>                               | <b>44.86</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 14.83                            | 15 762                      | 1 063                                 | 0.79                                         | 0.80                                      | 47.33                                       | 0.03                                      |
| Dec. 31, 2016              | 13.13                            | 12 448                      | 948                                   | 0.86                                         | 0.86                                      | 120.60                                      | 0.07                                      |
| Dec. 31, 2015              | 12.48                            | 6 476                       | 519                                   | 0.94                                         | 0.95                                      | 127.76                                      | 0.12                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.33                            | 2 585                       | 228                                   | 0.95                                         | 0.96                                      | 106.63                                      | 0.14                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.59</b>                     | <b>8 131</b>                | <b>557</b>                            | <b>0.02</b>                                  | <b>0.02</b>                               | <b>44.86</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017              | 14.84                            | 4 660                       | 314                                   | 0.03                                         | 0.04                                      | 47.33                                       | 0.03                                      |
| Dec. 31, 2016              | 13.11                            | 886                         | 68                                    | 0.02                                         | 0.03                                      | 120.60                                      | 0.07                                      |
| Dec. 31, 2015              | 12.46                            | 4 728                       | 379                                   | 0.02                                         | 0.03                                      | 127.76                                      | 0.12                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.34                            | 6 858                       | 605                                   | 0.02                                         | 0.03                                      | 106.63                                      | 0.14                                      |

<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 March 10, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 1.88%, Advisor Series – 1.86%, Series D – 1.04% and Series F – 0.79%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.60%           | 63%                   | 37%    |
| Advisor Series | 1.60%           | 63%                   | 37%    |
| Series D       | 0.85%           | 29%                   | 71%    |
| Series F       | 0.60%           | —                     | 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.

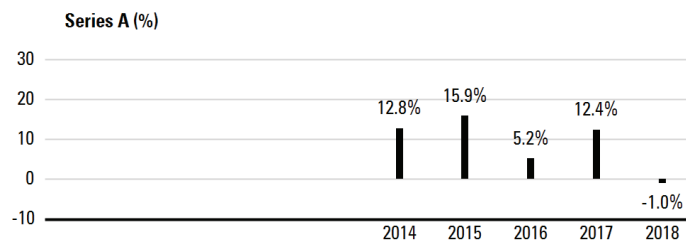
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### PAST PERFORMANCE

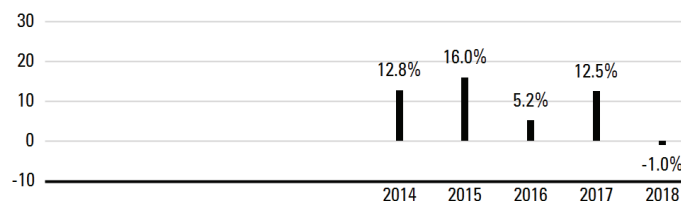
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

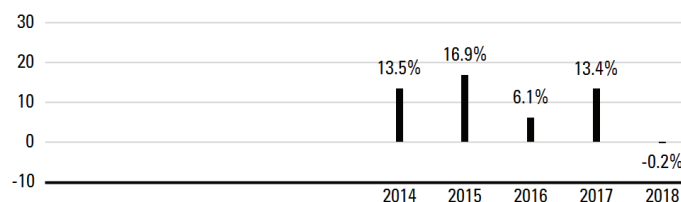
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



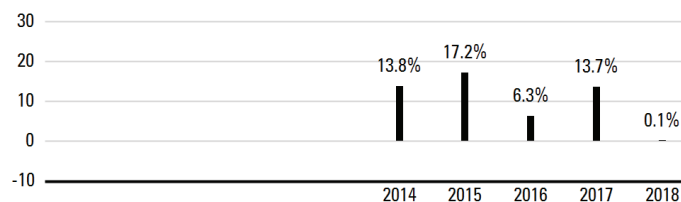
**Advisor Series (%)**



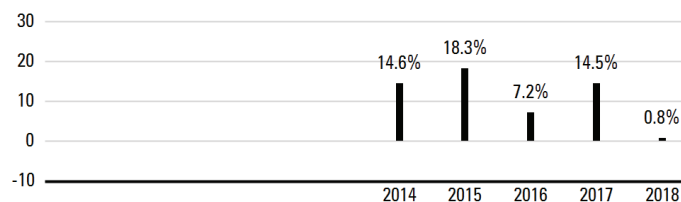
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### S&P 500 Total Return Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -1.0         | 5.4             | —               | —                | 9.3                |
| Benchmark      | 3.8          | 8.8             | —               | —                | 13.2               |
| Advisor Series | -1.0         | 5.4             | —               | —                | 9.3                |
| Benchmark      | 3.8          | 8.8             | —               | —                | 13.2               |
| Series D       | -0.2         | 6.3             | —               | —                | 10.2               |
| Benchmark      | 3.8          | 8.8             | —               | —                | 13.2               |
| Series F       | 0.1          | 6.5             | —               | —                | 10.5               |
| Benchmark      | 3.8          | 8.8             | —               | —                | 13.2               |
| Series O       | 0.8          | 7.4             | —               | —                | 11.4               |
| Benchmark      | 3.8          | 8.8             | —               | —                | 13.2               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since March 10, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H units were re-designated as Series A units and all outstanding Series I units were re-designated as Series F units effective June 30, 2016.

### INDEX DESCRIPTION

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 16.3                 |
| Health Care            | 14.1                 |
| Financials             | 14.0                 |
| Industrials            | 9.5                  |
| Communication Services | 9.1                  |
| Consumer Discretionary | 8.3                  |
| Consumer Staples       | 8.3                  |
| Energy                 | 6.6                  |
| Materials              | 2.3                  |
| Utilities              | 2.2                  |
| Real Estate            | 2.0                  |
| Cash/Other             | 7.3                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Cash & Cash Equivalents          | 7.3                  |
| Microsoft Corp.                  | 4.1                  |
| Alphabet Inc., Class A           | 3.6                  |
| Apple Inc.                       | 3.4                  |
| JPMorgan Chase & Co.             | 2.3                  |
| Johnson & Johnson                | 2.2                  |
| UnitedHealth Group Incorporated  | 2.0                  |
| Pfizer Inc.                      | 2.0                  |
| Berkshire Hathaway Inc., Class B | 1.9                  |
| Bank of America Corp.            | 1.7                  |
| Chevron Corp.                    | 1.5                  |
| Boeing Co.                       | 1.4                  |
| Intel Corp.                      | 1.4                  |
| The Procter & Gamble Co.         | 1.3                  |
| Walmart Inc.                     | 1.3                  |
| McDonald's Corp.                 | 1.3                  |
| Facebook Inc., Class A           | 1.3                  |
| Wells Fargo & Company            | 1.3                  |
| Medtronic Plc.                   | 1.1                  |
| The Walt Disney Company          | 1.1                  |
| Comcast Corp., Class A           | 1.1                  |
| Lowe's Companies                 | 1.1                  |
| ConocoPhillips                   | 1.0                  |
| Home Depot Inc.                  | 1.0                  |
| Visa Inc., Class A               | 1.0                  |
| Top 25 Holdings                  | 48.7                 |

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).



U.S. EQUITY FUND

**RBC U.S. INDEX FUND**

*December 31, 2018*

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

Sub-Advisor: State Street Global Advisors, Ltd.

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 currently seeks to provide long-term capital growth by tracking the performance of the FTSE USA Index and investing primarily in equity securities in substantially the same proportion as the index, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate of RBC GAM. The Fund's securities are purchased in U.S. dollars. As a result, the Fund's return consists of a combination of the U.S. market return and the movement of the U.S. dollar relative to the Canadian currency.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$875 million as of December 31, 2018, from \$801 million at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 2.7%, which underperformed the 4.1% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The best-performing sectors by contribution to returns were Information Technology, Consumer Discretionary and Health Care. The Energy, Financials and Industrials sectors ranked last.

### Recent Developments

RBC GAM has called and will hold a special meeting of the unitholders of the Fund on March 22, 2019. Subject to unitholder approval, the investment objective of the Fund will change to permit the Fund to invest in equity securities, in substantially the same proportion as its benchmark index, either directly or indirectly through investment in other mutual funds. In addition, the benchmark index will be changed to the S&P 500 Total Return Index (CAD) and the sub-advisor of the Fund will change to BlackRock Asset Management Canada Limited. If the change in investment objective is approved, all changes are expected to be effective on or about April 5, 2019.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 20.77                                  | 0.39                                             | (0.15)            | 0.33                          | (0.03)                          | 0.54   | —                                          | (0.22)            | —                        | —                    | (0.22) | 21.11                               |
| Dec. 31, 2017                 | 18.60                                  | 0.37                                             | (0.14)            | 0.51                          | 1.63                            | 2.37   | —                                          | (0.23)            | —                        | —                    | (0.23) | 20.77                               |
| Dec. 31, 2016                 | 17.51                                  | 0.36                                             | (0.12)            | 0.34                          | 0.71                            | 1.29   | —                                          | (0.24)            | —                        | —                    | (0.24) | 18.60                               |
| Dec. 31, 2015                 | 14.84                                  | 0.36                                             | (0.12)            | 0.23                          | 2.36                            | 2.83   | —                                          | (0.22)            | —                        | —                    | (0.22) | 17.51                               |
| Dec. 31, 2014                 | 12.18                                  | 0.26                                             | (0.10)            | 0.05                          | 2.62                            | 2.83   | —                                          | (0.15)            | —                        | —                    | (0.15) | 14.84                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.31                                  | 0.23                                             | (0.03)            | 0.20                          | (0.48)                          | (0.08) | —                                          | (0.20)            | —                        | —                    | (0.20) | 12.50                               |
| Dec. 31, 2017                 | 11.04                                  | 0.22                                             | (0.04)            | 0.30                          | 1.02                            | 1.50   | —                                          | (0.20)            | —                        | —                    | (0.20) | 12.31                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.03)            | 0.10                          | 1.02                            | 1.20   | —                                          | (0.17)            | —                        | —                    | (0.17) | 11.04                               |

<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.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.11</b>                     | <b>809 725</b>              | <b>38 355</b>                         | <b>0.66</b>                                  | <b>0.66</b>                               | <b>1.82</b>                                 | —                                         |
| Dec. 31, 2017              | 20.77                            | 769 088                     | 37 021                                | 0.69                                         | 0.69                                      | 6.73                                        | —                                         |
| Dec. 31, 2016              | 18.60                            | 646 773                     | 34 769                                | 0.72                                         | 0.72                                      | 4.79                                        | —                                         |
| Dec. 31, 2015              | 17.51                            | 621 159                     | 35 472                                | 0.72                                         | 0.72                                      | 2.52                                        | 0.01                                      |
| Dec. 31, 2014              | 14.84                            | 438 075                     | 29 520                                | 0.72                                         | 0.72                                      | 2.40                                        | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.50</b>                     | <b>65 593</b>               | <b>5 248</b>                          | <b>0.21</b>                                  | <b>0.21</b>                               | <b>1.82</b>                                 | —                                         |
| Dec. 31, 2017              | 12.31                            | 31 414                      | 2 553                                 | 0.33                                         | 0.33                                      | 6.73                                        | —                                         |
| Dec. 31, 2016 <sup>4</sup> | 11.04                            | 7 985                       | 723                                   | 0.55                                         | 0.55                                      | 4.79                                        | —                                         |

<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.

Effective June 30, 2017, the management fees were changed in respect of Series F units of the Fund and the administration fees were changed in respect of Series A units of the Fund. If the changes to the management fees and administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 0.66% and Series F – 0.21%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.50%           | 20%                   | 80%    |
| Series F | 0.09%           | —                     | 100%   |

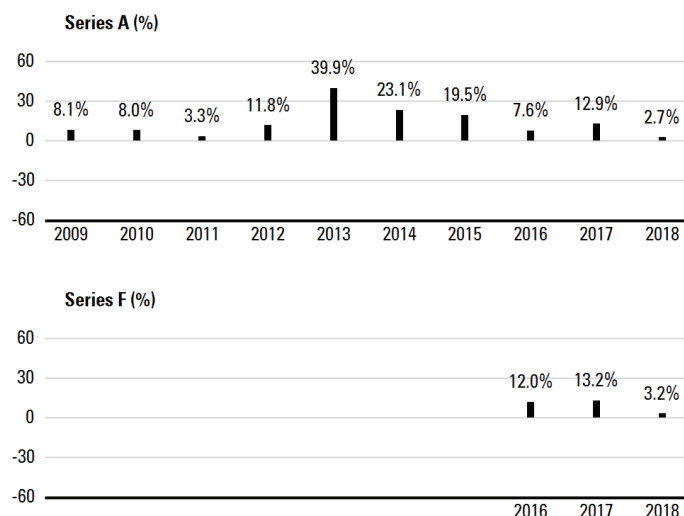
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### FTSE USA Index

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series A  | 2.7       | 7.6          | 12.9         | 13.2          | —               |
| Benchmark | 4.1       | 8.6          | 13.9         | 14.3          | —               |
| Series F  | 3.2       | —            | —            | —             | 11.4            |
| Benchmark | 4.1       | —            | —            | —             | 12.3            |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**FTSE USA Index** This index is a capitalization-weighted measure of the performance of U.S. large- and small-cap stocks.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 20.6                 |
| Health Care            | 15.0                 |
| Financials             | 13.5                 |
| Consumer Discretionary | 10.3                 |
| Communication Services | 10.0                 |
| Industrials            | 8.8                  |
| Consumer Staples       | 7.2                  |
| Energy                 | 5.2                  |
| Utilities              | 3.3                  |
| Real Estate            | 2.9                  |
| Materials              | 2.7                  |
| Cash/Other             | 0.5                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Microsoft Corp.                  | 3.5                  |
| Apple Inc.                       | 3.4                  |
| Amazon.com, Inc.                 | 2.8                  |
| Johnson & Johnson                | 1.6                  |
| JPMorgan Chase & Co.             | 1.5                  |
| Alphabet Inc., Class C           | 1.4                  |
| Alphabet Inc., Class A           | 1.4                  |
| Facebook Inc., Class A           | 1.4                  |
| Exxon Mobil Corp.                | 1.3                  |
| Berkshire Hathaway Inc., Class B | 1.2                  |
| Pfizer Inc.                      | 1.2                  |
| UnitedHealth Group Incorporated  | 1.1                  |
| Visa Inc., Class A               | 1.1                  |
| Verizon Communications Inc.      | 1.1                  |
| The Procter & Gamble Co.         | 1.0                  |
| Bank of America Corp.            | 1.0                  |
| Intel Corp.                      | 1.0                  |
| AT&T Inc.                        | 0.9                  |
| Chevron Corp.                    | 0.9                  |
| Merck & Co. Inc.                 | 0.9                  |
| Wells Fargo & Company            | 0.9                  |
| Cisco Systems Inc.               | 0.9                  |
| Home Depot Inc.                  | 0.9                  |
| The Coca-Cola Co.                | 0.8                  |
| Boeing Co.                       | 0.8                  |
| Top 25 Holdings                  | 34.0                 |

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).



U.S. EQUITY FUND

## RBC U.S. INDEX CURRENCY NEUTRAL FUND

December 31, 2018

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

Sub-Advisor (for the underlying fund): State Street Global Advisors, Ltd.

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 currently seeks to provide long-term capital growth by tracking the performance of the FTSE USA Hedged 100% to CAD Index and investing primarily in units of the RBC U.S. Equity Index ETF (the “underlying fund”). The Fund may also use derivatives to hedge against the fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$335 million as of December 31, 2018, from \$377 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund’s Series A units lost 6.1%, which underperformed the 5.9% decline in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The best-performing sectors by contribution to returns were Information Technology, Consumer Discretionary and Health Care. The Energy, Financials and Industrials sectors ranked last in terms of performance.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy was negative for performance in 2018 as unitholders did not benefit from the rise in the U.S. dollar against the Canadian dollar.

### Recent Developments

While the portfolio manager’s base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the “Fed”) – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

RBC GAM has called and will hold a special meeting of the unitholders of the Fund on March 22, 2019. Subject to unitholder approval, the investment objective of the Fund will change to permit the Fund to invest in equity securities, in substantially the same proportion as its benchmark index, either directly or indirectly through investment in other mutual funds. The Fund will continue to use derivatives to hedge against the fluctuations in the value of the U.S. dollar relative to the Canadian dollar. In addition, the benchmark index will be changed to the S&P 500 Total Return Index (hedged to CAD). If the change in investment objective is approved, all changes are expected to be effective on or about April 5, 2019.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$71,000 (2017 – \$95,000) or 95% (2017 – 99%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.70</b>                            | <b>0.16</b>                                      | <b>(0.05)</b>     | <b>(0.46)</b>                 | <b>(0.20)</b>                   | <b>(0.55)</b> | <b>—</b>                                   | <b>(0.16)</b>     | <b>—</b>                 | <b>—</b>             | <b>(0.16)</b> | <b>8.95</b>                         |
| Dec. 31, 2017                 | 9.12                                   | 1.31                                             | (0.06)            | (0.21)                        | 0.71                            | 1.75          | (1.14)                                     | (0.03)            | —                        | —                    | (1.17)        | 9.70                                |
| Dec. 31, 2016                 | 9.23                                   | 1.05                                             | (0.07)            | —                             | 0.01                            | 0.99          | (1.11)                                     | —                 | —                        | —                    | (1.11)        | 9.12                                |
| Dec. 31, 2015                 | 9.62                                   | 0.07                                             | (0.07)            | —                             | —                               | —             | (0.37)                                     | —                 | —                        | —                    | (0.37)        | 9.23                                |
| Dec. 31, 2014                 | 9.68                                   | 1.32                                             | (0.07)            | —                             | 0.01                            | 1.26          | (1.34)                                     | —                 | —                        | —                    | (1.34)        | 9.62                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.14</b>                           | <b>0.17</b>                                      | <b>(0.01)</b>     | <b>(0.48)</b>                 | <b>(0.76)</b>                   | <b>(1.08)</b> | <b>—</b>                                   | <b>(0.22)</b>     | <b>—</b>                 | <b>—</b>             | <b>(0.22)</b> | <b>9.33</b>                         |
| Dec. 31, 2017                 | 9.54                                   | 1.37                                             | (0.03)            | (0.22)                        | 0.78                            | 1.90          | (1.25)                                     | (0.03)            | —                        | —                    | (1.28)        | 10.14                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.56                                             | (0.03)            | —                             | 0.26                            | 0.79          | (1.20)                                     | —                 | —                        | —                    | (1.20)        | 9.54                                |

<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.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.95</b>                      | <b>311 551</b>              | <b>34 822</b>                         | <b>0.61</b>                                  | <b>0.61</b>                               | <b>2.98</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 9.70                             | 365 492                     | 37 645                                | 0.64                                         | 0.64                                      | 4.74                                        | 0.03                                      |
| Dec. 31, 2016              | 9.12                             | 331 264                     | 36 337                                | 0.72                                         | 0.72                                      | n/a                                         | —                                         |
| Dec. 31, 2015              | 9.23                             | 317 771                     | 34 421                                | 0.72                                         | 0.72                                      | n/a                                         | —                                         |
| Dec. 31, 2014              | 9.62                             | 345 072                     | 35 879                                | 0.72                                         | 0.72                                      | n/a                                         | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.33</b>                      | <b>23 213</b>               | <b>2 487</b>                          | <b>0.16</b>                                  | <b>0.16</b>                               | <b>2.98</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 10.14                            | 11 625                      | 1 146                                 | 0.25                                         | 0.25                                      | 4.74                                        | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.54                             | 2 195                       | 230                                   | 0.55                                         | 0.55                                      | n/a                                         | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.41%            | 20%                   | 80%    |
| Series F | 0.00%            | —                     | 100%   |

\* Effective October 3, 2017, the management fees for Series A units were waived to 0.41% from 0.50%; and for Series F units were waived to 0.00% from 0.09% to account for the management fee charged by the underlying fund. Effective June 30, 2017, the management fees for Series F units were reduced to 0.09% from 0.40%.

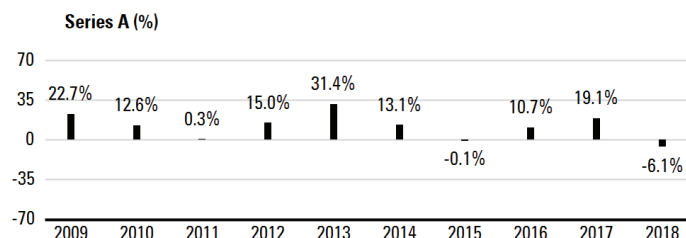
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



### Series F (%)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### FTSE USA Hedged 100% to CAD Index

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series A  | -6.1      | 7.4          | 6.9          | 11.3          | —               |
| Benchmark | -5.9      | 8.4          | 7.9          | —             | —               |
| Series F  | -5.6      | —            | —            | —             | 7.9             |
| Benchmark | -5.9      | —            | —            | —             | 7.3             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

The 10-year performance for the Benchmark is not available as the FTSE USA Hedged 100% to CAD Index does not have a 10-year history.

## INDEX DESCRIPTION

**FTSE USA Hedged 100% to CAD Index** This index is a capitalization-weighted measure of the performance of U.S. large- and small-cap stocks. The index is hedged to Canadian dollars.





## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 20.6                 |
| Health Care            | 15.0                 |
| Financials             | 13.5                 |
| Consumer Discretionary | 10.3                 |
| Communication Services | 10.1                 |
| Industrials            | 8.8                  |
| Consumer Staples       | 7.2                  |
| Energy                 | 5.2                  |
| Utilities              | 3.2                  |
| Real Estate            | 2.9                  |
| Materials              | 2.7                  |
| Cash/Other             | 0.5                  |

### Top 25 Holdings\*

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Microsoft Corp.                  | 3.5                  |
| Apple Inc.                       | 3.4                  |
| Amazon.com, Inc.                 | 2.8                  |
| Johnson & Johnson                | 1.6                  |
| Berkshire Hathaway Inc., Class B | 1.6                  |
| JPMorgan Chase & Co.             | 1.5                  |
| Alphabet Inc., Class C           | 1.4                  |
| Alphabet Inc., Class A           | 1.4                  |
| Facebook Inc., Class A           | 1.4                  |
| Exxon Mobil Corp.                | 1.3                  |
| Pfizer Inc.                      | 1.2                  |
| UnitedHealth Group Incorporated  | 1.1                  |
| Verizon Communications Inc.      | 1.1                  |
| Visa Inc., Class A               | 1.1                  |
| The Procter & Gamble Co.         | 1.0                  |
| Bank of America Corp.            | 1.0                  |
| Intel Corp.                      | 1.0                  |
| AT&T Inc.                        | 1.0                  |
| Chevron Corp.                    | 0.9                  |
| Merck & Co. Inc.                 | 0.9                  |
| Home Depot Inc.                  | 0.9                  |
| Cisco Systems Inc.               | 0.9                  |
| Wells Fargo & Company            | 0.9                  |
| The Coca-Cola Co.                | 0.8                  |
| Boeing Co.                       | 0.8                  |
| Total                            | 34.5                 |

\* The Fund invests substantially all of its assets directly in the RBC U.S. Equity Index ETF. The above are the Top 25 holdings of the RBC U.S. Equity Index ETF.

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).



U.S. EQUITY FUND

**RBC O'SHAUGHNESSY U.S. VALUE FUND  
(UNHEDGED)**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting of capital growth and current income by investing primarily in equity securities of U.S. companies based on Strategy Indexing®, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

To achieve its objective, the Fund selects securities on the basis of several factors, including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buy-backs.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund was launched on January 29, 2018, and its net asset value was \$11 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### **Recent Developments**

The sub-advisor has no recent developments to report.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.20</b>                                      | <b>(0.14)</b>     | <b>0.22</b>                   | <b>(1.59)</b>                   | <b>(1.31)</b> | <b>—</b>                                   | <b>(0.03)</b>     | <b>(0.08)</b>            | <b>—</b>             | <b>(0.11)</b> | <b>8.74</b>                         |
| <b>Advisor Series</b>            |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.21</b>                                      | <b>(0.15)</b>     | <b>0.23</b>                   | <b>(1.18)</b>                   | <b>(0.89)</b> | <b>—</b>                                   | <b>(0.02)</b>     | <b>(0.08)</b>            | <b>—</b>             | <b>(0.10)</b> | <b>8.74</b>                         |
| <b>Series D</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.20</b>                                      | <b>(0.12)</b>     | <b>0.22</b>                   | <b>(1.46)</b>                   | <b>(1.16)</b> | <b>—</b>                                   | <b>(0.04)</b>     | <b>(0.08)</b>            | <b>—</b>             | <b>(0.12)</b> | <b>8.75</b>                         |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.18</b>                                      | <b>(0.09)</b>     | <b>0.20</b>                   | <b>(0.47)</b>                   | <b>(0.18)</b> | <b>—</b>                                   | <b>(0.06)</b>     | <b>(0.08)</b>            | <b>—</b>             | <b>(0.14)</b> | <b>8.76</b>                         |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.19</b>                                      | <b>(0.01)</b>     | <b>0.21</b>                   | <b>(2.38)</b>                   | <b>(1.99)</b> | <b>—</b>                                   | <b>(0.13)</b>     | <b>(0.08)</b>            | <b>—</b>             | <b>(0.21)</b> | <b>8.77</b>                         |

<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 January 17, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.74</b>                      | <b>737</b>                  | <b>84</b>                             | <b>1.50</b>                                  | <b>1.55</b>                               | <b>31.91</b>                                | <b>0.09</b>                               |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.74</b>                      | <b>25</b>                   | <b>3</b>                              | <b>1.55</b>                                  | <b>1.60</b>                               | <b>31.91</b>                                | <b>0.09</b>                               |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.75</b>                      | <b>246</b>                  | <b>28</b>                             | <b>1.22</b>                                  | <b>1.27</b>                               | <b>31.91</b>                                | <b>0.09</b>                               |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.76</b>                      | <b>1 267</b>                | <b>145</b>                            | <b>0.90</b>                                  | <b>0.95</b>                               | <b>31.91</b>                                | <b>0.09</b>                               |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.77</b>                      | <b>8 939</b>                | <b>1 020</b>                          | <b>0.02</b>                                  | <b>0.07</b>                               | <b>31.91</b>                                | <b>0.09</b>                               |

<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 January 17, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.25%           | 52%                   | 48%    |
| Advisor Series | 1.25%           | 52%                   | 48%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A, Advisor Series, Series D, Series F and Series O units of this Fund were launched on January 29, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 30.2                 |
| Information Technology | 17.5                 |
| Energy                 | 11.0                 |
| Industrials            | 11.0                 |
| Consumer Discretionary | 10.2                 |
| Consumer Staples       | 8.6                  |
| Health Care            | 5.4                  |
| Communication Services | 2.8                  |
| Materials              | 2.3                  |
| Cash/Other             | 1.0                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| MetLife Inc.                              | 4.7                  |
| Ameriprise Financial Inc.                 | 4.4                  |
| Citrix Systems Inc.                       | 4.1                  |
| Marathon Petroleum Corp.                  | 3.8                  |
| Yum! Brands, Inc.                         | 3.6                  |
| Amgen Inc.                                | 3.5                  |
| Fifth Third Bancorp                       | 3.2                  |
| Citigroup Inc.                            | 3.1                  |
| Cisco Systems Inc.                        | 3.1                  |
| Juniper Networks Inc.                     | 3.0                  |
| Voya Financial Inc.                       | 2.8                  |
| The Kroger Co.                            | 2.6                  |
| Phillips 66 Company                       | 2.6                  |
| Ally Financial Inc.                       | 2.5                  |
| Union Pacific Corp.                       | 2.3                  |
| The Walt Disney Company                   | 2.3                  |
| ConocoPhillips                            | 2.1                  |
| Spirit Aerosystems Holdings Inc., Class A | 2.0                  |
| Conagra Brands Inc.                       | 2.0                  |
| Seagate Technology                        | 2.0                  |
| Best Buy Co. Inc.                         | 1.9                  |
| Sealed Air Corp.                          | 1.9                  |
| United Continental Holdings Inc.          | 1.9                  |
| The Western Union Co.                     | 1.9                  |
| Anadarko Petroleum Corp.                  | 1.8                  |
| Top 25 Holdings                           | 69.1                 |

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).



U.S. EQUITY FUND

**RBC O'SHAUGHNESSY U.S. VALUE FUND**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting of capital growth and current income by investing primarily in equity securities of U.S. companies based on Strategy Indexing®, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

To achieve its objective, the Fund selects securities on the basis of several factors, including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buy-backs. The Fund uses currency hedges to minimize the fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$1.2 billion as of December 31, 2018, from \$1.7 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 13.3%, which underperformed the 9.6% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

An underweight allocation to stocks with the largest market capitalizations was the factor that held back returns the most, and overweight exposure to value also had a negative impact. Overweight allocations to earnings growth and momentum contributed to performance, while an overweight to financial strength hurt returns.

Sector allocation had a negative impact on returns, while security selection contributed to performance. Allocation to the Information Technology and Consumer Staples sectors contributed to performance, while security selection in the Industrials and Consumer Discretionary sectors aided returns. Underweight allocations to the Health Care and Utilities sectors had a negative impact on returns. Boeing, XL Group and Target Corp. were the main contributors to returns. Ameriprise Financial, Fifth Third Bancorp and Citigroup were the holdings that hurt returns the most.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative effect on returns during the period.

Due to the Fund's investment process and market conditions over the course of 2018, the Fund decreased allocations to the Materials sector and increased allocations to the Financials sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2017 – \$42,000) or 0% (2017 – 5%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.83                                  | 0.34                                             | (0.26)            | 2.37                          | (4.46)                          | (2.01) | —                                          | (0.08)            | (2.81)                   | —                    | (2.89) | 11.71                               |
| Dec. 31, 2017                 | 15.20                                  | 0.36                                             | (0.25)            | 2.22                          | 0.84                            | 3.17   | —                                          | (0.09)            | (1.53)                   | —                    | (1.62) | 16.83                               |
| Dec. 31, 2016                 | 13.71                                  | 0.35                                             | (0.21)            | 0.17                          | 1.21                            | 1.52   | —                                          | (0.21)            | —                        | —                    | (0.21) | 15.20                               |
| Dec. 31, 2015                 | 15.13                                  | 0.31                                             | (0.23)            | (0.17)                        | (1.19)                          | (1.28) | —                                          | (0.08)            | —                        | —                    | (0.08) | 13.71                               |
| Dec. 31, 2014                 | 14.93                                  | 0.51                                             | (0.24)            | 1.24                          | 0.07                            | 1.58   | —                                          | (0.27)            | (1.11)                   | —                    | (1.38) | 15.13                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.03                                  | 0.35                                             | (0.26)            | 2.39                          | (4.51)                          | (2.03) | —                                          | (0.08)            | (2.88)                   | —                    | (2.96) | 11.81                               |
| Dec. 31, 2017                 | 15.36                                  | 0.36                                             | (0.24)            | 2.24                          | 0.81                            | 3.17   | —                                          | (0.09)            | (1.53)                   | —                    | (1.62) | 17.03                               |
| Dec. 31, 2016                 | 13.85                                  | 0.36                                             | (0.21)            | 0.17                          | 1.13                            | 1.45   | —                                          | (0.21)            | —                        | —                    | (0.21) | 15.36                               |
| Dec. 31, 2015                 | 15.29                                  | 0.32                                             | (0.23)            | (0.17)                        | (1.20)                          | (1.28) | —                                          | (0.09)            | —                        | —                    | (0.09) | 13.85                               |
| Dec. 31, 2014                 | 15.09                                  | 0.52                                             | (0.23)            | 1.25                          | 0.07                            | 1.61   | —                                          | (0.27)            | (1.13)                   | —                    | (1.40) | 15.29                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.90                                  | 0.34                                             | (0.21)            | 2.38                          | (4.55)                          | (2.04) | —                                          | (0.13)            | (2.90)                   | —                    | (3.03) | 11.67                               |
| Dec. 31, 2017                 | 15.27                                  | 0.36                                             | (0.20)            | 2.23                          | 0.82                            | 3.21   | —                                          | (0.14)            | (1.55)                   | —                    | (1.69) | 16.90                               |
| Dec. 31, 2016                 | 13.75                                  | 0.35                                             | (0.17)            | 0.17                          | 1.31                            | 1.66   | —                                          | (0.23)            | —                        | —                    | (0.23) | 15.27                               |
| Dec. 31, 2015                 | 15.18                                  | 0.31                                             | (0.18)            | (0.17)                        | (1.20)                          | (1.24) | —                                          | (0.13)            | —                        | —                    | (0.13) | 13.75                               |
| Dec. 31, 2014                 | 14.98                                  | 0.51                                             | (0.19)            | 1.24                          | 0.07                            | 1.63   | —                                          | (0.31)            | (1.12)                   | —                    | (1.43) | 15.18                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.41                                  | 0.36                                             | (0.16)            | 2.47                          | (5.19)                          | (2.52) | —                                          | (0.18)            | (2.96)                   | —                    | (3.14) | 12.05                               |
| Dec. 31, 2017                 | 15.72                                  | 0.37                                             | (0.16)            | 2.31                          | 1.08                            | 3.60   | —                                          | (0.20)            | (1.58)                   | —                    | (1.78) | 17.41                               |
| Dec. 31, 2016                 | 14.13                                  | 0.37                                             | (0.13)            | 0.18                          | 1.49                            | 1.91   | —                                          | (0.25)            | —                        | —                    | (0.25) | 15.72                               |
| Dec. 31, 2015                 | 15.61                                  | 0.32                                             | (0.15)            | (0.18)                        | (1.23)                          | (1.24) | —                                          | (0.17)            | —                        | —                    | (0.17) | 14.13                               |
| Dec. 31, 2014                 | 15.40                                  | 0.53                                             | (0.15)            | 1.28                          | 0.07                            | 1.73   | —                                          | (0.37)            | (1.15)                   | —                    | (1.52) | 15.61                               |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.08                                  | 0.35                                             | (0.12)            | 2.41                          | (4.67)                          | (2.03) | —                                          | (0.21)            | (2.86)                   | —                    | (3.07) | 11.88                               |
| Dec. 31, 2017                 | 15.43                                  | 0.36                                             | (0.11)            | 2.24                          | 0.45                            | 2.94   | —                                          | (0.24)            | (1.55)                   | —                    | (1.79) | 17.08                               |
| Dec. 31, 2016                 | 13.86                                  | 0.36                                             | (0.10)            | 0.18                          | 1.34                            | 1.78   | —                                          | (0.27)            | —                        | —                    | (0.27) | 15.43                               |
| Dec. 31, 2015                 | 15.30                                  | 0.32                                             | (0.10)            | (0.17)                        | (1.20)                          | (1.15) | —                                          | (0.21)            | —                        | —                    | (0.21) | 13.86                               |
| Dec. 31, 2014                 | 15.09                                  | 0.52                                             | (0.11)            | 1.25                          | 0.07                            | 1.73   | —                                          | (0.40)            | (1.13)                   | —                    | (1.53) | 15.30                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.27                                  | 0.35                                             | —                 | 2.42                          | (4.12)                          | (1.35) | —                                          | (0.33)            | (2.91)                   | —                    | (3.24) | 11.99                               |
| Dec. 31, 2017                 | 15.61                                  | 0.37                                             | —                 | 2.28                          | 0.88                            | 3.53   | (0.01)                                     | (0.35)            | (1.58)                   | —                    | (1.94) | 17.27                               |
| Dec. 31, 2016                 | 13.97                                  | 0.36                                             | —                 | 0.18                          | 1.51                            | 2.05   | —                                          | (0.32)            | —                        | —                    | (0.32) | 15.61                               |
| Dec. 31, 2015                 | 15.43                                  | 0.32                                             | —                 | (0.18)                        | (1.22)                          | (1.08) | —                                          | (0.31)            | —                        | —                    | (0.31) | 13.97                               |
| Dec. 31, 2014                 | 15.29                                  | 0.51                                             | —                 | 1.24                          | 0.07                            | 1.82   | —                                          | (0.57)            | (1.15)                   | —                    | (1.72) | 15.43                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.71</b>                     | <b>643 177</b>              | <b>54 937</b>                         | <b>1.55</b>                                  | <b>1.55</b>                               | <b>68.89</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 16.83                            | 889 259                     | 52 826                                | 1.55                                         | 1.55                                      | 68.37                                       | 0.05                                      |
| Dec. 31, 2016         | 15.20                            | 874 284                     | 57 528                                | 1.55                                         | 1.55                                      | 62.98                                       | 0.06                                      |
| Dec. 31, 2015         | 13.71                            | 1 015 117                   | 74 062                                | 1.55                                         | 1.55                                      | 54.36                                       | 0.06                                      |
| Dec. 31, 2014         | 15.13                            | 1 318 415                   | 87 111                                | 1.55                                         | 1.55                                      | 72.33                                       | 0.06                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.81</b>                     | <b>17 857</b>               | <b>1 512</b>                          | <b>1.49</b>                                  | <b>1.49</b>                               | <b>68.89</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 17.03                            | 24 974                      | 1 466                                 | 1.49                                         | 1.49                                      | 68.37                                       | 0.05                                      |
| Dec. 31, 2016         | 15.36                            | 27 290                      | 1 777                                 | 1.49                                         | 1.49                                      | 62.98                                       | 0.06                                      |
| Dec. 31, 2015         | 13.85                            | 34 638                      | 2 502                                 | 1.49                                         | 1.49                                      | 54.36                                       | 0.06                                      |
| Dec. 31, 2014         | 15.29                            | 48 166                      | 3 151                                 | 1.50                                         | 1.50                                      | 72.33                                       | 0.06                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.67</b>                     | <b>63 833</b>               | <b>5 471</b>                          | <b>1.22</b>                                  | <b>1.22</b>                               | <b>68.89</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 16.90                            | 87 155                      | 5 159                                 | 1.22                                         | 1.22                                      | 68.37                                       | 0.05                                      |
| Dec. 31, 2016         | 15.27                            | 88 337                      | 5 786                                 | 1.22                                         | 1.22                                      | 62.98                                       | 0.06                                      |
| Dec. 31, 2015         | 13.75                            | 91 113                      | 6 628                                 | 1.22                                         | 1.22                                      | 54.36                                       | 0.06                                      |
| Dec. 31, 2014         | 15.18                            | 115 644                     | 7 619                                 | 1.22                                         | 1.22                                      | 72.33                                       | 0.06                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.05</b>                     | <b>118 633</b>              | <b>9 841</b>                          | <b>0.93</b>                                  | <b>0.93</b>                               | <b>68.89</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 17.41                            | 110 270                     | 6 334                                 | 0.94                                         | 0.94                                      | 68.37                                       | 0.05                                      |
| Dec. 31, 2016         | 15.72                            | 70 197                      | 4 466                                 | 0.94                                         | 0.94                                      | 62.98                                       | 0.06                                      |
| Dec. 31, 2015         | 14.13                            | 54 948                      | 3 887                                 | 0.94                                         | 0.94                                      | 54.36                                       | 0.06                                      |
| Dec. 31, 2014         | 15.61                            | 88 318                      | 5 660                                 | 0.94                                         | 0.94                                      | 72.33                                       | 0.06                                      |
| <b>Series I</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.88</b>                     | <b>3 992</b>                | <b>336</b>                            | <b>0.67</b>                                  | <b>0.67</b>                               | <b>68.89</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 17.08                            | 5 074                       | 297                                   | 0.66                                         | 0.66                                      | 68.37                                       | 0.05                                      |
| Dec. 31, 2016         | 15.43                            | 8 721                       | 565                                   | 0.69                                         | 0.69                                      | 62.98                                       | 0.06                                      |
| Dec. 31, 2015         | 13.86                            | 7 994                       | 577                                   | 0.68                                         | 0.68                                      | 54.36                                       | 0.06                                      |
| Dec. 31, 2014         | 15.30                            | 31 796                      | 2 079                                 | 0.70                                         | 0.70                                      | 72.33                                       | 0.06                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.99</b>                     | <b>362 267</b>              | <b>30 222</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>68.89</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017         | 17.27                            | 626 174                     | 36 262                                | 0.02                                         | 0.02                                      | 68.37                                       | 0.05                                      |
| Dec. 31, 2016         | 15.61                            | 581 220                     | 37 239                                | 0.02                                         | 0.02                                      | 62.98                                       | 0.06                                      |
| Dec. 31, 2015         | 13.97                            | 497 227                     | 35 582                                | 0.02                                         | 0.02                                      | 54.36                                       | 0.06                                      |
| Dec. 31, 2014         | 15.43                            | 471 596                     | 30 561                                | 0.02                                         | 0.02                                      | 72.33                                       | 0.06                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.25%           | 52%                   | 48%    |
| Advisor Series | 1.25%           | 52%                   | 48%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series I       | 0.60%           | —                     | 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.

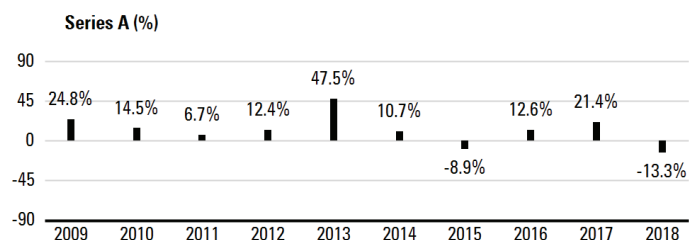
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

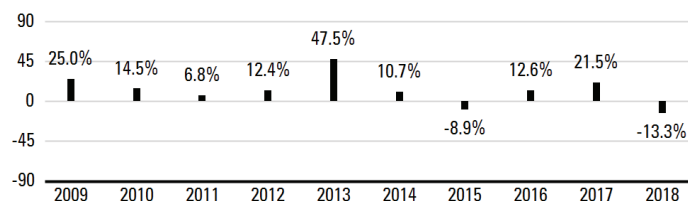
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

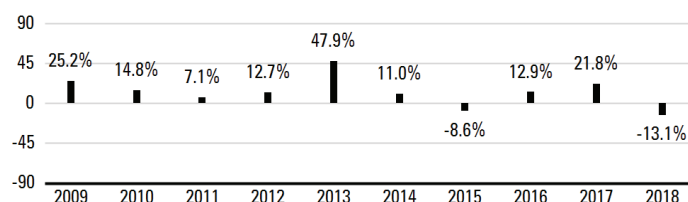
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



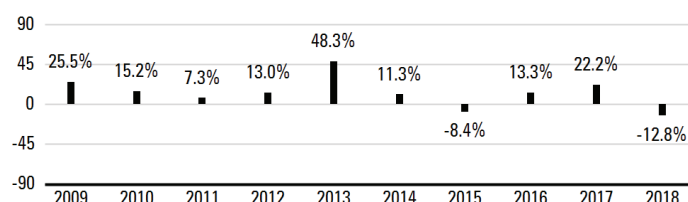
**Advisor Series (%)**



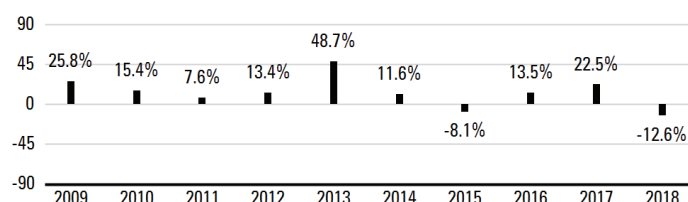
**Series D (%)**



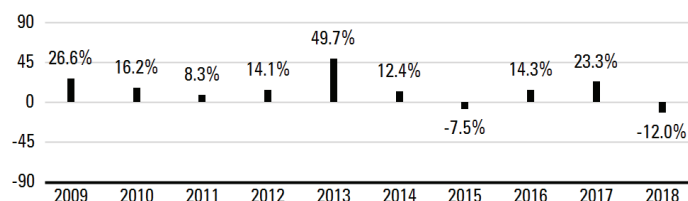
**Series F (%)**



**Series I (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell 1000 Value Total Return Net Index (hedged to CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -13.3        | 5.8             | 3.6             | 11.7             | —                  |
| Benchmark      | -9.6         | 6.1             | 5.4             | 10.5             | —                  |
| Advisor Series | -13.3        | 5.9             | 3.7             | 11.7             | —                  |
| Benchmark      | -9.6         | 6.1             | 5.4             | 10.5             | —                  |
| Series D       | -13.1        | 6.2             | 4.0             | 12.0             | —                  |
| Benchmark      | -9.6         | 6.1             | 5.4             | 10.5             | —                  |
| Series F       | -12.8        | 6.5             | 4.2             | 12.3             | —                  |
| Benchmark      | -9.6         | 6.1             | 5.4             | 10.5             | —                  |
| Series I       | -12.6        | 6.7             | 4.5             | 12.6             | —                  |
| Benchmark      | -9.6         | 6.1             | 5.4             | 10.5             | —                  |
| Series O       | -12.0        | 7.4             | 5.2             | 13.4             | —                  |
| Benchmark      | -9.6         | 6.1             | 5.4             | 10.5             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

### INDEX DESCRIPTION

**Russell 1000 Value Total Return Net Index (hedged to CAD)** This index measures the performance of companies in the Russell 1000 Index that have lower price-to-book ratios and lower forecasted growth values. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 29.0                 |
| Information Technology | 20.4                 |
| Industrials            | 12.4                 |
| Consumer Discretionary | 10.7                 |
| Consumer Staples       | 9.9                  |
| Energy                 | 9.0                  |
| Health Care            | 5.5                  |
| Materials              | 3.9                  |
| Communication Services | 2.4                  |
| Cash/Other             | (3.2)                |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| MetLife Inc.                              | 4.7                  |
| Ameriprise Financial Inc.                 | 4.6                  |
| Marathon Petroleum Corp.                  | 4.6                  |
| Citigroup Inc.                            | 4.6                  |
| Citrix Systems Inc.                       | 4.5                  |
| Fifth Third Bancorp                       | 3.7                  |
| Amgen Inc.                                | 3.6                  |
| Voya Financial Inc.                       | 3.4                  |
| Yum! Brands, Inc.                         | 3.1                  |
| Juniper Networks Inc.                     | 3.1                  |
| Union Pacific Corp.                       | 3.1                  |
| The Western Union Co.                     | 3.0                  |
| Ally Financial Inc.                       | 2.9                  |
| Cisco Systems Inc.                        | 2.9                  |
| Corning Inc.                              | 2.7                  |
| ConocoPhillips                            | 2.7                  |
| The Kroger Co.                            | 2.6                  |
| Sealed Air Corp.                          | 2.5                  |
| Seagate Technology                        | 2.3                  |
| Regions Financial Corp.                   | 2.3                  |
| Spirit Aerosystems Holdings Inc., Class A | 2.1                  |
| Best Buy Co. Inc.                         | 2.1                  |
| Conagra Brands Inc.                       | 2.1                  |
| United Continental Holdings Inc.          | 2.1                  |
| HD Supply Holdings Inc.                   | 1.8                  |
| Top 25 Holdings                           | 77.1                 |

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).



U.S. EQUITY FUND

**RBC U.S. MID-CAP GROWTH  
EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (U.S.) Inc., Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in U.S. mid-cap equities and common-stock equivalents, allowing broad exposure to growth opportunities in U.S. equity markets.

The Fund diversifies across industries in the U.S. market and seeks companies with strong management, focused business models and prospects for growth in earnings and cash flow.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$867 million as of December 31, 2018, from \$799 million at the end of 2017. The increase was due to investment returns, partially offset by net redemptions.

Over the past year, the Fund's Series A units gained 7.4%, which outperformed the 3.4% rise in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. equity markets rose over the first nine months of 2018, before declines in the fourth quarter led to losses for the year as a whole. The year-end market drop was mostly due to signs of slowing global growth, concerns about rising U.S. interest rates, and U.S.-China trade tensions. Small- and mid-cap stocks, which are more sensitive to economic-growth rates, performed significantly worse than large-cap stocks.

The Fund outperformed the benchmark during the period largely due to strong stock selection in the Health Care, Consumer Discretionary, Materials, Information Technology and Industrials sectors. An underweight allocation to the Materials sector and overweight allocation to Consumer Staples also had a positive impact on relative returns. Security selection in the Energy sector held back the Fund's overall performance.

Individual stocks that had a positive impact on performance included Abiomed, Red Hat and Zebra Technology. Stocks that had a negative impact included Affiliated Managers Group, Ingredion and LKQ.

### **Recent Developments**

The U.S. economy continues to add jobs, and many previously idle workers are now looking for employment at companies eager to fill positions due to increased demand for products and services.

U.S. deregulation and tax cuts are providing economic tailwinds, but global economic conditions are not as attractive as they were early in 2018. The sub-advisor expects trade and political tensions with China to persist into 2019. There are several scenarios that could lead to a more negative outcome, particularly any escalation of protectionist moves by the Trump administration or steps by the U.S. Federal Reserve to raise interest rates faster than the economy can handle. The sub-advisor remains cautious after two significant equity-market declines in 2018, with some economic indicators suggesting stocks could fall further.

### **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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.79                                  | 0.32                                             | (0.72)            | 2.19                          | 0.45                            | 2.24   | —                                          | —                 | (1.47)                   | —                    | (1.47) | 31.57                               |
| Dec. 31, 2017                 | 27.95                                  | 0.17                                             | (0.62)            | 1.51                          | 2.51                            | 3.57   | —                                          | —                 | (0.79)                   | —                    | (0.79) | 30.79                               |
| Dec. 31, 2016                 | 27.18                                  | 0.16                                             | (0.56)            | 1.42                          | (0.02)                          | 1.00   | —                                          | —                 | (0.40)                   | —                    | (0.40) | 27.95                               |
| Dec. 31, 2015                 | 26.51                                  | 0.19                                             | (0.61)            | 10.32                         | (4.43)                          | 5.47   | —                                          | —                 | (3.38)                   | —                    | (3.38) | 27.18                               |
| Dec. 31, 2014                 | 23.24                                  | 0.13                                             | (0.51)            | 1.97                          | 2.33                            | 3.92   | —                                          | —                 | (0.44)                   | —                    | (0.44) | 26.51                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 30.86                                  | 0.32                                             | (0.72)            | 2.19                          | (0.30)                          | 1.49   | —                                          | —                 | (1.48)                   | —                    | (1.48) | 31.67                               |
| Dec. 31, 2017                 | 28.02                                  | 0.17                                             | (0.62)            | 1.52                          | 2.53                            | 3.60   | —                                          | —                 | (0.79)                   | —                    | (0.79) | 30.86                               |
| Dec. 31, 2016                 | 27.24                                  | 0.16                                             | (0.56)            | 1.43                          | (0.15)                          | 0.88   | —                                          | —                 | (0.40)                   | —                    | (0.40) | 28.02                               |
| Dec. 31, 2015                 | 26.57                                  | 0.20                                             | (0.61)            | 10.70                         | (4.59)                          | 5.70   | —                                          | —                 | (3.39)                   | —                    | (3.39) | 27.24                               |
| Dec. 31, 2014                 | 23.28                                  | 0.13                                             | (0.51)            | 1.98                          | 2.34                            | 3.94   | —                                          | —                 | (0.44)                   | —                    | (0.44) | 26.57                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 33.80                                  | 0.35                                             | (0.46)            | 2.40                          | (2.68)                          | (0.39) | —                                          | —                 | (1.65)                   | —                    | (1.65) | 34.96                               |
| Dec. 31, 2017                 | 30.43                                  | 0.19                                             | (0.39)            | 1.65                          | 2.62                            | 4.07   | —                                          | —                 | (0.87)                   | —                    | (0.87) | 33.80                               |
| Dec. 31, 2016                 | 29.31                                  | 0.17                                             | (0.35)            | 1.54                          | (0.24)                          | 1.12   | —                                          | —                 | (0.42)                   | —                    | (0.42) | 30.43                               |
| Dec. 31, 2015                 | 28.30                                  | 0.21                                             | (0.38)            | 11.24                         | (4.82)                          | 6.25   | —                                          | —                 | (3.60)                   | —                    | (3.60) | 29.31                               |
| Dec. 31, 2014                 | 24.58                                  | 0.14                                             | (0.31)            | 2.08                          | 2.46                            | 4.37   | —                                          | —                 | (0.46)                   | —                    | (0.46) | 28.30                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 36.23                                  | 0.38                                             | (0.39)            | 2.57                          | (2.70)                          | (0.14) | —                                          | (0.01)            | (1.76)                   | —                    | (1.77) | 37.58                               |
| Dec. 31, 2017                 | 32.53                                  | 0.20                                             | (0.33)            | 1.77                          | 2.62                            | 4.26   | —                                          | —                 | (0.93)                   | —                    | (0.93) | 36.23                               |
| Dec. 31, 2016                 | 31.25                                  | 0.18                                             | (0.30)            | 1.64                          | 1.18                            | 2.70   | —                                          | —                 | (0.45)                   | —                    | (0.45) | 32.53                               |
| Dec. 31, 2015                 | 30.12                                  | 0.23                                             | (0.32)            | 12.37                         | (5.30)                          | 6.98   | —                                          | —                 | (3.87)                   | —                    | (3.87) | 31.25                               |
| Dec. 31, 2014                 | 26.10                                  | 0.15                                             | (0.26)            | 2.21                          | 2.61                            | 4.71   | —                                          | —                 | (0.48)                   | —                    | (0.48) | 30.12                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 37.20                                  | 0.39                                             | (0.01)            | 2.67                          | 0.79                            | 3.84   | (0.01)                                     | (0.32)            | (1.83)                   | —                    | (2.16) | 38.62                               |
| Dec. 31, 2017                 | 33.20                                  | 0.21                                             | (0.01)            | 1.81                          | 3.11                            | 5.12   | (0.01)                                     | (0.11)            | (0.96)                   | —                    | (1.08) | 37.20                               |
| Dec. 31, 2016                 | 31.70                                  | 0.19                                             | (0.01)            | 1.67                          | 0.33                            | 2.18   | —                                          | (0.09)            | (0.47)                   | —                    | (0.56) | 33.20                               |
| Dec. 31, 2015                 | 30.53                                  | 0.20                                             | (0.01)            | 10.79                         | (4.63)                          | 6.35   | —                                          | (0.26)            | (3.97)                   | —                    | (4.23) | 31.70                               |
| Dec. 31, 2014                 | 26.30                                  | 0.15                                             | (0.01)            | 2.23                          | 2.64                            | 5.01   | —                                          | (0.10)            | (0.50)                   | —                    | (0.60) | 30.53                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>31.57</b>                     | <b>90 225</b>               | <b>2 857</b>                          | <b>2.10</b>                                  | <b>2.10</b>                               | <b>15.14</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 30.79                            | 87 333                      | 2 837                                 | 2.10                                         | 2.10                                      | 10.36                                       | 0.01                                      |
| Dec. 31, 2016         | 27.95                            | 86 645                      | 3 100                                 | 2.10                                         | 2.10                                      | 9.84                                        | 0.02                                      |
| Dec. 31, 2015         | 27.18                            | 99 611                      | 3 665                                 | 2.10                                         | 2.10                                      | 14.83                                       | 0.05                                      |
| Dec. 31, 2014         | 26.51                            | 93 871                      | 3 541                                 | 2.10                                         | 2.10                                      | 22.88                                       | 0.02                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>31.67</b>                     | <b>3 619</b>                | <b>114</b>                            | <b>2.07</b>                                  | <b>2.07</b>                               | <b>15.14</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 30.86                            | 2 305                       | 75                                    | 2.10                                         | 2.10                                      | 10.36                                       | 0.01                                      |
| Dec. 31, 2016         | 28.02                            | 2 107                       | 75                                    | 2.09                                         | 2.09                                      | 9.84                                        | 0.02                                      |
| Dec. 31, 2015         | 27.24                            | 2 284                       | 84                                    | 2.07                                         | 2.07                                      | 14.83                                       | 0.05                                      |
| Dec. 31, 2014         | 26.57                            | 1 236                       | 47                                    | 2.09                                         | 2.09                                      | 22.88                                       | 0.02                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>34.96</b>                     | <b>21 682</b>               | <b>620</b>                            | <b>1.21</b>                                  | <b>1.21</b>                               | <b>15.14</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 33.80                            | 11 536                      | 341                                   | 1.21                                         | 1.21                                      | 10.36                                       | 0.01                                      |
| Dec. 31, 2016         | 30.43                            | 9 217                       | 303                                   | 1.20                                         | 1.20                                      | 9.84                                        | 0.02                                      |
| Dec. 31, 2015         | 29.31                            | 11 132                      | 380                                   | 1.20                                         | 1.20                                      | 14.83                                       | 0.05                                      |
| Dec. 31, 2014         | 28.30                            | 8 270                       | 292                                   | 1.21                                         | 1.21                                      | 22.88                                       | 0.02                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>37.58</b>                     | <b>44 084</b>               | <b>1 173</b>                          | <b>0.93</b>                                  | <b>0.93</b>                               | <b>15.14</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 36.23                            | 12 949                      | 357                                   | 0.94                                         | 0.94                                      | 10.36                                       | 0.01                                      |
| Dec. 31, 2016         | 32.53                            | 8 493                       | 261                                   | 0.95                                         | 0.95                                      | 9.84                                        | 0.02                                      |
| Dec. 31, 2015         | 31.25                            | 3 686                       | 118                                   | 0.94                                         | 0.94                                      | 14.83                                       | 0.05                                      |
| Dec. 31, 2014         | 30.12                            | 1 998                       | 66                                    | 0.95                                         | 0.95                                      | 22.88                                       | 0.02                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>38.62</b>                     | <b>707 782</b>              | <b>18 329</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>15.14</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 37.20                            | 684 881                     | 18 409                                | 0.02                                         | 0.02                                      | 10.36                                       | 0.01                                      |
| Dec. 31, 2016         | 33.20                            | 566 870                     | 17 075                                | 0.02                                         | 0.02                                      | 9.84                                        | 0.02                                      |
| Dec. 31, 2015         | 31.70                            | 504 958                     | 15 931                                | 0.02                                         | 0.02                                      | 14.83                                       | 0.05                                      |
| Dec. 31, 2014         | 30.53                            | 1 050 529                   | 34 408                                | 0.02                                         | 0.02                                      | 22.88                                       | 0.02                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

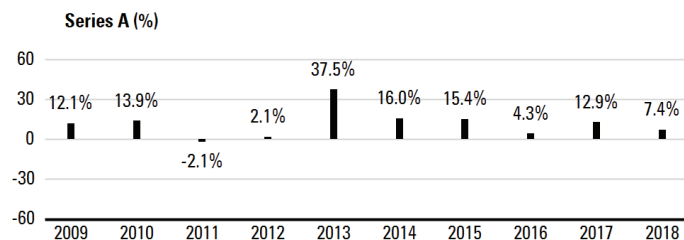
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### PAST PERFORMANCE

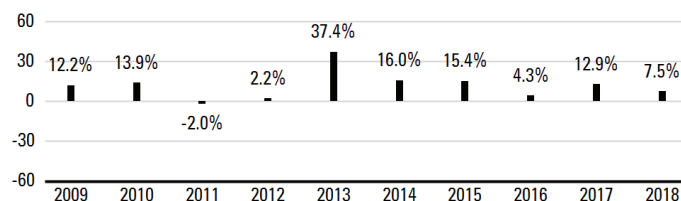
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

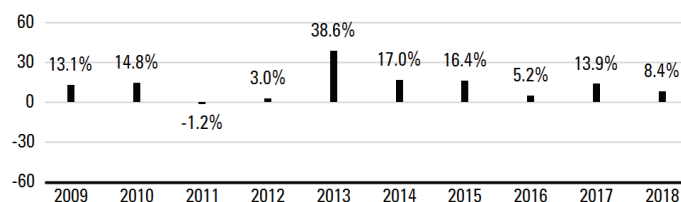
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



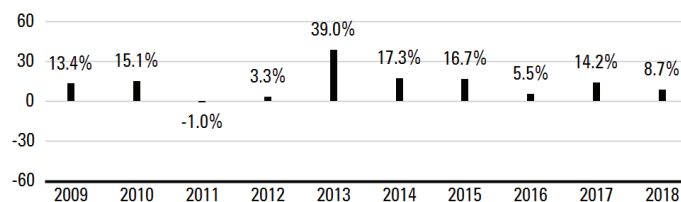
**Advisor Series (%)**



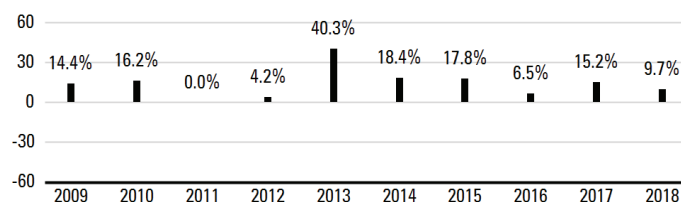
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell Midcap Growth Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 7.4          | 8.1             | 11.1            | 11.5             | —                  |
| Benchmark      | 3.4          | 8.1             | 12.9            | 16.5             | —                  |
| Advisor Series | 7.5          | 8.2             | 11.1            | 11.5             | —                  |
| Benchmark      | 3.4          | 8.1             | 12.9            | 16.5             | —                  |
| Series D       | 8.4          | 9.1             | 12.1            | 12.5             | —                  |
| Benchmark      | 3.4          | 8.1             | 12.9            | 16.5             | —                  |
| Series F       | 8.7          | 9.4             | 12.4            | 12.8             | —                  |
| Benchmark      | 3.4          | 8.1             | 12.9            | 16.5             | —                  |
| Series O       | 9.7          | 10.4            | 13.4            | 13.8             | —                  |
| Benchmark      | 3.4          | 8.1             | 12.9            | 16.5             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**Russell Midcap Growth Index (CAD)** This index is a capitalization-weighted measure of the mid-cap growth segment of the U.S. equity universe in Canadian dollars, and includes companies with higher price-to-book ratios and higher forecasted growth values. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the mid-cap growth market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 25.4                 |
| Industrials            | 20.7                 |
| Health Care            | 20.3                 |
| Consumer Discretionary | 12.1                 |
| Financials             | 9.0                  |
| Consumer Staples       | 6.2                  |
| Materials              | 2.8                  |
| Real Estate            | 1.7                  |
| Energy                 | 1.2                  |
| Cash/Other             | 0.6                  |

### Top 25 Holdings

|                                       | % of Net Asset Value |
|---------------------------------------|----------------------|
| Abiomed Inc.                          | 2.5                  |
| Red Hat Inc.                          | 2.4                  |
| Autodesk Inc.                         | 2.1                  |
| Tractor Supply Co.                    | 1.8                  |
| Dollar Tree Inc.                      | 1.8                  |
| SynOpsys Inc.                         | 1.8                  |
| Cooper Co. Inc.                       | 1.8                  |
| WEX Inc.                              | 1.7                  |
| Roper Technologies Inc.               | 1.7                  |
| Waste Connections Inc.                | 1.7                  |
| Bright Horizons Family Solutions Inc. | 1.7                  |
| Aptargroup Inc.                       | 1.7                  |
| MercadoLibre Inc.                     | 1.6                  |
| Woodward Inc.                         | 1.6                  |
| CDW Corp.                             | 1.6                  |
| Brown & Brown Inc.                    | 1.6                  |
| Raymond James Financial Corp.         | 1.6                  |
| Verisign Inc.                         | 1.5                  |
| O'Reilly Automotive Inc.              | 1.5                  |
| Waters Corp.                          | 1.5                  |
| McCormick & Co. Inc.                  | 1.5                  |
| STERIS Plc.                           | 1.5                  |
| IHS Markit Ltd.                       | 1.5                  |
| Aspen Technology Inc.                 | 1.5                  |
| Henry Schein Inc.                     | 1.5                  |
| Top 25 Holdings                       | 42.7                 |

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).



U.S. EQUITY FUND

**RBC U.S. MID-CAP GROWTH EQUITY  
CURRENCY NEUTRAL FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (U.S.) Inc., Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital appreciation, primarily through investing in mid-capitalized equity securities of U.S. companies while minimizing the exposure to fluctuations between the U.S. and Canadian dollar exchange rates.

The Fund diversifies across industries and selects companies with strong management, focused business models and the potential for growth in earnings and cash flow. The Fund uses currency hedges to minimize the impact of fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$14 million as of December 31, 2018, from \$13 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 2.3%, which outperformed the 6.1% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. equity markets rose over the first nine months of 2018, before declines in the fourth quarter led to losses for the year as a whole. The year-end market drop was mostly due to signs of slowing global growth, concerns about rising U.S. interest rates, and U.S.-China trade tensions. Small- and mid-cap stocks, which are more sensitive to economic-growth rates, performed significantly worse than large-cap stocks.

The Fund outperformed the benchmark during the period largely due to strong stock selection in the Health Care, Consumer Discretionary, Materials, Information Technology and Industrials sectors. An underweight allocation to the Materials sector and overweight allocation to Consumer Staples also had a positive impact on relative returns. Security selection in the Energy sector held back the Fund's overall performance.

Individual stocks that had a positive impact on performance included Abiomed, Red Hat and Zebra Technology. Stocks that had a negative impact included Affiliated Managers Group, Ingredion and LKQ.

It is the policy of the Fund to maintain currency hedges in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. Given this approach, unitholders did not benefit from the U.S. dollar's rise against the Canadian dollar during the period.

### Recent Developments

The U.S. economy continues to add jobs, and many previously idle workers are now looking for employment at companies eager to fill positions due to increased demand for products and services.

U.S. deregulation and tax cuts are providing economic tailwinds, but global economic conditions are not as attractive as they were early in 2018. The sub-advisor expects trade and political tensions with China to persist into 2019. There are several scenarios that could lead to a more negative outcome, particularly any escalation of protectionist moves by the Trump administration or steps by the U.S. Federal Reserve to raise interest rates faster than the economy can handle. The sub-advisor remains cautious after two significant equity-market declines in 2018, with some economic indicators suggesting stocks could fall further.

### 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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 14.73                                  | 0.15                                             | (0.34)            | 0.22                          | (0.36)                          | (0.33) | —                                          | —                 | —                        | —                    | —     | 14.40                               |
| Dec. 31, 2017                 | 12.31                                  | 0.08                                             | (0.28)            | 1.16                          | 1.46                            | 2.42   | —                                          | —                 | —                        | —                    | —     | 14.73                               |
| Dec. 31, 2016                 | 11.64                                  | 0.07                                             | (0.25)            | 2.49                          | (1.64)                          | 0.67   | —                                          | —                 | —                        | —                    | —     | 12.31                               |
| Dec. 31, 2015                 | 11.96                                  | 0.08                                             | (0.25)            | (0.78)                        | 0.61                            | (0.34) | —                                          | —                 | —                        | —                    | —     | 11.64                               |
| Dec. 31, 2014                 | 11.22                                  | 0.06                                             | (0.24)            | 0.54                          | 0.34                            | 0.70   | —                                          | —                 | —                        | —                    | —     | 11.96                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 14.82                                  | 0.15                                             | (0.32)            | 0.22                          | (0.56)                          | (0.51) | —                                          | —                 | —                        | —                    | —     | 14.50                               |
| Dec. 31, 2017                 | 12.38                                  | 0.08                                             | (0.28)            | 1.16                          | 1.48                            | 2.44   | —                                          | —                 | —                        | —                    | —     | 14.82                               |
| Dec. 31, 2016                 | 11.69                                  | 0.07                                             | (0.24)            | 2.53                          | (1.53)                          | 0.83   | —                                          | —                 | —                        | —                    | —     | 12.38                               |
| Dec. 31, 2015                 | 12.01                                  | 0.08                                             | (0.25)            | (0.78)                        | 0.61                            | (0.34) | —                                          | —                 | —                        | —                    | —     | 11.69                               |
| Dec. 31, 2014                 | 11.26                                  | 0.06                                             | (0.23)            | 0.54                          | 0.34                            | 0.71   | —                                          | —                 | —                        | —                    | —     | 12.01                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 16.12                                  | 0.16                                             | (0.21)            | 0.24                          | (1.70)                          | (1.51) | —                                          | —                 | —                        | —                    | —     | 15.89                               |
| Dec. 31, 2017                 | 13.35                                  | 0.08                                             | (0.18)            | 1.26                          | 1.55                            | 2.71   | —                                          | —                 | —                        | —                    | —     | 16.12                               |
| Dec. 31, 2016                 | 12.51                                  | 0.07                                             | (0.16)            | 2.76                          | (1.56)                          | 1.11   | —                                          | —                 | —                        | —                    | —     | 13.35                               |
| Dec. 31, 2015                 | 12.75                                  | 0.08                                             | (0.16)            | (0.83)                        | 0.65                            | (0.26) | —                                          | —                 | —                        | —                    | —     | 12.51                               |
| Dec. 31, 2014                 | 11.86                                  | 0.06                                             | (0.15)            | 0.57                          | 0.35                            | 0.83   | —                                          | —                 | —                        | —                    | —     | 12.75                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 16.75                                  | 0.17                                             | (0.17)            | 0.25                          | (0.94)                          | (0.69) | —                                          | —                 | —                        | —                    | —     | 16.57                               |
| Dec. 31, 2017                 | 13.84                                  | 0.09                                             | (0.15)            | 1.31                          | 1.71                            | 2.96   | —                                          | —                 | —                        | —                    | —     | 16.75                               |
| Dec. 31, 2016                 | 12.94                                  | 0.08                                             | (0.13)            | 2.83                          | (1.13)                          | 1.65   | —                                          | —                 | —                        | —                    | —     | 13.84                               |
| Dec. 31, 2015                 | 13.15                                  | 0.09                                             | (0.13)            | (0.85)                        | 0.67                            | (0.22) | —                                          | —                 | —                        | —                    | —     | 12.94                               |
| Dec. 31, 2014                 | 12.20                                  | 0.06                                             | (0.12)            | 0.60                          | 0.37                            | 0.91   | —                                          | —                 | —                        | —                    | —     | 13.15                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>14.40</b>                     | <b>7 447</b>                | <b>517</b>                            | <b>2.10</b>                                  | <b>2.11</b>                               | <b>15.41</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 14.73                            | 7 965                       | 541                                   | 2.10                                         | 2.12                                      | 12.15                                       | 0.01                                      |
| Dec. 31, 2016        | 12.31                            | 7 644                       | 621                                   | 2.08                                         | 2.10                                      | 34.44                                       | 0.04                                      |
| Dec. 31, 2015        | 11.64                            | 10 256                      | 881                                   | 2.08                                         | 2.10                                      | 16.37                                       | 0.02                                      |
| Dec. 31, 2014        | 11.96                            | 10 826                      | 905                                   | 2.08                                         | 2.11                                      | 12.19                                       | 0.02                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.50</b>                     | <b>769</b>                  | <b>53</b>                             | <b>2.00</b>                                  | <b>2.01</b>                               | <b>15.41</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 14.82                            | 698                         | 47                                    | 2.04                                         | 2.06                                      | 12.15                                       | 0.01                                      |
| Dec. 31, 2016         | 12.38                            | 314                         | 25                                    | 2.01                                         | 2.03                                      | 34.44                                       | 0.04                                      |
| Dec. 31, 2015         | 11.69                            | 350                         | 30                                    | 2.02                                         | 2.05                                      | 16.37                                       | 0.02                                      |
| Dec. 31, 2014         | 12.01                            | 246                         | 20                                    | 2.02                                         | 2.05                                      | 12.19                                       | 0.02                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>15.89</b>                     | <b>2 755</b>                | <b>173</b>                            | <b>1.20</b>                                  | <b>1.21</b>                               | <b>15.41</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 16.12                            | 1 449                       | 90                                    | 1.19                                         | 1.21                                      | 12.15                                       | 0.01                                      |
| Dec. 31, 2016         | 13.35                            | 774                         | 58                                    | 1.20                                         | 1.22                                      | 34.44                                       | 0.04                                      |
| Dec. 31, 2015         | 12.51                            | 399                         | 32                                    | 1.22                                         | 1.25                                      | 16.37                                       | 0.02                                      |
| Dec. 31, 2014         | 12.75                            | 315                         | 25                                    | 1.20                                         | 1.23                                      | 12.19                                       | 0.02                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>16.57</b>                     | <b>3 121</b>                | <b>188</b>                            | <b>0.94</b>                                  | <b>0.95</b>                               | <b>15.41</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017         | 16.75                            | 2 391                       | 143                                   | 0.96                                         | 0.98                                      | 12.15                                       | 0.01                                      |
| Dec. 31, 2016         | 13.84                            | 1 352                       | 98                                    | 0.96                                         | 0.98                                      | 34.44                                       | 0.04                                      |
| Dec. 31, 2015         | 12.94                            | 621                         | 48                                    | 0.96                                         | 0.98                                      | 16.37                                       | 0.02                                      |
| Dec. 31, 2014         | 13.15                            | 206                         | 16                                    | 0.95                                         | 0.98                                      | 12.19                                       | 0.02                                      |

<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.

## 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |

\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

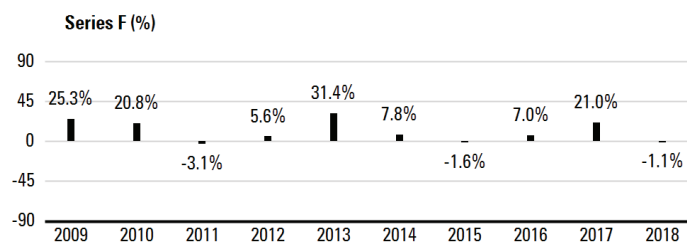
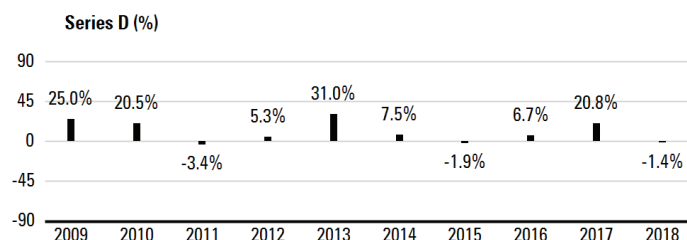
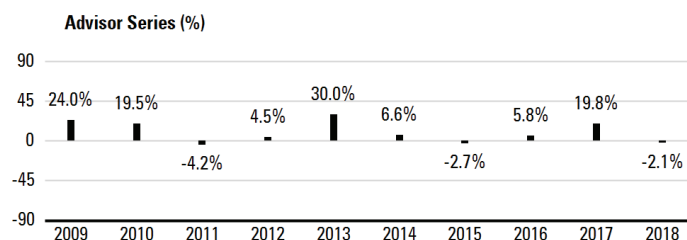
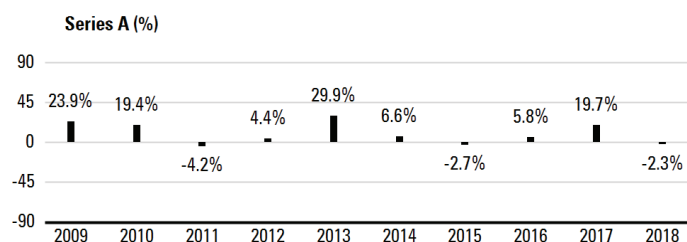
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the Russell Midcap Growth Total Return Net Index (hedged to CAD).

The old benchmark (the "Old benchmark") is the Russell Midcap Growth Index (USD).

The change in benchmark better reflects the composition of the Fund.

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -2.3      | 7.4          | 5.1          | 9.5           | —               |
| New benchmark  | -6.1      | 7.7          | 7.0          | 14.5          | —               |
| Old benchmark  | 3.8       | 8.0          | 12.9         | 16.5          | —               |
| Advisor Series | -2.1      | 7.4          | 5.2          | 9.5           | —               |
| New benchmark  | -6.1      | 7.7          | 7.0          | 14.5          | —               |
| Old benchmark  | 3.8       | 8.0          | 12.9         | 16.5          | —               |
| Series D       | -1.4      | 8.3          | 6.0          | 10.4          | —               |
| New benchmark  | -6.1      | 7.7          | 7.0          | 14.5          | —               |
| Old benchmark  | 3.8       | 8.0          | 12.9         | 16.5          | —               |
| Series F       | -1.1      | 8.6          | 6.3          | 10.7          | —               |
| New benchmark  | -6.1      | 7.7          | 7.0          | 14.5          | —               |
| Old benchmark  | 3.8       | 8.0          | 12.9         | 16.5          | —               |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**Russell Midcap Growth Total Return Net Index (hedged to CAD)** This index is a measure of the performance of mid-cap companies with higher price/book ratios and higher forecast growth values. The index is hedged to Canadian dollars.

**Russell Midcap Growth Index (USD)** This index is a capitalization-weighted measure of the mid-cap growth segment of the U.S. equity universe in U.S. dollars, and includes companies with higher price-to-book ratios and higher forecasted growth values. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the mid-cap growth market.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 26.6                 |
| Industrials            | 21.6                 |
| Health Care            | 21.3                 |
| Consumer Discretionary | 12.6                 |
| Financials             | 9.4                  |
| Consumer Staples       | 6.5                  |
| Materials              | 3.0                  |
| Real Estate            | 1.9                  |
| Energy                 | 1.3                  |
| Cash/Other             | (4.2)                |

### Top 25 Holdings

|                                       | % of Net Asset Value |
|---------------------------------------|----------------------|
| Abiomed Inc.                          | 2.6                  |
| Red Hat Inc.                          | 2.5                  |
| Autodesk Inc.                         | 2.2                  |
| Tractor Supply Co.                    | 1.9                  |
| Dollar Tree Inc.                      | 1.9                  |
| SynOpsys Inc.                         | 1.8                  |
| WEX Inc.                              | 1.8                  |
| Cooper Co. Inc.                       | 1.8                  |
| Waste Connections Inc.                | 1.8                  |
| Bright Horizons Family Solutions Inc. | 1.8                  |
| Aptargroup Inc.                       | 1.7                  |
| Roper Technologies Inc.               | 1.7                  |
| MercadoLibre Inc.                     | 1.7                  |
| Woodward Inc.                         | 1.7                  |
| CDW Corp.                             | 1.7                  |
| Raymond James Financial Corp.         | 1.6                  |
| Verisign Inc.                         | 1.6                  |
| Brown & Brown Inc.                    | 1.6                  |
| Waters Corp.                          | 1.6                  |
| IHS Markit Ltd.                       | 1.6                  |
| Henry Schein Inc.                     | 1.6                  |
| O'Reilly Automotive Inc.              | 1.6                  |
| McCormick & Co. Inc.                  | 1.6                  |
| STERIS Plc.                           | 1.5                  |
| Mettler-Toledo International Inc.     | 1.5                  |
| 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](http://www.rbcgam.com/funds).



U.S. EQUITY FUND

**RBC U.S. MID-CAP VALUE EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (U.S.) Inc., Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. mid-cap companies that are deemed to be undervalued in order to provide broad exposure to economic growth opportunities in the equity markets.

The Fund's investment process is based primarily on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook. The portfolio manager diversifies the Fund across industries in the U.S. market and selects companies based on strong management, focused business models and the potential for future growth in earnings and cash flow.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$604 million as of December 31, 2018, from \$635 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series A units lost 11.3%, which underperformed the 4.7% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. equity markets rose over the first nine months of 2018, before declines in the fourth quarter led to losses for the year as a whole. The year-end market drop was mostly due to signs of slowing global growth, concerns about rising U.S. interest rates, and U.S.-China trade tensions. Small- and mid-cap stocks, which are more sensitive to economic-growth rates, performed significantly worse than large-cap stocks.

The Fund underperformed its benchmark during the period due primarily to stock selection. Sector-allocation decisions had a modestly negative impact on performance. The negative impact of stock selection in the Industrials, Materials and Consumer Discretionary sectors more than offset favourable stock selection in Health Care and Utilities. An underweight position in the relatively strong-performing Real Estate sector weighed on returns.

Individual stocks that had a positive impact on performance included National General Holdings, Integrated Device Technology and Microsemi. Among stocks that hurt returns the most were Mohawk Industries and Synchrony Financial.

### Recent Developments

The U.S. economy continues to add jobs, and many previously idle workers are now looking for employment at companies eager to fill positions due to increased demand for products and services.

Deregulation and tax cuts are providing economic tailwinds for the U.S. economy, but global economic conditions are not as attractive as they were early in 2018. The sub-advisor expects trade and political tensions with China to persist into 2019. There are several scenarios that could lead to a more negative outcome, particularly any escalation of protectionist moves by the Trump administration or steps by the U.S. Federal Reserve to raise interest rates faster than the economy can handle. The sub-advisor remains cautious after two significant equity-market declines in 2018, with some economic indicators suggesting stocks could fall further.

### 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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.91                                  | 0.22                                             | (0.25)            | 0.03                          | (1.16)                          | (1.16) | —                                          | —                 | —                        | —                    | —      | 10.56                               |
| Dec. 31, 2017                 | 13.39                                  | 0.15                                             | (0.26)            | 0.33                          | (0.96)                          | (0.74) | —                                          | —                 | (0.81)                   | —                    | (0.81) | 11.91                               |
| Dec. 31, 2016                 | 12.39                                  | 0.13                                             | (0.25)            | 0.40                          | 0.53                            | 0.81   | —                                          | —                 | (0.18)                   | —                    | (0.18) | 13.39                               |
| Dec. 31, 2015                 | 12.61                                  | 0.19                                             | (0.30)            | 2.08                          | (0.79)                          | 1.18   | —                                          | —                 | (1.56)                   | —                    | (1.56) | 12.39                               |
| Dec. 31, 2014                 | 13.08                                  | 0.16                                             | (0.31)            | 4.19                          | (0.61)                          | 3.43   | —                                          | —                 | (3.87)                   | —                    | (3.87) | 12.61                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.94                                  | 0.22                                             | (0.25)            | 0.03                          | (1.02)                          | (1.02) | —                                          | —                 | —                        | —                    | —      | 10.58                               |
| Dec. 31, 2017                 | 13.41                                  | 0.15                                             | (0.26)            | 0.33                          | (1.04)                          | (0.82) | —                                          | —                 | (0.81)                   | —                    | (0.81) | 11.94                               |
| Dec. 31, 2016                 | 12.42                                  | 0.13                                             | (0.25)            | 0.40                          | (0.96)                          | (0.68) | —                                          | —                 | (0.18)                   | —                    | (0.18) | 13.41                               |
| Dec. 31, 2015                 | 12.63                                  | 0.19                                             | (0.30)            | 2.09                          | (0.80)                          | 1.18   | —                                          | —                 | (1.56)                   | —                    | (1.56) | 12.42                               |
| Dec. 31, 2014                 | 13.09                                  | 0.16                                             | (0.31)            | 4.20                          | (0.61)                          | 3.44   | —                                          | —                 | (3.87)                   | —                    | (3.87) | 12.63                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.64                                  | 0.24                                             | (0.16)            | 0.04                          | (1.29)                          | (1.17) | —                                          | (0.09)            | —                        | —                    | (0.09) | 11.22                               |
| Dec. 31, 2017                 | 14.08                                  | 0.16                                             | (0.17)            | 0.35                          | (0.95)                          | (0.61) | —                                          | —                 | (0.84)                   | —                    | (0.84) | 12.64                               |
| Dec. 31, 2016                 | 12.93                                  | 0.14                                             | (0.16)            | 0.42                          | 0.30                            | 0.70   | —                                          | —                 | (0.19)                   | —                    | (0.19) | 14.08                               |
| Dec. 31, 2015                 | 13.04                                  | 0.19                                             | (0.19)            | 2.17                          | (0.83)                          | 1.34   | —                                          | —                 | (1.61)                   | —                    | (1.61) | 12.93                               |
| Dec. 31, 2014                 | 13.31                                  | 0.16                                             | (0.20)            | 4.28                          | (0.62)                          | 3.62   | —                                          | —                 | (3.87)                   | —                    | (3.87) | 13.04                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.89                                  | 0.24                                             | (0.12)            | 0.04                          | (2.28)                          | (2.12) | —                                          | (0.12)            | —                        | —                    | (0.12) | 11.43                               |
| Dec. 31, 2017                 | 14.33                                  | 0.17                                             | (0.13)            | 0.35                          | (1.19)                          | (0.80) | —                                          | (0.02)            | (0.86)                   | —                    | (0.88) | 12.89                               |
| Dec. 31, 2016                 | 13.13                                  | 0.14                                             | (0.13)            | 0.43                          | 0.94                            | 1.38   | —                                          | (0.01)            | (0.19)                   | —                    | (0.20) | 14.33                               |
| Dec. 31, 2015                 | 13.19                                  | 0.20                                             | (0.15)            | 2.23                          | (0.85)                          | 1.43   | —                                          | —                 | (1.62)                   | —                    | (1.62) | 13.13                               |
| Dec. 31, 2014                 | 13.39                                  | 0.16                                             | (0.16)            | 4.32                          | (0.63)                          | 3.69   | —                                          | —                 | (3.87)                   | —                    | (3.87) | 13.19                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.03                                  | 0.24                                             | (0.01)            | 0.04                          | (1.55)                          | (1.28) | —                                          | (0.22)            | —                        | —                    | (0.22) | 11.56                               |
| Dec. 31, 2017                 | 14.49                                  | 0.17                                             | (0.02)            | 0.36                          | (0.97)                          | (0.46) | —                                          | (0.13)            | (0.88)                   | —                    | (1.01) | 13.03                               |
| Dec. 31, 2016                 | 13.27                                  | 0.14                                             | (0.01)            | 0.43                          | 1.21                            | 1.77   | —                                          | (0.12)            | (0.20)                   | —                    | (0.32) | 14.49                               |
| Dec. 31, 2015                 | 13.29                                  | 0.19                                             | (0.02)            | 2.13                          | (0.81)                          | 1.49   | —                                          | (0.08)            | (1.66)                   | —                    | (1.74) | 13.27                               |
| Dec. 31, 2014                 | 13.44                                  | 0.16                                             | (0.02)            | 4.29                          | (0.62)                          | 3.81   | —                                          | (0.11)            | (3.87)                   | —                    | (3.98) | 13.29                               |

<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.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.56</b>                     | <b>13 812</b>               | <b>1 308</b>                          | <b>2.03</b>                                  | <b>2.03</b>                               | <b>38.30</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 11.91                            | 20 944                      | 1 758                                 | 2.03                                         | 2.03                                      | 125.51                                      | 0.23                                      |
| Dec. 31, 2016         | 13.39                            | 23 881                      | 1 784                                 | 2.09                                         | 2.09                                      | 167.50                                      | 0.32                                      |
| Dec. 31, 2015         | 12.39                            | 29 134                      | 2 351                                 | 2.15                                         | 2.15                                      | 153.85                                      | 0.33                                      |
| Dec. 31, 2014         | 12.61                            | 17 106                      | 1 356                                 | 2.15                                         | 2.15                                      | 145.70                                      | 0.27                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.58</b>                     | <b>6 957</b>                | <b>657</b>                            | <b>2.02</b>                                  | <b>2.02</b>                               | <b>38.30</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 11.94                            | 12 296                      | 1 030                                 | 2.03                                         | 2.03                                      | 125.51                                      | 0.23                                      |
| Dec. 31, 2016         | 13.41                            | 13 787                      | 1 028                                 | 2.15                                         | 2.15                                      | 167.50                                      | 0.32                                      |
| Dec. 31, 2015         | 12.42                            | 36 679                      | 2 953                                 | 2.14                                         | 2.14                                      | 153.85                                      | 0.33                                      |
| Dec. 31, 2014         | 12.63                            | 18 183                      | 1 439                                 | 2.12                                         | 2.12                                      | 145.70                                      | 0.27                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.22</b>                     | <b>3 798</b>                | <b>339</b>                            | <b>1.21</b>                                  | <b>1.21</b>                               | <b>38.30</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 12.64                            | 5 384                       | 426                                   | 1.21                                         | 1.21                                      | 125.51                                      | 0.23                                      |
| Dec. 31, 2016         | 14.08                            | 8 441                       | 599                                   | 1.27                                         | 1.27                                      | 167.50                                      | 0.32                                      |
| Dec. 31, 2015         | 12.93                            | 12 305                      | 952                                   | 1.33                                         | 1.33                                      | 153.85                                      | 0.33                                      |
| Dec. 31, 2014         | 13.04                            | 6 713                       | 515                                   | 1.34                                         | 1.34                                      | 145.70                                      | 0.27                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.43</b>                     | <b>17 662</b>               | <b>1 545</b>                          | <b>0.92</b>                                  | <b>0.92</b>                               | <b>38.30</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 12.89                            | 12 145                      | 943                                   | 0.93                                         | 0.93                                      | 125.51                                      | 0.23                                      |
| Dec. 31, 2016         | 14.33                            | 16 112                      | 1 124                                 | 0.99                                         | 0.99                                      | 167.50                                      | 0.32                                      |
| Dec. 31, 2015         | 13.13                            | 9 278                       | 706                                   | 1.05                                         | 1.05                                      | 153.85                                      | 0.33                                      |
| Dec. 31, 2014         | 13.19                            | 6 341                       | 481                                   | 1.05                                         | 1.05                                      | 145.70                                      | 0.27                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.56</b>                     | <b>561 697</b>              | <b>48 609</b>                         | <b>0.11</b>                                  | <b>0.11</b>                               | <b>38.30</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 13.03                            | 583 841                     | 44 818                                | 0.11                                         | 0.11                                      | 125.51                                      | 0.23                                      |
| Dec. 31, 2016         | 14.49                            | 516 568                     | 35 639                                | 0.11                                         | 0.11                                      | 167.50                                      | 0.32                                      |
| Dec. 31, 2015         | 13.27                            | 394 578                     | 29 737                                | 0.11                                         | 0.11                                      | 153.85                                      | 0.33                                      |
| Dec. 31, 2014         | 13.29                            | 204 349                     | 15 371                                | 0.11                                         | 0.11                                      | 145.70                                      | 0.27                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.03%, Advisor Series – 2.07%, Series D – 1.21% and Series F – 0.93%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

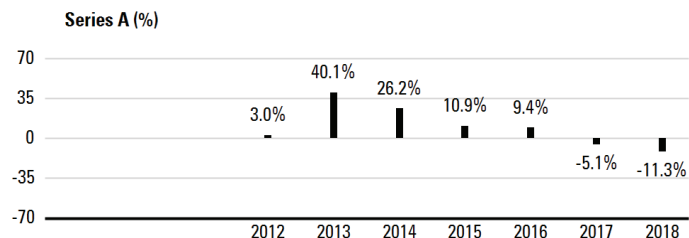
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

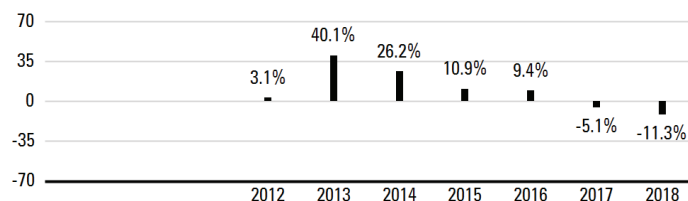
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

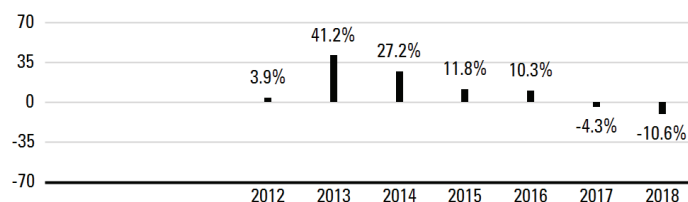
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



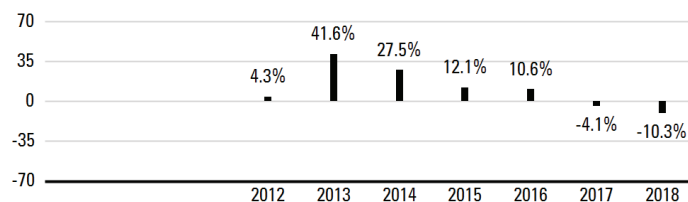
**Advisor Series (%)**



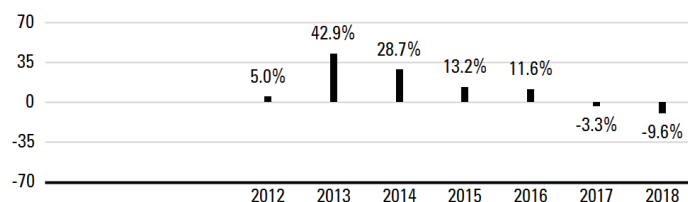
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell Midcap Value Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -11.3        | -2.7            | 5.2             | —                | 9.4                |
| Benchmark      | -4.7         | 5.6             | 10.9            | —                | 15.3               |
| Advisor Series | -11.3        | -2.7            | 5.2             | —                | 9.4                |
| Benchmark      | -4.7         | 5.6             | 10.9            | —                | 15.3               |
| Series D       | -10.6        | -1.9            | 6.1             | —                | 10.3               |
| Benchmark      | -4.7         | 5.6             | 10.9            | —                | 15.3               |
| Series F       | -10.3        | -1.6            | 6.4             | —                | 10.6               |
| Benchmark      | -4.7         | 5.6             | 10.9            | —                | 15.3               |
| Series O       | -9.6         | -0.8            | 7.3             | —                | 11.6               |
| Benchmark      | -4.7         | 5.6             | 10.9            | —                | 15.3               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since January 30, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**Russell Midcap Value Index (CAD)** This index measures the performance of the mid-cap value segment of the U.S. equity universe.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Industrials            | 19.5                 |
| Financials             | 16.8                 |
| Real Estate            | 9.9                  |
| Utilities              | 9.7                  |
| Consumer Discretionary | 7.3                  |
| Information Technology | 6.9                  |
| Energy                 | 6.7                  |
| Health Care            | 6.5                  |
| Materials              | 6.5                  |
| Consumer Staples       | 6.3                  |
| Communication Services | 2.8                  |
| Cash/Other             | 1.1                  |

### Top 25 Holdings

|                                      | % of Net Asset Value |
|--------------------------------------|----------------------|
| Arcosa Inc.                          | 2.5                  |
| The Kroger Co.                       | 2.4                  |
| Popular Inc.                         | 2.4                  |
| Jazz Pharmaceuticals Plc.            | 2.3                  |
| Kansas City Southern Industries Inc. | 2.2                  |
| Vistra Energy Corp.                  | 2.2                  |
| Centene Corp.                        | 2.1                  |
| CMS Energy Corp.                     | 2.0                  |
| Laboratory Corp. of America Holdings | 2.0                  |
| Owens Corning                        | 2.0                  |
| Zebra Technologies Corp.             | 1.9                  |
| Nexstar Media Group Inc.             | 1.9                  |
| Citizens Financial Group Inc.        | 1.8                  |
| Kennametal Inc.                      | 1.8                  |
| Integrated Device Technology Inc.    | 1.8                  |
| Steel Dynamics Inc.                  | 1.8                  |
| The J.M. Smucker Company             | 1.8                  |
| Euronet Worldwide Inc.               | 1.8                  |
| Carlisle Cos. Inc.                   | 1.8                  |
| DTE Energy Company                   | 1.8                  |
| Moog Inc., Class A                   | 1.7                  |
| Old Dominion Freight Line Inc.       | 1.7                  |
| Grand Canyon Education Inc.          | 1.7                  |
| Trinity Industries                   | 1.6                  |
| Oshkosh Truck Corp.                  | 1.6                  |
| Top 25 Holdings                      | 48.6                 |

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).



U.S. EQUITY FUND

**RBC U.S. SMALL-CAP  
CORE EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (U.S.) Inc., Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. small-cap companies in order to provide broad exposure to economic growth opportunities in the equity markets.

The Fund's investment process is based primarily on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook. The portfolio manager diversifies the Fund across industries in the U.S. market and selects companies based on strong management, focused business models and the potential for future growth in earnings and cash flow.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$143 million as of December 31, 2018, from \$232 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 20.1%, which underperformed the 3.4% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. equity markets rose over the first nine months of 2018, before declines in the fourth quarter led to losses for the year as a whole. The year-end market drop was mostly due to signs of slowing global growth, concerns about rising U.S. interest rates, and U.S.-China trade tensions. Small- and mid-cap stocks, which are more sensitive to economic-growth rates, performed significantly worse than large-cap stocks.

The Fund underperformed its benchmark during the period due primarily to the negative impact of stock selection in the Industrials, Information Technology and Financials sectors. Sector-allocation decisions also weighed on returns. Stock selection in the Health Care sector had a positive impact on relative returns.

Among holdings with a negative impact on returns were Patrick Industries, NN Inc. and ACCO Brands. Individual stocks that had a positive impact on returns included Emergent BioSolutions, Grand Canyon Education and Fox Factory Holding.

### Recent Developments

The U.S. economy continues to add jobs, and many previously idle workers are now looking for employment at companies eager to fill positions due to increased demand for products and services.

Deregulation and tax cuts are providing economic tailwinds for the U.S. economy, but global economic conditions are not as attractive as they were early in 2018. The sub-advisor expects trade and political tensions with China to persist into 2019. There are several scenarios that could lead to a more negative outcome, particularly any escalation of protectionist moves by the Trump administration or steps by the U.S. Federal Reserve to raise interest rates faster than the economy can handle. The sub-advisor remains cautious after two significant equity-market declines in 2018, with some economic indicators suggesting stocks could fall further.

### 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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.21                                  | 0.26                                             | (0.43)            | 1.00                          | (4.57)                          | (3.74) | —                                          | —                 | (0.79)                   | —                    | (0.79) | 16.16                               |
| Dec. 31, 2017                 | 21.13                                  | 0.20                                             | (0.42)            | 1.35                          | (0.69)                          | 0.44   | —                                          | —                 | (0.50)                   | —                    | (0.50) | 21.21                               |
| Dec. 31, 2016                 | 17.49                                  | 0.21                                             | (0.37)            | 1.08                          | 2.41                            | 3.33   | —                                          | —                 | —                        | —                    | —      | 21.13                               |
| Dec. 31, 2015                 | 16.15                                  | 0.23                                             | (0.38)            | 0.96                          | 0.56                            | 1.37   | —                                          | —                 | —                        | —                    | —      | 17.49                               |
| Dec. 31, 2014                 | 14.62                                  | 0.20                                             | (0.33)            | 1.11                          | 0.73                            | 1.71   | —                                          | —                 | (0.27)                   | —                    | (0.27) | 16.15                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.24                                  | 0.26                                             | (0.43)            | 1.00                          | (4.58)                          | (3.75) | —                                          | —                 | (0.79)                   | —                    | (0.79) | 16.18                               |
| Dec. 31, 2017                 | 21.17                                  | 0.20                                             | (0.42)            | 1.35                          | (0.88)                          | 0.25   | —                                          | —                 | (0.50)                   | —                    | (0.50) | 21.24                               |
| Dec. 31, 2016                 | 17.51                                  | 0.21                                             | (0.37)            | 1.08                          | 2.30                            | 3.22   | —                                          | —                 | —                        | —                    | —      | 21.17                               |
| Dec. 31, 2015                 | 16.16                                  | 0.23                                             | (0.37)            | 0.96                          | 0.56                            | 1.38   | —                                          | —                 | —                        | —                    | —      | 17.51                               |
| Dec. 31, 2014                 | 14.63                                  | 0.20                                             | (0.33)            | 1.11                          | 0.74                            | 1.72   | —                                          | —                 | (0.27)                   | —                    | (0.27) | 16.16                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.29                                  | 0.27                                             | (0.27)            | 1.06                          | (5.05)                          | (3.99) | —                                          | (0.09)            | (0.83)                   | —                    | (0.92) | 17.04                               |
| Dec. 31, 2017                 | 22.03                                  | 0.20                                             | (0.26)            | 1.41                          | (0.69)                          | 0.66   | —                                          | —                 | (0.53)                   | —                    | (0.53) | 22.29                               |
| Dec. 31, 2016                 | 18.08                                  | 0.22                                             | (0.23)            | 1.12                          | 2.74                            | 3.85   | —                                          | —                 | —                        | —                    | —      | 22.03                               |
| Dec. 31, 2015                 | 16.56                                  | 0.24                                             | (0.24)            | 0.99                          | 0.58                            | 1.57   | —                                          | —                 | —                        | —                    | —      | 18.08                               |
| Dec. 31, 2014                 | 14.85                                  | 0.20                                             | (0.20)            | 1.13                          | 0.75                            | 1.88   | —                                          | —                 | (0.27)                   | —                    | (0.27) | 16.56                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.59                                  | 0.27                                             | (0.21)            | 1.07                          | (3.94)                          | (2.81) | —                                          | (0.14)            | (0.85)                   | —                    | (0.99) | 17.26                               |
| Dec. 31, 2017                 | 22.26                                  | 0.21                                             | (0.20)            | 1.42                          | (0.36)                          | 1.07   | —                                          | —                 | (0.53)                   | —                    | (0.53) | 22.59                               |
| Dec. 31, 2016                 | 18.23                                  | 0.22                                             | (0.18)            | 1.12                          | 1.43                            | 2.59   | —                                          | —                 | —                        | —                    | —      | 22.26                               |
| Dec. 31, 2015                 | 16.67                                  | 0.24                                             | (0.19)            | 1.00                          | 0.58                            | 1.63   | —                                          | (0.03)            | —                        | —                    | (0.03) | 18.23                               |
| Dec. 31, 2014                 | 14.92                                  | 0.20                                             | (0.16)            | 1.14                          | 0.75                            | 1.93   | —                                          | (0.01)            | (0.27)                   | —                    | (0.28) | 16.67                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.77                                  | 0.28                                             | (0.02)            | 1.08                          | (5.39)                          | (4.05) | —                                          | (0.30)            | (0.89)                   | —                    | (1.19) | 17.35                               |
| Dec. 31, 2017                 | 22.39                                  | 0.21                                             | (0.02)            | 1.44                          | (0.44)                          | 1.19   | —                                          | (0.16)            | (0.54)                   | —                    | (0.70) | 22.77                               |
| Dec. 31, 2016                 | 18.29                                  | 0.22                                             | (0.02)            | 1.14                          | 2.79                            | 4.13   | —                                          | (0.15)            | —                        | —                    | (0.15) | 22.39                               |
| Dec. 31, 2015                 | 16.72                                  | 0.24                                             | (0.02)            | 1.00                          | 0.59                            | 1.81   | —                                          | (0.19)            | —                        | —                    | (0.19) | 18.29                               |
| Dec. 31, 2014                 | 14.95                                  | 0.20                                             | (0.02)            | 1.15                          | 0.76                            | 2.09   | —                                          | (0.15)            | (0.27)                   | —                    | (0.42) | 16.72                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>16.16</b>                     | <b>7 904</b>                | <b>489</b>                            | <b>2.05</b>                                  | <b>2.05</b>                               | <b>23.58</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 21.21                            | 13 495                      | 636                                   | 2.06                                         | 2.06                                      | 32.36                                       | 0.07                                      |
| Dec. 31, 2016         | 21.13                            | 14 570                      | 689                                   | 2.11                                         | 2.11                                      | 24.45                                       | 0.04                                      |
| Dec. 31, 2015         | 17.49                            | 11 786                      | 674                                   | 2.16                                         | 2.16                                      | 30.18                                       | 0.06                                      |
| Dec. 31, 2014         | 16.15                            | 10 148                      | 628                                   | 2.17                                         | 2.17                                      | 36.20                                       | 0.08                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>16.18</b>                     | <b>2 083</b>                | <b>129</b>                            | <b>2.06</b>                                  | <b>2.06</b>                               | <b>23.58</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 21.24                            | 3 739                       | 176                                   | 2.06                                         | 2.06                                      | 32.36                                       | 0.07                                      |
| Dec. 31, 2016         | 21.17                            | 4 468                       | 211                                   | 2.11                                         | 2.11                                      | 24.45                                       | 0.04                                      |
| Dec. 31, 2015         | 17.51                            | 4 107                       | 235                                   | 2.16                                         | 2.16                                      | 30.18                                       | 0.06                                      |
| Dec. 31, 2014         | 16.16                            | 4 513                       | 279                                   | 2.18                                         | 2.18                                      | 36.20                                       | 0.08                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>17.04</b>                     | <b>4 680</b>                | <b>275</b>                            | <b>1.21</b>                                  | <b>1.21</b>                               | <b>23.58</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 22.29                            | 7 743                       | 347                                   | 1.22                                         | 1.22                                      | 32.36                                       | 0.07                                      |
| Dec. 31, 2016         | 22.03                            | 7 706                       | 350                                   | 1.27                                         | 1.27                                      | 24.45                                       | 0.04                                      |
| Dec. 31, 2015         | 18.08                            | 5 499                       | 304                                   | 1.33                                         | 1.33                                      | 30.18                                       | 0.06                                      |
| Dec. 31, 2014         | 16.56                            | 4 893                       | 296                                   | 1.33                                         | 1.33                                      | 36.20                                       | 0.08                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>17.26</b>                     | <b>4 175</b>                | <b>242</b>                            | <b>0.94</b>                                  | <b>0.94</b>                               | <b>23.58</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 22.59                            | 12 255                      | 542                                   | 0.93                                         | 0.93                                      | 32.36                                       | 0.07                                      |
| Dec. 31, 2016         | 22.26                            | 7 915                       | 356                                   | 1.01                                         | 1.01                                      | 24.45                                       | 0.04                                      |
| Dec. 31, 2015         | 18.23                            | 9 434                       | 518                                   | 1.06                                         | 1.06                                      | 30.18                                       | 0.06                                      |
| Dec. 31, 2014         | 16.67                            | 7 467                       | 448                                   | 1.07                                         | 1.07                                      | 36.20                                       | 0.08                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>17.35</b>                     | <b>123 731</b>              | <b>7 132</b>                          | <b>0.11</b>                                  | <b>0.11</b>                               | <b>23.58</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017         | 22.77                            | 194 521                     | 8 545                                 | 0.12                                         | 0.12                                      | 32.36                                       | 0.07                                      |
| Dec. 31, 2016         | 22.39                            | 156 995                     | 7 012                                 | 0.11                                         | 0.11                                      | 24.45                                       | 0.04                                      |
| Dec. 31, 2015         | 18.29                            | 124 539                     | 6 808                                 | 0.11                                         | 0.11                                      | 30.18                                       | 0.06                                      |
| Dec. 31, 2014         | 16.72                            | 116 903                     | 6 993                                 | 0.11                                         | 0.11                                      | 36.20                                       | 0.08                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.05%, Advisor Series – 2.05%, Series D – 1.21% and Series F – 0.94%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

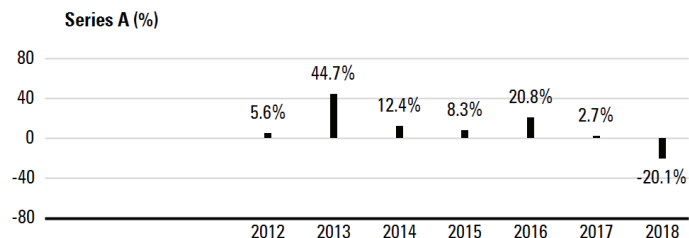
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

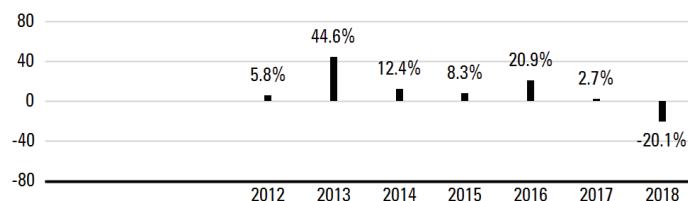
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

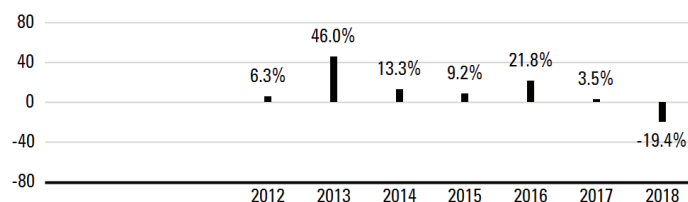
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



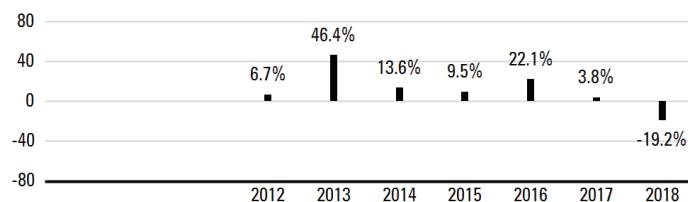
**Advisor Series (%)**



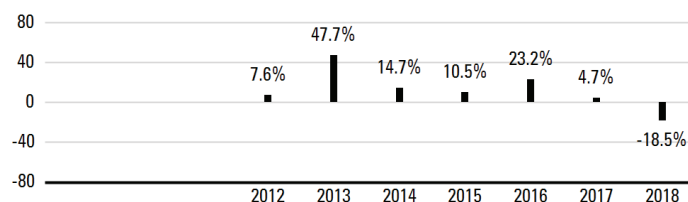
**Series D (%)**



**Series F (%)**



**Series O (%)**







## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell 2000 Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -20.1        | -0.3            | 3.8             | —                | 9.3                |
| Benchmark      | -3.4         | 6.9             | 9.8             | —                | 14.5               |
| Advisor Series | -20.1        | -0.3            | 3.8             | —                | 9.3                |
| Benchmark      | -3.4         | 6.9             | 9.8             | —                | 14.5               |
| Series D       | -19.4        | 0.6             | 4.7             | —                | 10.2               |
| Benchmark      | -3.4         | 6.9             | 9.8             | —                | 14.5               |
| Series F       | -19.2        | 0.8             | 5.0             | —                | 10.5               |
| Benchmark      | -3.4         | 6.9             | 9.8             | —                | 14.5               |
| Series O       | -18.5        | 1.7             | 5.9             | —                | 11.5               |
| Benchmark      | -3.4         | 6.9             | 9.8             | —                | 14.5               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since January 30, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**Russell 2000 Index (CAD)** This index measures the Canadian dollar performance of the small-cap segment of the U.S. equity universe and includes 2,000 of the smallest securities based on market capitalization.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Industrials            | 28.8                 |
| Consumer Discretionary | 17.9                 |
| Financials             | 17.2                 |
| Health Care            | 9.0                  |
| Information Technology | 9.0                  |
| Communication Services | 5.8                  |
| Materials              | 5.0                  |
| Energy                 | 3.1                  |
| Utilities              | 1.6                  |
| Consumer Staples       | 1.2                  |
| Real Estate            | 0.4                  |
| Cash/Other             | 1.0                  |

### Top 25 Holdings

|                                   | % of Net Asset Value |
|-----------------------------------|----------------------|
| Columbus McKinnon Corp.           | 4.9                  |
| Compass Diversified Holdings      | 4.4                  |
| Grand Canyon Education Inc.       | 3.7                  |
| Patrick Industries Inc.           | 3.6                  |
| Emergent Biosolutions Inc.        | 3.3                  |
| The Greenbrier Co. Inc.           | 3.0                  |
| Astronics Corp.                   | 2.7                  |
| Ducommun Inc.                     | 2.7                  |
| Amerisafe Inc.                    | 2.7                  |
| ACCO Brands Corp.                 | 2.6                  |
| Globus Medical Inc., Class A      | 2.3                  |
| MKS Instruments Inc.              | 2.3                  |
| Stoneridge Inc.                   | 2.0                  |
| Gray Television Inc.              | 2.0                  |
| Zagg Inc.                         | 2.0                  |
| West Pharmaceutical Services Inc. | 1.9                  |
| Nexstar Media Group Inc.          | 1.9                  |
| Chemical Financial Corp.          | 1.8                  |
| InterDigital Inc.                 | 1.8                  |
| Malibu Boats Inc.                 | 1.8                  |
| LCI Industries                    | 1.7                  |
| Omnova Solutions Inc.             | 1.7                  |
| EnerSys                           | 1.7                  |
| Insteel Industries Inc.           | 1.7                  |
| Kennametal Inc.                   | 1.6                  |
| Top 25 Holdings                   | 61.8                 |

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).



U.S. EQUITY FUND

**RBC U.S. SMALL-CAP  
VALUE EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (U.S.) Inc., Minneapolis, Minnesota

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. small-cap companies that are deemed to be undervalued in order to provide broad exposure to economic growth opportunities in the equity markets.

The Fund's investment process is based primarily on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook. The portfolio manager diversifies the Fund across industries in the U.S. market and selects companies based on strong management, focused business models and the potential for future growth in earnings and cash flow.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$59 million as of December 31, 2018, from \$73 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 14.5%, which underperformed the 5.4% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

U.S. equity markets rose over the first nine months of 2018, before declines in the fourth quarter led to losses for the year as a whole. The year-end market drop was mostly due to signs of slowing global growth, concerns about rising U.S. interest rates, and U.S.-China trade tensions. Small- and mid-cap stocks, which are more sensitive to economic-growth rates, performed significantly worse than large-cap stocks.

The Fund underperformed its benchmark during the period due primarily to the negative impact of stock selection in the economically sensitive Industrials, Consumer Discretionary and Financials sectors. In the Industrials sector, NN Inc. and Lydall Inc. were the worst performers. In the Consumer Discretionary sector,

Dana Inc. hurt relative returns the most. Stock selection in the Real Estate and Energy sectors aided relative returns, as did a modest underweight position in the relatively weak-performing Energy sector. Another stock that had a negative impact on relative returns was Patrick Industries.

Individual stocks that had a positive impact on returns included Novanta, Delek US Holdings and Spirit Airlines.

### Recent Developments

The U.S. economy continues to add jobs, and many previously idle workers are now looking for employment at companies eager to fill positions due to increased demand for products and services.

Deregulation and tax cuts are providing economic tailwinds for the U.S. economy, but global economic conditions are not as attractive as they were early in 2018. The sub-advisor expects trade and political tensions with China to persist into 2019. There are several scenarios that could lead to a more negative outcome, particularly any escalation of protectionist moves by the Trump administration or steps by the U.S. Federal Reserve to raise interest rates faster than the economy can handle. The sub-advisor remains cautious after two significant equity-market declines in 2018, with some economic indicators suggesting stocks could fall further.

### 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***

RBC Global Asset Management (U.S.) Inc. 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>13.37</b>                           | <b>0.21</b>                                      | <b>(0.27)</b>     | <b>0.54</b>                   | <b>(2.29)</b>                   | <b>(1.81)</b> | —                                          | —                 | <b>(0.49)</b>            | —                    | <b>(0.49)</b> | <b>10.94</b>                        |
| Dec. 31, 2017                 | 12.95                                  | 0.19                                             | (0.26)            | 0.69                          | (0.30)                          | 0.32          | —                                          | —                 | —                        | —                    | —             | 13.37                               |
| Dec. 31, 2016                 | 10.45                                  | 0.20                                             | (0.23)            | 0.11                          | 3.10                            | 3.18          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 12.95                               |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.19                                             | (0.07)            | 0.28                          | 0.97                            | 1.37          | —                                          | —                 | (0.10)                   | —                    | (0.10)        | 10.45                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>13.40</b>                           | <b>0.21</b>                                      | <b>(0.27)</b>     | <b>0.53</b>                   | <b>(2.08)</b>                   | <b>(1.61)</b> | —                                          | —                 | <b>(0.49)</b>            | —                    | <b>(0.49)</b> | <b>10.97</b>                        |
| Dec. 31, 2017                 | 12.97                                  | 0.19                                             | (0.25)            | 0.69                          | (0.89)                          | (0.26)        | —                                          | —                 | —                        | —                    | —             | 13.40                               |
| Dec. 31, 2016                 | 10.46                                  | 0.18                                             | (0.28)            | 0.10                          | 3.04                            | 3.04          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 12.97                               |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.31                                             | (0.06)            | 0.47                          | 1.63                            | 2.35          | —                                          | —                 | (0.10)                   | —                    | (0.10)        | 10.46                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>13.60</b>                           | <b>0.22</b>                                      | <b>(0.17)</b>     | <b>0.55</b>                   | <b>(2.20)</b>                   | <b>(1.60)</b> | —                                          | <b>(0.08)</b>     | <b>(0.50)</b>            | —                    | <b>(0.58)</b> | <b>11.14</b>                        |
| Dec. 31, 2017                 | 13.08                                  | 0.19                                             | (0.15)            | 0.70                          | (0.88)                          | (0.14)        | —                                          | (0.02)            | —                        | —                    | (0.02)        | 13.60                               |
| Dec. 31, 2016                 | 10.47                                  | 0.19                                             | (0.15)            | 0.11                          | 3.91                            | 4.06          | —                                          | (0.02)            | (0.10)                   | —                    | (0.12)        | 13.08                               |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.04)            | 0.20                          | 0.71                            | 1.01          | —                                          | —                 | (0.10)                   | —                    | (0.10)        | 10.47                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>13.61</b>                           | <b>0.22</b>                                      | <b>(0.13)</b>     | <b>0.56</b>                   | <b>(2.81)</b>                   | <b>(2.16)</b> | <b>(0.01)</b>                              | <b>(0.11)</b>     | <b>(0.50)</b>            | —                    | <b>(0.62)</b> | <b>11.14</b>                        |
| Dec. 31, 2017                 | 13.09                                  | 0.19                                             | (0.12)            | 0.69                          | —                               | 0.76          | —                                          | (0.06)            | —                        | —                    | (0.06)        | 13.61                               |
| Dec. 31, 2016                 | 10.49                                  | 0.19                                             | (0.12)            | 0.11                          | 3.68                            | 3.86          | —                                          | (0.05)            | (0.11)                   | —                    | (0.16)        | 13.09                               |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.04)            | 0.16                          | 0.56                            | 0.79          | —                                          | —                 | (0.10)                   | —                    | (0.10)        | 10.49                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>13.61</b>                           | <b>0.22</b>                                      | —                 | <b>0.56</b>                   | <b>(2.35)</b>                   | <b>(1.57)</b> | <b>(0.01)</b>                              | <b>(0.22)</b>     | <b>(0.50)</b>            | —                    | <b>(0.73)</b> | <b>11.14</b>                        |
| Dec. 31, 2017                 | 13.08                                  | 0.19                                             | —                 | 0.70                          | (0.17)                          | 0.72          | —                                          | (0.17)            | —                        | —                    | (0.17)        | 13.61                               |
| Dec. 31, 2016                 | 10.48                                  | 0.20                                             | —                 | 0.11                          | 2.77                            | 3.08          | —                                          | (0.17)            | (0.11)                   | —                    | (0.28)        | 13.08                               |
| Dec. 31, 2015 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.08                                             | —                 | 0.11                          | 0.39                            | 0.58          | —                                          | (0.03)            | (0.10)                   | —                    | (0.13)        | 10.48                               |

<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 September 1, 2015.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.94</b>                     | <b>1 487</b>                | <b>136</b>                            | <b>2.04</b>                                  | <b>2.04</b>                               | <b>32.35</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 13.37                            | 2 042                       | 153                                   | 2.04                                         | 2.04                                      | 31.70                                       | 0.07                                      |
| Dec. 31, 2016              | 12.95                            | 1 655                       | 128                                   | 2.04                                         | 2.04                                      | 27.54                                       | 0.11                                      |
| Dec. 31, 2015 <sup>4</sup> | 10.45                            | 229                         | 22                                    | 2.20                                         | 2.21                                      | 10.83                                       | 0.22                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.97</b>                     | <b>18</b>                   | <b>2</b>                              | <b>2.03</b>                                  | <b>2.03</b>                               | <b>32.35</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 13.40                            | 171                         | 13                                    | 1.93                                         | 1.93                                      | 31.70                                       | 0.07                                      |
| Dec. 31, 2016              | 12.97                            | 527                         | 41                                    | 2.19                                         | 2.19                                      | 27.54                                       | 0.11                                      |
| Dec. 31, 2015 <sup>4</sup> | 10.46                            | 1                           | —                                     | 2.20                                         | 2.21                                      | 10.83                                       | 0.22                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.14</b>                     | <b>547</b>                  | <b>49</b>                             | <b>1.21</b>                                  | <b>1.21</b>                               | <b>32.35</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 13.60                            | 1 066                       | 78                                    | 1.18                                         | 1.18                                      | 31.70                                       | 0.07                                      |
| Dec. 31, 2016              | 13.08                            | 3 772                       | 288                                   | 1.24                                         | 1.24                                      | 27.54                                       | 0.11                                      |
| Dec. 31, 2015 <sup>4</sup> | 10.47                            | 119                         | 11                                    | 1.36                                         | 1.36                                      | 10.83                                       | 0.22                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.14</b>                     | <b>1 513</b>                | <b>136</b>                            | <b>0.94</b>                                  | <b>0.94</b>                               | <b>32.35</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 13.61                            | 1 679                       | 123                                   | 0.94                                         | 0.94                                      | 31.70                                       | 0.07                                      |
| Dec. 31, 2016              | 13.09                            | 892                         | 68                                    | 0.96                                         | 0.96                                      | 27.54                                       | 0.11                                      |
| Dec. 31, 2015 <sup>4</sup> | 10.49                            | 27                          | 3                                     | 1.07                                         | 1.08                                      | 10.83                                       | 0.22                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.14</b>                     | <b>55 512</b>               | <b>4 985</b>                          | <b>0.02</b>                                  | <b>0.02</b>                               | <b>32.35</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 13.61                            | 68 155                      | 5 009                                 | 0.02                                         | 0.02                                      | 31.70                                       | 0.07                                      |
| Dec. 31, 2016              | 13.08                            | 63 754                      | 4 875                                 | 0.03                                         | 0.03                                      | 27.54                                       | 0.11                                      |
| Dec. 31, 2015 <sup>4</sup> | 10.48                            | 39 561                      | 3 775                                 | 0.02                                         | 0.03                                      | 10.83                                       | 0.22                                      |

<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 September 1, 2015.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.00%, Advisor Series – 1.94%, Series D – 1.18% and Series F – 0.89%.

## 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

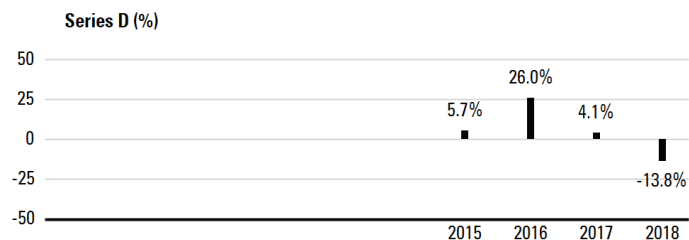
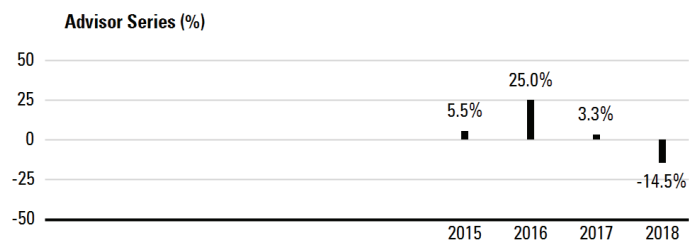
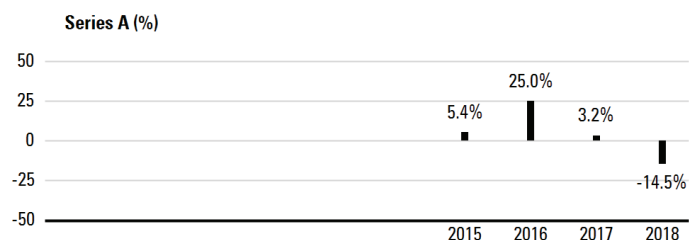


## PAST PERFORMANCE

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.



**Series F (%)**



**Series O (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell 2000 Value Index (CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -14.5     | 3.3          | —            | —             | 4.7             |
| Benchmark      | -5.4      | 6.9          | —            | —             | 7.8             |
| Advisor Series | -14.5     | 3.4          | —            | —             | 4.8             |
| Benchmark      | -5.4      | 6.9          | —            | —             | 7.8             |
| Series D       | -13.8     | 4.2          | —            | —             | 5.6             |
| Benchmark      | -5.4      | 6.9          | —            | —             | 7.8             |
| Series F       | -13.5     | 4.5          | —            | —             | 5.9             |
| Benchmark      | -5.4      | 6.9          | —            | —             | 7.8             |
| Series O       | -12.7     | 5.4          | —            | —             | 6.8             |
| Benchmark      | -5.4      | 6.9          | —            | —             | 7.8             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since September 14, 2015.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**Russell 2000 Value Index (CAD)** This index is a measure of the Canadian-dollar performance of U.S. small-cap companies with lower price-to-book ratios and lower forecasted growth values.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 21.5                 |
| Industrials            | 18.9                 |
| Real Estate            | 10.1                 |
| Consumer Discretionary | 9.4                  |
| Information Technology | 7.7                  |
| Utilities              | 6.8                  |
| Health Care            | 5.2                  |
| Materials              | 5.2                  |
| Energy                 | 4.3                  |
| Communication Services | 3.5                  |
| Consumer Staples       | 2.6                  |
| Cash/Other             | 4.8                  |

### Top 25 Holdings

|                                                              | % of Net Asset Value |
|--------------------------------------------------------------|----------------------|
| Cash & Cash Equivalents                                      | 4.7                  |
| Spire Inc.                                                   | 2.9                  |
| Portland General Electric Co.                                | 2.7                  |
| Columbus McKinnon Corp.                                      | 2.3                  |
| Compass Diversified Holdings                                 | 2.2                  |
| EnerSys                                                      | 2.0                  |
| PC Connection Inc.                                           | 1.9                  |
| Kaiser Aluminum Corp.                                        | 1.8                  |
| Steven Madden Ltd.                                           | 1.7                  |
| The Greenbrier Co. Inc.                                      | 1.7                  |
| Novanta Inc.                                                 | 1.7                  |
| Ducommun Inc.                                                | 1.7                  |
| Amerisafe Inc.                                               | 1.6                  |
| Gray Television Inc.                                         | 1.6                  |
| Delek US Holdings Inc.                                       | 1.6                  |
| John B. Sanfilippo & Son Inc.                                | 1.6                  |
| Omnova Solutions Inc.                                        | 1.5                  |
| Community Healthcare Trust Inc. Real Estate Investment Trust | 1.5                  |
| Teleflex Inc.                                                | 1.5                  |
| Globus Medical Inc., Class A                                 | 1.5                  |
| Chemical Financial Corp.                                     | 1.4                  |
| Reinsurance Group of America Inc.                            | 1.4                  |
| Columbia Property Trust Inc. Real Estate Investment Trust    | 1.4                  |
| Emergent Biosolutions Inc.                                   | 1.4                  |
| LegacyTexas Financial Group Inc.                             | 1.4                  |
| Top 25 Holdings                                              | 46.7                 |

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).





U.S. EQUITY FUND

**RBC O'SHAUGHNESSY  
U.S. GROWTH FUND**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. companies based on Strategy Indexing<sup>®</sup>, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

To achieve its objective, the Fund selects securities on the basis of several factors including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buybacks. The Fund uses currency hedges to minimize the impact of fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$99 million as of December 31, 2018, from \$118 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 7.2%, which outperformed the 10.6% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

Overweight exposure to momentum was the largest contributor to returns, while underweight exposure to large companies and less volatile stocks also aided performance. Conversely, overweight exposure to value had a negative impact on relative returns. Overall, exposure to quality contributed to returns.

Security selection aided portfolio returns the most, and an overweight allocation to the Communication Services sector also boosted performance. Security selection in the Energy, Consumer Staples and Health Care sectors contributed to performance, while the allocation to Energy hurt returns. Security selection in the Information Technology sector held back performance. Medifast, Inogen, and Blucora were the main individual contributors to returns. Alamo Group, Xoma and Penn National Gaming were negative for returns.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative effect on returns during the period.

Due to the Fund's investment process and market conditions over the course of 2018, the sub-advisor decreased allocations to the Information Technology sector and increased allocations to the Health Care sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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.

<sup>®</sup> Registered trademark of Royal Bank of Canada. Used under licence.



***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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$10,000) or 0% (2017 – 7%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 17.09                                  | 0.15                                             | (0.29)            | 2.28                          | (3.10)                          | (0.96) | —                                          | —                 | —                        | —                    | —     | 15.87                               |
| Dec. 31, 2017                 | 15.53                                  | 0.14                                             | (0.25)            | 2.98                          | (1.36)                          | 1.51   | —                                          | —                 | —                        | —                    | —     | 17.09                               |
| Dec. 31, 2016                 | 13.29                                  | 0.18                                             | (0.21)            | 0.01                          | 2.09                            | 2.07   | —                                          | —                 | —                        | —                    | —     | 15.53                               |
| Dec. 31, 2015                 | 13.84                                  | 0.23                                             | (0.22)            | 0.44                          | (0.95)                          | (0.50) | —                                          | —                 | —                        | —                    | —     | 13.29                               |
| Dec. 31, 2014                 | 14.51                                  | 0.18                                             | (0.21)            | 1.44                          | (2.12)                          | (0.71) | —                                          | —                 | —                        | —                    | —     | 13.84                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 17.69                                  | 0.16                                             | (0.23)            | 2.37                          | (3.95)                          | (1.65) | —                                          | —                 | —                        | —                    | —     | 16.48                               |
| Dec. 31, 2017                 | 16.02                                  | 0.15                                             | (0.20)            | 3.08                          | (1.38)                          | 1.65   | —                                          | —                 | —                        | —                    | —     | 17.69                               |
| Dec. 31, 2016                 | 13.66                                  | 0.19                                             | (0.17)            | 0.01                          | 2.25                            | 2.28   | —                                          | —                 | —                        | —                    | —     | 16.02                               |
| Dec. 31, 2015                 | 14.18                                  | 0.23                                             | (0.17)            | 0.45                          | (0.98)                          | (0.47) | —                                          | —                 | —                        | —                    | —     | 13.66                               |
| Dec. 31, 2014                 | 14.82                                  | 0.18                                             | (0.17)            | 1.47                          | (2.17)                          | (0.69) | —                                          | —                 | —                        | —                    | —     | 14.18                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 19.02                                  | 0.17                                             | (0.19)            | 2.55                          | (4.59)                          | (2.06) | —                                          | —                 | —                        | —                    | —     | 17.77                               |
| Dec. 31, 2017                 | 17.18                                  | 0.16                                             | (0.17)            | 3.29                          | (1.72)                          | 1.56   | —                                          | —                 | —                        | —                    | —     | 19.02                               |
| Dec. 31, 2016                 | 14.61                                  | 0.20                                             | (0.14)            | 0.01                          | 2.36                            | 2.43   | —                                          | —                 | —                        | —                    | —     | 17.18                               |
| Dec. 31, 2015                 | 15.12                                  | 0.25                                             | (0.14)            | 0.48                          | (1.05)                          | (0.46) | —                                          | —                 | —                        | —                    | —     | 14.61                               |
| Dec. 31, 2014                 | 15.75                                  | 0.19                                             | (0.14)            | 1.57                          | (2.31)                          | (0.69) | —                                          | —                 | —                        | —                    | —     | 15.12                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 20.02                                  | 0.18                                             | —                 | 2.68                          | 8.30                            | 11.16  | —                                          | —                 | —                        | —                    | —     | 18.88                               |
| Dec. 31, 2017                 | 17.91                                  | 0.16                                             | —                 | 3.46                          | (4.23)                          | (0.61) | —                                          | —                 | —                        | —                    | —     | 20.02                               |
| Dec. 31, 2016                 | 15.10                                  | 0.21                                             | —                 | 0.01                          | 5.96                            | 6.18   | —                                          | —                 | —                        | —                    | —     | 17.91                               |
| Dec. 31, 2015                 | 15.48                                  | 0.26                                             | —                 | 0.49                          | (1.08)                          | (0.33) | —                                          | —                 | —                        | —                    | —     | 15.10                               |
| Dec. 31, 2014                 | 15.98                                  | 0.19                                             | —                 | 1.61                          | (2.36)                          | (0.56) | —                                          | —                 | —                        | —                    | —     | 15.48                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>15.87</b>                     | <b>81 484</b>               | <b>5 134</b>                          | <b>1.54</b>                                  | <b>1.54</b>                               | <b>85.75</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 17.09                            | 102 626                     | 6 004                                 | 1.54                                         | 1.54                                      | 101.78                                      | 0.12                                      |
| Dec. 31, 2016        | 15.53                            | 112 224                     | 7 226                                 | 1.55                                         | 1.55                                      | 80.39                                       | 0.13                                      |
| Dec. 31, 2015        | 13.29                            | 114 897                     | 8 644                                 | 1.55                                         | 1.55                                      | 101.16                                      | 0.17                                      |
| Dec. 31, 2014        | 13.84                            | 142 978                     | 10 329                                | 1.54                                         | 1.54                                      | 101.45                                      | 0.17                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>16.48</b>                     | <b>8 396</b>                | <b>510</b>                            | <b>1.21</b>                                  | <b>1.21</b>                               | <b>85.75</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 17.69                            | 8 366                       | 473                                   | 1.21                                         | 1.21                                      | 101.78                                      | 0.12                                      |
| Dec. 31, 2016        | 16.02                            | 7 768                       | 485                                   | 1.21                                         | 1.21                                      | 80.39                                       | 0.13                                      |
| Dec. 31, 2015        | 13.66                            | 6 817                       | 499                                   | 1.21                                         | 1.21                                      | 101.16                                      | 0.17                                      |
| Dec. 31, 2014        | 14.18                            | 8 142                       | 574                                   | 1.22                                         | 1.22                                      | 101.45                                      | 0.17                                      |
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>17.77</b>                     | <b>9 219</b>                | <b>519</b>                            | <b>0.93</b>                                  | <b>0.93</b>                               | <b>85.75</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 19.02                            | 6 699                       | 352                                   | 0.94                                         | 0.94                                      | 101.78                                      | 0.12                                      |
| Dec. 31, 2016        | 17.18                            | 7 573                       | 441                                   | 0.94                                         | 0.94                                      | 80.39                                       | 0.13                                      |
| Dec. 31, 2015        | 14.61                            | 6 713                       | 459                                   | 0.92                                         | 0.92                                      | 101.16                                      | 0.17                                      |
| Dec. 31, 2014        | 15.12                            | 4 135                       | 273                                   | 0.92                                         | 0.92                                      | 101.45                                      | 0.17                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>18.88</b>                     | <b>3</b>                    | <b>—</b>                              | <b>0.02</b>                                  | <b>0.02</b>                               | <b>85.75</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017        | 20.02                            | 1                           | —                                     | 0.02                                         | 0.02                                      | 101.78                                      | 0.12                                      |
| Dec. 31, 2016        | 17.91                            | 5                           | —                                     | 0.02                                         | 0.02                                      | 80.39                                       | 0.13                                      |
| Dec. 31, 2015        | 15.10                            | 1                           | —                                     | 0.02                                         | 0.02                                      | 101.16                                      | 0.17                                      |
| Dec. 31, 2014        | 15.48                            | 1                           | —                                     | 0.02                                         | 0.02                                      | 101.45                                      | 0.17                                      |

<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.

## 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 | 1.25%           | 52%                   | 48%    |
| Series D | 1.00%           | 25%                   | 75%    |
| 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

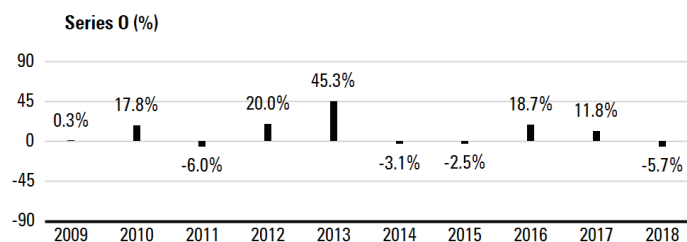
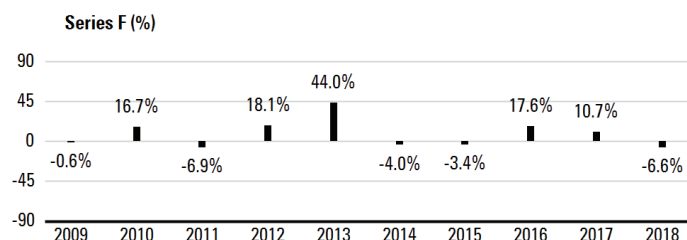
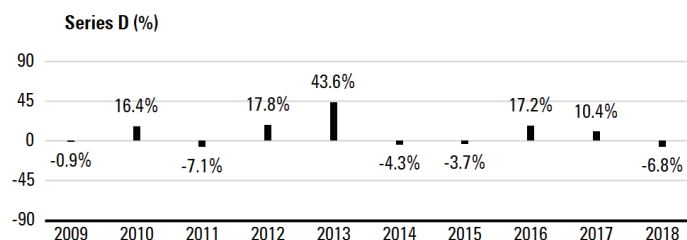
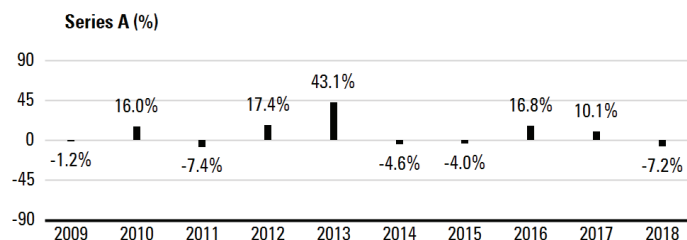
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell 2000 Growth Total Return Net Index (hedged to CAD)

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series A  | -7.2      | 6.1          | 1.8          | 6.9           | —               |
| Benchmark | -10.6     | 6.3          | 4.7          | 12.8          | —               |
| Series D  | -6.8      | 6.4          | 2.1          | 7.3           | —               |
| Benchmark | -10.6     | 6.3          | 4.7          | 12.8          | —               |
| Series F  | -6.6      | 6.7          | 2.4          | 7.6           | —               |
| Benchmark | -10.6     | 6.3          | 4.7          | 12.8          | —               |
| Series O  | -5.7      | 7.7          | 3.4          | 8.6           | —               |
| Benchmark | -10.6     | 6.3          | 4.7          | 12.8          | —               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**Russell 2000 Growth Total Return Net Index (hedged to CAD)** This index measures the performance of the small-cap growth segment of the U.S. equity universe and includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The index is hedged to Canadian dollars.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Health Care            | 23.3                 |
| Industrials            | 18.6                 |
| Consumer Discretionary | 17.3                 |
| Information Technology | 16.5                 |
| Financials             | 9.3                  |
| Communication Services | 5.9                  |
| Materials              | 5.1                  |
| Consumer Staples       | 4.1                  |
| Energy                 | 2.5                  |
| Real Estate            | 1.7                  |
| Cash/Other             | (4.3)                |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Haemonetics Corporation                     | 3.0                  |
| CONMED Corp.                                | 2.4                  |
| BJ's Restaurants Inc.                       | 2.2                  |
| Bottomline Technologies Inc.                | 2.0                  |
| Enanta Pharmaceuticals Inc.                 | 1.9                  |
| Helen Of Troy Ltd.                          | 1.8                  |
| HMS Holdings Corp.                          | 1.7                  |
| Aspen Technology Inc.                       | 1.7                  |
| Ligand Pharmaceuticals Inc.                 | 1.6                  |
| FirstCash Inc.                              | 1.5                  |
| World Wrestling Entertainment Inc., Class A | 1.5                  |
| Ciena Corp.                                 | 1.4                  |
| Emergent Biosolutions Inc.                  | 1.3                  |
| Boston Beer Co. Inc., Class A               | 1.3                  |
| Cabot Microelectronics Corp.                | 1.3                  |
| Chemed Corp.                                | 1.2                  |
| US Ecology Inc.                             | 1.2                  |
| Genomic Health Inc.                         | 1.1                  |
| Marcus Corp.                                | 1.1                  |
| National Presto Industries Inc.             | 1.1                  |
| Renewable Energy Group Inc.                 | 1.1                  |
| Universal Insurance Holdings Inc.           | 1.1                  |
| Appfolio Inc., Class A                      | 1.1                  |
| Etsy Inc.                                   | 1.1                  |
| Progress Software Corp.                     | 1.1                  |
| Top 25 Holdings                             | 37.8                 |

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).



U.S. EQUITY FUND

**RBC O'SHAUGHNESSY  
U.S. GROWTH FUND II**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of U.S. companies based on Strategy Indexing<sup>®</sup>, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

To achieve its objective, the Fund selects securities on the basis of several factors including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buybacks. The Fund uses currency hedges to minimize the impact of fluctuations in the U.S. dollar versus the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$31 million as of December 31, 2018, from \$38 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 10.0%, which underperformed the 8.8% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

Overweight exposure to momentum was the largest contributor to returns, while exposure to less volatile stocks, and those with greater financial strength, had a positive impact on performance. Conversely, overweight exposure to value had a negative impact on returns, while exposure to quality contributed to returns.

Sector allocation had an overall negative impact on returns, while security selection aided returns. Security selection in the Consumer Staples and Energy sectors contributed to returns. Additionally, an overweight allocation to the Communication Services sector aided performance. Security selection in the Communication Services, Information Technology and Industrials sectors hurt returns. Allocations to the Health Care, Materials and Energy sectors also hurt performance. Medifast, Haemonetics and Crocs were the main contributors to returns. Westlake Chemical, Ligand Pharmaceutical and Techtargent had a negative impact.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative effect on returns during the period.

Due to the Fund's investment process and market conditions over the course of 2018, the sub-advisor decreased allocations to the Industrials sector and increased allocations to the Health Care sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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.

<sup>®</sup> Registered trademark of Royal Bank of Canada. Used under licence.



### ***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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$2,000) or 0% (2017 – 6%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.96</b>                            | <b>0.09</b>                                      | <b>(0.23)</b>     | <b>1.37</b>                   | <b>(2.08)</b>                   | <b>(0.85)</b> | —                                          | —                 | <b>(1.11)</b>            | —                    | <b>(1.11)</b> | <b>7.85</b>                         |
| Dec. 31, 2017                 | 10.11                                  | 0.10                                             | (0.23)            | 1.60                          | (0.29)                          | 1.18          | —                                          | —                 | (1.36)                   | —                    | (1.36)        | 9.96                                |
| Dec. 31, 2016                 | 9.00                                   | 0.15                                             | (0.20)            | 0.60                          | 0.47                            | 1.02          | —                                          | —                 | —                        | —                    | —             | 10.11                               |
| Dec. 31, 2015                 | 9.11                                   | 0.23                                             | (0.21)            | 0.29                          | (0.28)                          | 0.03          | —                                          | —                 | (0.09)                   | —                    | (0.09)        | 9.00                                |
| Dec. 31, 2014                 | 9.17                                   | 0.13                                             | (0.20)            | 1.18                          | (1.19)                          | (0.08)        | —                                          | —                 | —                        | —                    | —             | 9.11                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.04</b>                           | <b>0.09</b>                                      | <b>(0.23)</b>     | <b>1.38</b>                   | <b>(2.27)</b>                   | <b>(1.03)</b> | —                                          | —                 | <b>(1.12)</b>            | —                    | <b>(1.12)</b> | <b>7.91</b>                         |
| Dec. 31, 2017                 | 10.18                                  | 0.10                                             | (0.23)            | 1.61                          | (0.28)                          | 1.20          | —                                          | —                 | (1.36)                   | —                    | (1.36)        | 10.04                               |
| Dec. 31, 2016                 | 9.05                                   | 0.15                                             | (0.20)            | 0.60                          | 0.48                            | 1.03          | —                                          | —                 | —                        | —                    | —             | 10.18                               |
| Dec. 31, 2015                 | 9.17                                   | 0.23                                             | (0.21)            | 0.29                          | (0.28)                          | 0.03          | —                                          | —                 | (0.09)                   | —                    | (0.09)        | 9.05                                |
| Dec. 31, 2014                 | 9.23                                   | 0.13                                             | (0.20)            | 1.18                          | (1.20)                          | (0.09)        | —                                          | —                 | —                        | —                    | —             | 9.17                                |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.87</b>                           | <b>0.10</b>                                      | <b>(0.15)</b>     | <b>1.50</b>                   | <b>(2.40)</b>                   | <b>(0.95)</b> | —                                          | —                 | <b>(1.22)</b>            | —                    | <b>(1.22)</b> | <b>8.64</b>                         |
| Dec. 31, 2017                 | 10.93                                  | 0.11                                             | (0.15)            | 1.74                          | (0.30)                          | 1.40          | —                                          | —                 | (1.48)                   | —                    | (1.48)        | 10.87                               |
| Dec. 31, 2016                 | 9.64                                   | 0.16                                             | (0.13)            | 0.65                          | 0.55                            | 1.23          | —                                          | —                 | —                        | —                    | —             | 10.93                               |
| Dec. 31, 2015                 | 9.68                                   | 0.24                                             | (0.13)            | 0.31                          | (0.30)                          | 0.12          | —                                          | —                 | (0.09)                   | —                    | (0.09)        | 9.64                                |
| Dec. 31, 2014                 | 9.65                                   | 0.13                                             | (0.13)            | 1.24                          | (1.25)                          | (0.01)        | —                                          | —                 | —                        | —                    | —             | 9.68                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.17</b>                           | <b>0.10</b>                                      | <b>(0.12)</b>     | <b>1.55</b>                   | <b>(2.86)</b>                   | <b>(1.33)</b> | —                                          | —                 | <b>(1.26)</b>            | —                    | <b>(1.26)</b> | <b>8.90</b>                         |
| Dec. 31, 2017                 | 11.20                                  | 0.11                                             | (0.12)            | 1.78                          | (0.44)                          | 1.33          | —                                          | —                 | (1.52)                   | —                    | (1.52)        | 11.17                               |
| Dec. 31, 2016                 | 9.85                                   | 0.17                                             | (0.10)            | 0.66                          | 0.66                            | 1.39          | —                                          | —                 | —                        | —                    | —             | 11.20                               |
| Dec. 31, 2015                 | 9.87                                   | 0.25                                             | (0.11)            | 0.32                          | (0.31)                          | 0.15          | —                                          | —                 | (0.10)                   | —                    | (0.10)        | 9.85                                |
| Dec. 31, 2014                 | 9.81                                   | 0.14                                             | (0.10)            | 1.26                          | (1.28)                          | 0.02          | —                                          | —                 | —                        | —                    | —             | 9.87                                |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>7.85</b>                      | <b>23 200</b>               | <b>2 957</b>                          | <b>2.20</b>                                  | <b>2.21</b>                               | <b>88.70</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017        | 9.96                             | 30 425                      | 3 055                                 | 2.21                                         | 2.22                                      | 94.13                                       | 0.09                                      |
| Dec. 31, 2016        | 10.11                            | 32 273                      | 3 192                                 | 2.21                                         | 2.22                                      | 83.55                                       | 0.08                                      |
| Dec. 31, 2015        | 9.00                             | 35 165                      | 3 908                                 | 2.21                                         | 2.22                                      | 79.29                                       | 0.09                                      |
| Dec. 31, 2014        | 9.11                             | 43 478                      | 4 771                                 | 2.22                                         | 2.22                                      | 91.94                                       | 0.11                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>7.91</b>                      | <b>743</b>                  | <b>94</b>                             | <b>2.14</b>                                  | <b>2.15</b>                               | <b>88.70</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017         | 10.04                            | 942                         | 94                                    | 2.17                                         | 2.18                                      | 94.13                                       | 0.09                                      |
| Dec. 31, 2016         | 10.18                            | 876                         | 86                                    | 2.18                                         | 2.19                                      | 83.55                                       | 0.08                                      |
| Dec. 31, 2015         | 9.05                             | 832                         | 92                                    | 2.19                                         | 2.20                                      | 79.29                                       | 0.09                                      |
| Dec. 31, 2014         | 9.17                             | 1 337                       | 146                                   | 2.20                                         | 2.20                                      | 91.94                                       | 0.11                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.64</b>                      | <b>2 976</b>                | <b>344</b>                            | <b>1.32</b>                                  | <b>1.33</b>                               | <b>88.70</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017         | 10.87                            | 3 631                       | 334                                   | 1.32                                         | 1.33                                      | 94.13                                       | 0.09                                      |
| Dec. 31, 2016         | 10.93                            | 2 869                       | 262                                   | 1.31                                         | 1.32                                      | 83.55                                       | 0.08                                      |
| Dec. 31, 2015         | 9.64                             | 2 560                       | 266                                   | 1.32                                         | 1.33                                      | 79.29                                       | 0.09                                      |
| Dec. 31, 2014         | 9.68                             | 3 320                       | 343                                   | 1.32                                         | 1.32                                      | 91.94                                       | 0.11                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.90</b>                      | <b>3 760</b>                | <b>422</b>                            | <b>1.04</b>                                  | <b>1.05</b>                               | <b>88.70</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017         | 11.17                            | 2 665                       | 239                                   | 1.02                                         | 1.03                                      | 94.13                                       | 0.09                                      |
| Dec. 31, 2016         | 11.20                            | 2 873                       | 256                                   | 1.02                                         | 1.03                                      | 83.55                                       | 0.08                                      |
| Dec. 31, 2015         | 9.85                             | 2 145                       | 218                                   | 1.04                                         | 1.04                                      | 79.29                                       | 0.09                                      |
| Dec. 31, 2014         | 9.87                             | 2 365                       | 240                                   | 1.04                                         | 1.04                                      | 91.94                                       | 0.11                                      |

<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.

## 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 100%   |

\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

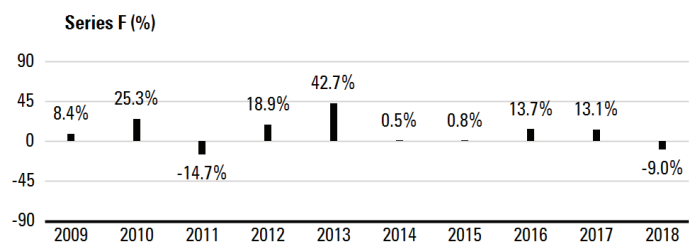
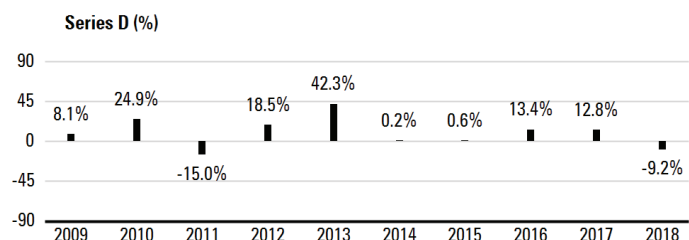
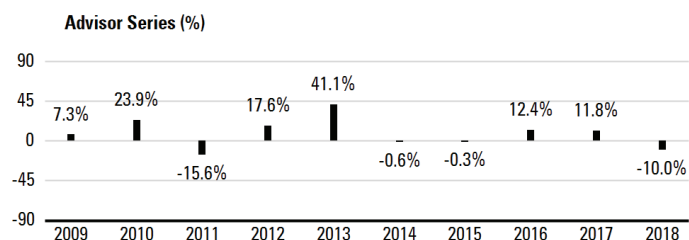
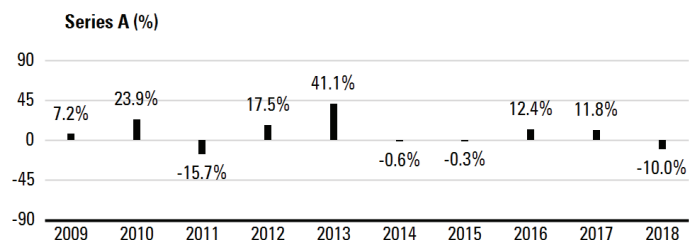
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

Russell 2500 Growth Total Return Net Index (hedged to CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -10.0     | 4.2          | 2.3          | 7.6           | —               |
| Benchmark      | -8.8      | 7.2          | 5.8          | 14.1          | —               |
| Advisor Series | -10.0     | 4.2          | 2.3          | 7.6           | —               |
| Benchmark      | -8.8      | 7.2          | 5.8          | 14.1          | —               |
| Series D       | -9.2      | 5.1          | 3.2          | 8.5           | —               |
| Benchmark      | -8.8      | 7.2          | 5.8          | 14.1          | —               |
| Series F       | -9.0      | 5.4          | 3.5          | 8.8           | —               |
| Benchmark      | -8.8      | 7.2          | 5.8          | 14.1          | —               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**Russell 2500 Growth Total Return Net Index (hedged to CAD)** This index measures the performance of the small- to mid-cap growth segment of the U.S. equity universe and includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The index is hedged to Canadian dollars.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 22.7                 |
| Health Care            | 21.1                 |
| Consumer Discretionary | 17.5                 |
| Industrials            | 15.5                 |
| Financials             | 9.0                  |
| Materials              | 5.8                  |
| Communication Services | 5.6                  |
| Consumer Staples       | 2.8                  |
| Energy                 | 2.6                  |
| Real Estate            | 1.7                  |
| Cash/Other             | (4.3)                |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Haemonetics Corporation                     | 3.3                  |
| CONMED Corp.                                | 2.4                  |
| PTC Inc.                                    | 2.1                  |
| Broadridge Financial Solutions Inc.         | 2.1                  |
| BJ's Restaurants Inc.                       | 1.9                  |
| HMS Holdings Corp.                          | 1.8                  |
| Helen Of Troy Ltd.                          | 1.8                  |
| Ligand Pharmaceuticals Inc.                 | 1.7                  |
| Chemed Corp.                                | 1.7                  |
| Appfolio Inc., Class A                      | 1.6                  |
| Burlington Stores Inc.                      | 1.4                  |
| Fortinet Inc.                               | 1.4                  |
| World Wrestling Entertainment Inc., Class A | 1.4                  |
| Balchem Corp.                               | 1.3                  |
| Bio-Techne Corp.                            | 1.3                  |
| EVERTEC Inc.                                | 1.3                  |
| National Presto Industries Inc.             | 1.2                  |
| Westlake Chemical Corporation               | 1.2                  |
| Kohl's Corp.                                | 1.2                  |
| Houlihan Lokey Inc., Class A                | 1.2                  |
| Progress Software Corp.                     | 1.1                  |
| Jack Henry & Associates Inc.                | 1.1                  |
| Boston Beer Co. Inc., Class A               | 1.1                  |
| Deckers Outdoor Corp.                       | 1.1                  |
| Aspen Technology Inc.                       | 1.1                  |
| Top 25 Holdings                             | 38.8                 |

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).



U.S. EQUITY FUND

## RBC LIFE SCIENCE AND TECHNOLOGY FUND

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to deliver long-term capital growth by investing primarily in equity securities of U.S. companies whose businesses relate to life sciences and technology and are expected to benefit from scientific and technological advances.

The Fund invests in companies with strong management, focused business models and a competitive advantage.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$339 million as of December 31, 2018, from \$253 million at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 8.8%, which underperformed the 11.8% rise in the benchmark. The broad-based index rose 3.8%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Health care and technology outperformed during 2018, a year in which global stock markets posted broad declines. The Health Care sector recorded gains, while Information Technology had only a small decline. From April to September, global equities enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October as rising U.S. interest rates created concern about the sustainability of the global economic expansion.

The Fund's overweight position in the Information Technology sector had a slightly negative impact on the Fund's relative returns, given the Health Care sector's outperformance. Within the Health Care sector, pharmaceutical companies and companies that provide services and equipment performed well. An overweight position in Guardant Health, which had its initial public offering in 2018, aided relative returns. Guardant Health designs technology used to detect cancer. In the Information Technology sector, stocks of companies that sell software and services performed much better than those that design and make hardware and semiconductors.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

The recent equity pullback has arguably priced in most apparent challenges. For investors, reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth, in the view of the portfolio manager.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 17.06                                  | 0.23                                             | (0.40)            | 0.42                          | 1.11                            | 1.36   | —                                          | —                 | —                        | —                    | —     | 18.56                               |
| Dec. 31, 2017                 | 13.98                                  | 0.24                                             | (0.33)            | 0.11                          | 3.06                            | 3.08   | —                                          | —                 | —                        | —                    | —     | 17.06                               |
| Dec. 31, 2016                 | 14.10                                  | 0.14                                             | (0.28)            | 0.65                          | (0.75)                          | (0.24) | —                                          | —                 | —                        | —                    | —     | 13.98                               |
| Dec. 31, 2015                 | 11.57                                  | 0.10                                             | (0.30)            | 1.95                          | 0.55                            | 2.30   | —                                          | —                 | —                        | —                    | —     | 14.10                               |
| Dec. 31, 2014                 | 9.12                                   | 0.14                                             | (0.22)            | 2.53                          | (0.11)                          | 2.34   | —                                          | —                 | —                        | —                    | —     | 11.57                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 18.87                                  | 0.26                                             | (0.26)            | 0.46                          | 0.86                            | 1.32   | —                                          | —                 | —                        | —                    | —     | 20.70                               |
| Dec. 31, 2017                 | 15.32                                  | 0.26                                             | (0.21)            | 0.12                          | 3.14                            | 3.31   | —                                          | —                 | —                        | —                    | —     | 18.87                               |
| Dec. 31, 2016                 | 15.31                                  | 0.15                                             | (0.17)            | 0.70                          | (1.09)                          | (0.41) | —                                          | —                 | —                        | —                    | —     | 15.32                               |
| Dec. 31, 2015                 | 12.44                                  | 0.11                                             | (0.18)            | 2.09                          | 0.59                            | 2.61   | —                                          | —                 | —                        | —                    | —     | 15.31                               |
| Dec. 31, 2014                 | 9.71                                   | 0.15                                             | (0.13)            | 2.70                          | (0.11)                          | 2.61   | —                                          | —                 | —                        | —                    | —     | 12.44                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 21.35                                  | 0.29                                             | (0.22)            | 0.52                          | 0.38                            | 0.97   | —                                          | —                 | —                        | —                    | —     | 23.49                               |
| Dec. 31, 2017                 | 17.29                                  | 0.30                                             | (0.19)            | 0.14                          | 3.33                            | 3.58   | —                                          | —                 | —                        | —                    | —     | 21.35                               |
| Dec. 31, 2016                 | 17.23                                  | 0.17                                             | (0.16)            | 0.80                          | (0.90)                          | (0.09) | —                                          | —                 | —                        | —                    | —     | 17.29                               |
| Dec. 31, 2015                 | 13.97                                  | 0.12                                             | (0.15)            | 2.37                          | 0.67                            | 3.01   | —                                          | —                 | —                        | —                    | —     | 17.23                               |
| Dec. 31, 2014                 | 10.87                                  | 0.16                                             | (0.12)            | 2.99                          | (0.12)                          | 2.91   | —                                          | —                 | —                        | —                    | —     | 13.97                               |

<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.

## Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>18.56</b>                     | <b>197 049</b>              | <b>10 617</b>                         | <b>2.09</b>                                  | <b>2.09</b>                               | <b>16.51</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 17.06                            | 165 785                     | 9 716                                 | 2.09                                         | 2.09                                      | 10.33                                       | 0.01                                      |
| Dec. 31, 2016        | 13.98                            | 139 183                     | 9 958                                 | 2.15                                         | 2.15                                      | 305.23                                      | 0.11                                      |
| Dec. 31, 2015        | 14.10                            | 161 853                     | 11 483                                | 2.20                                         | 2.20                                      | 452.41                                      | 0.18                                      |
| Dec. 31, 2014        | 11.57                            | 122 288                     | 10 568                                | 2.20                                         | 2.20                                      | 496.45                                      | 0.27                                      |
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>20.70</b>                     | <b>104 110</b>              | <b>5 028</b>                          | <b>1.21</b>                                  | <b>1.21</b>                               | <b>16.51</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 18.87                            | 70 557                      | 3 740                                 | 1.21                                         | 1.21                                      | 10.33                                       | 0.01                                      |
| Dec. 31, 2016        | 15.32                            | 44 536                      | 2 907                                 | 1.21                                         | 1.21                                      | 305.23                                      | 0.11                                      |
| Dec. 31, 2015        | 15.31                            | 62 623                      | 4 091                                 | 1.21                                         | 1.21                                      | 452.41                                      | 0.18                                      |
| Dec. 31, 2014        | 12.44                            | 27 704                      | 2 226                                 | 1.20                                         | 1.20                                      | 496.45                                      | 0.27                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>23.49</b>                     | <b>37 542</b>               | <b>1 598</b>                          | <b>0.93</b>                                  | <b>0.93</b>                               | <b>16.51</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 21.35                            | 16 665                      | 781                                   | 0.94                                         | 0.94                                      | 10.33                                       | 0.01                                      |
| Dec. 31, 2016        | 17.29                            | 5 333                       | 309                                   | 0.95                                         | 0.95                                      | 305.23                                      | 0.11                                      |
| Dec. 31, 2015        | 17.23                            | 3 318                       | 193                                   | 0.95                                         | 0.95                                      | 452.41                                      | 0.18                                      |
| Dec. 31, 2014        | 13.97                            | 2 516                       | 180                                   | 0.97                                         | 0.97                                      | 496.45                                      | 0.27                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.09%.

### 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 | 1.75%           | 57%                   | 43%    |
| Series D | 1.00%           | 25%                   | 75%    |
| Series F | 0.75%           | —                     | 100%   |

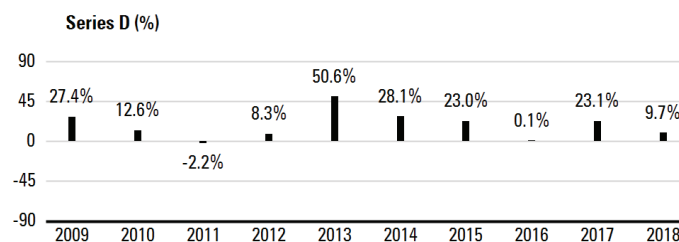
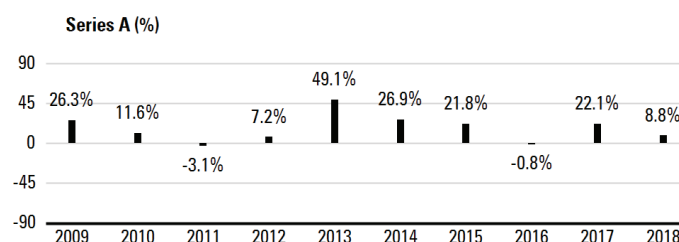
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.

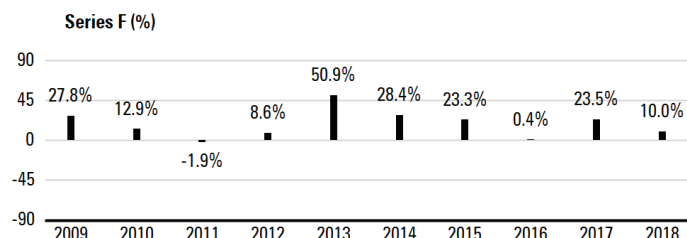
### Year-by-Year Returns (%)

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the “New benchmark”) is the S&P 500 Health Care and Information Technology Total Return Net Index (CAD).

The old blended benchmark (the “Old benchmark”) is composed of:

50% S&P 500 Health Care Index (CAD)

50% S&P 500 Information Technology Index (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based index is the S&P 500 Total Return Index (CAD).

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | 8.8          | 9.6             | 15.3            | 16.1             | —                  |
| New benchmark     | 11.8         | 12.7            | 19.4            | 18.1             | —                  |
| Old benchmark     | 12.2         | 12.0            | 19.1            | 18.1             | —                  |
| Broad-based index | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series D          | 9.7          | 10.6            | 16.3            | 17.2             | —                  |
| New benchmark     | 11.8         | 12.7            | 19.4            | 18.1             | —                  |
| Old benchmark     | 12.2         | 12.0            | 19.1            | 18.1             | —                  |
| Broad-based index | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series F          | 10.0         | 10.9            | 16.7            | 17.5             | —                  |
| New benchmark     | 11.8         | 12.7            | 19.4            | 18.1             | —                  |
| Old benchmark     | 12.2         | 12.0            | 19.1            | 18.1             | —                  |
| Broad-based index | 3.8          | 8.8             | 14.1            | 14.4             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based indexes.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P 500 Health Care and Information Technology Total Return Net Index (CAD)** This blended sub-index is a broad measure of the combined Canadian-dollar performance of large-cap technology, pharmaceutical and medical-device companies in the S&P 500 Index.

**S&P 500 Health Care Index (CAD)** This sub-index is a broad measure of the Canadian dollar performance of large-cap pharmaceutical and medical device companies in the S&P 500 Index.

**S&P 500 Information Technology Index (CAD)** This sub-index is a broad measure of the Canadian dollar performance of large-cap technology companies in the S&P 500 Index.

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

## Investment Mix

|                                                  | % of Net Asset Value |
|--------------------------------------------------|----------------------|
| Software                                         | 15.3                 |
| Pharmaceuticals                                  | 12.2                 |
| Interactive Media and Services                   | 11.2                 |
| IT Services                                      | 10.9                 |
| Semiconductors and Semiconductor Equipment       | 8.6                  |
| Technology Hardware, Storage and Peripherals     | 8.4                  |
| Health Care Equipment and Supplies               | 8.3                  |
| Health Care Providers and Services               | 6.6                  |
| Biotechnology                                    | 6.3                  |
| Communications Equipment                         | 3.2                  |
| Entertainment                                    | 2.0                  |
| Life Sciences Tools and Services                 | 2.0                  |
| Electronic Equipment, Instruments and Components | 1.6                  |
| Internet and Catalogue Retail                    | 0.3                  |
| Equity Real Estate Investment Trusts             | 0.2                  |
| Cash/Other                                       | 2.9                  |

## Top 25 Holdings

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| Microsoft Corp.                 | 9.0                  |
| Apple Inc.                      | 7.8                  |
| Alphabet Inc., Class A          | 7.3                  |
| Johnson & Johnson               | 3.8                  |
| Facebook Inc., Class A          | 3.5                  |
| UnitedHealth Group Incorporated | 3.1                  |
| Visa Inc., Class A              | 2.9                  |
| Pfizer Inc.                     | 2.9                  |
| Cash & Cash Equivalents         | 2.8                  |
| Intel Corp.                     | 2.5                  |
| Cisco Systems Inc.              | 2.4                  |
| Mastercard Inc.                 | 2.3                  |
| Merck & Co. Inc.                | 2.0                  |
| Abbott Laboratories             | 1.8                  |
| Medtronic Plc.                  | 1.6                  |
| Broadcom Inc.                   | 1.5                  |
| Thermo Fisher Scientific Inc.   | 1.4                  |
| PayPal Holdings Inc.            | 1.4                  |
| Adobe Inc.                      | 1.4                  |
| AbbVie Inc.                     | 1.3                  |
| Salesforce.com Inc.             | 1.3                  |
| Netflix Inc.                    | 1.3                  |
| Bristol-Myers Squibb Co.        | 1.2                  |
| Amgen Inc.                      | 1.2                  |
| Eli Lilly & Co.                 | 1.2                  |
| Top 25 Holdings                 | 68.9                 |

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).



INTERNATIONAL EQUITY FUND

**RBC INTERNATIONAL DIVIDEND  
GROWTH FUND**

*December 31, 2018*

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

**Sub-Advisor:** RBC Global Asset Management (UK) Limited, London, England  
*(for the European equity portion of the Fund)*

**Sub-Advisor:** RBC Investment Management (Asia) Limited, Hong Kong, China  
*(for the Asian equity portion of the Fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of major companies domiciled in developed countries outside of North America.

The Fund invests in stocks that have undergone a selection process emphasizing companies with a leading market position or lucrative niche, consistent and predictable profit growth and strong management teams.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$66 million as of December 31, 2018, from \$57 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 12.0%, which underperformed the 6.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Both developed and emerging equity markets across Asia performed well in the first half of the year before retreating towards the end of 2018, while in Europe 2018 was a difficult year. Escalating trade tensions between the U.S. and China and concerns that rising U.S. interest rates would lead to capital outflows and emerging-market volatility resulted in declines for most major equity markets. In Europe, the failure of U.K. politicians to agree on terms by which the U.K. would leave the European Union (the "EU") continued to hamper the U.K.'s economic growth, while in Italy the populist government's commitment to higher public spending caused friction with the EU.

Within the Fund, only the Energy and Communication Services sectors posted gains. The worst-performing sectors in the Fund were Consumer Discretionary, Industrials and Information Technology. At the stock level, the biggest contributor to relative returns was the Australian company CSL, as strong demand for the company's plasma products drove the stock higher. Unilever, a provider of consumer staples, British American Tobacco and the London Stock

Exchange were also among the top performers. The stock that hurt relative returns the most was the jewellery company Pandora, with Continental AG, Ryanair and Mitsubishi UFJ Financial Group also having a negative impact on performance.

### Recent Developments

The sub-advisor expects that market volatility will remain elevated in the near term given the risks of an escalating trade war between the U.S. and China. European parliamentary elections in May and the continued uncertainty about the U.K.'s exit from the EU are all likely to influence equity markets into 2019. Expectations that global economic growth will decline has led investors to gravitate towards more defensive sectors, such as Consumer Staples, Utilities and Communication Services, which tend to perform better when economic growth is slowing or falling.

Many economic indicators suggest that economic growth could continue to moderate in 2019, creating the potential for market volatility that could, in the view of the sub-advisor, lead to investment opportunities.

### 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-Advisors***

RBC Global Asset Management (UK) Limited and RBC Investment Management (Asia) Limited are the sub-advisors and provide investment advice for the Fund. The sub-advisors earn 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-advisors are 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$2,000 (2017 – \$5,000) or 2% (2017 – 5%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.49                                  | 0.28                                             | (0.23)            | (0.30)                        | (1.33)                          | (1.58) | —                                          | (0.07)            | —                        | —                    | (0.07) | 10.05                               |
| Dec. 31, 2017                 | 9.54                                   | 0.21                                             | (0.23)            | 0.18                          | 1.54                            | 1.70   | —                                          | (0.03)            | —                        | —                    | (0.03) | 11.49                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.50 <sup>†</sup>                     | 0.25                                             | (0.20)            | (0.53)                        | (0.06)                          | (0.54) | —                                          | (0.07)            | —                        | —                    | (0.07) | 9.54                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.49                                  | 0.29                                             | (0.24)            | (0.31)                        | (1.14)                          | (1.40) | —                                          | (0.06)            | —                        | —                    | (0.06) | 10.05                               |
| Dec. 31, 2017                 | 9.54                                   | 0.22                                             | (0.23)            | 0.19                          | 1.78                            | 1.96   | —                                          | (0.03)            | —                        | —                    | (0.03) | 11.49                               |
| Dec. 31, 2016                 | 11.21                                  | 0.28                                             | (0.21)            | (0.58)                        | (1.06)                          | (1.57) | —                                          | (0.07)            | —                        | —                    | (0.07) | 9.54                                |
| Dec. 31, 2015                 | 9.10                                   | 0.33                                             | (0.24)            | 1.33                          | 0.68                            | 2.10   | —                                          | (0.14)            | —                        | —                    | (0.14) | 11.21                               |
| Dec. 31, 2014                 | 9.40                                   | 0.67                                             | (0.21)            | 3.77                          | (4.09)                          | 0.14   | —                                          | (0.23)            | —                        | —                    | (0.23) | 9.10                                |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.58                                  | 0.26                                             | (0.22)            | (0.27)                        | (1.16)                          | (1.39) | —                                          | (0.03)            | —                        | (0.50)               | (0.53) | 8.82                                |
| Dec. 31, 2017                 | 9.15                                   | 0.19                                             | (0.21)            | 0.16                          | 1.19                            | 1.33   | —                                          | (0.01)            | —                        | (0.45)               | (0.46) | 10.58                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.50 <sup>†</sup>                     | 0.25                                             | (0.18)            | (0.52)                        | (0.30)                          | (0.75) | —                                          | (0.05)            | —                        | (0.43)               | (0.48) | 9.15                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.07                                  | 0.28                                             | (0.14)            | (0.29)                        | (1.18)                          | (1.33) | —                                          | (0.11)            | —                        | —                    | (0.11) | 9.73                                |
| Dec. 31, 2017                 | 9.14                                   | 0.21                                             | (0.13)            | 0.17                          | 1.00                            | 1.25   | —                                          | (0.05)            | —                        | —                    | (0.05) | 11.07                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | (0.11)            | (0.51)                        | 0.19                            | (0.19) | —                                          | (0.10)            | —                        | —                    | (0.10) | 9.14                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.89                                  | 0.30                                             | (0.12)            | (0.31)                        | (1.35)                          | (1.48) | —                                          | (0.13)            | —                        | —                    | (0.13) | 10.46                               |
| Dec. 31, 2017                 | 9.79                                   | 0.22                                             | (0.11)            | 0.19                          | 1.83                            | 2.13   | —                                          | (0.06)            | —                        | —                    | (0.06) | 11.89                               |
| Dec. 31, 2016                 | 11.42                                  | 0.28                                             | (0.10)            | (0.59)                        | (0.97)                          | (1.38) | —                                          | (0.12)            | —                        | —                    | (0.12) | 9.79                                |
| Dec. 31, 2015                 | 9.19                                   | 0.33                                             | (0.11)            | 1.32                          | 0.67                            | 2.21   | —                                          | (0.18)            | —                        | —                    | (0.18) | 11.42                               |
| Dec. 31, 2014                 | 9.45                                   | 0.70                                             | (0.09)            | 3.96                          | (4.29)                          | 0.28   | —                                          | (0.31)            | —                        | —                    | (0.31) | 9.19                                |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.03                                  | 0.27                                             | (0.11)            | (0.29)                        | (1.14)                          | (1.27) | —                                          | (0.15)            | —                        | (0.40)               | (0.55) | 9.30                                |
| Dec. 31, 2017                 | 9.44                                   | 0.20                                             | (0.10)            | 0.17                          | 1.27                            | 1.54   | —                                          | (0.10)            | —                        | (0.37)               | (0.47) | 11.03                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.71 <sup>†</sup>                     | 0.26                                             | (0.08)            | (0.55)                        | (1.15)                          | (1.52) | —                                          | (0.11)            | —                        | (0.39)               | (0.50) | 9.44                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.02                                  | 0.31                                             | —                 | (0.33)                        | 0.36                            | 0.34   | —                                          | (0.13)            | —                        | —                    | (0.13) | 10.69                               |
| Dec. 31, 2017                 | 9.83                                   | 0.23                                             | —                 | 0.20                          | 1.76                            | 2.19   | —                                          | (0.09)            | —                        | —                    | (0.09) | 12.02                               |
| Dec. 31, 2016                 | 11.44                                  | 0.28                                             | —                 | (0.58)                        | (0.26)                          | (0.56) | —                                          | (0.16)            | —                        | —                    | (0.16) | 9.83                                |
| Dec. 31, 2015                 | 9.14                                   | 0.34                                             | —                 | 1.37                          | 0.69                            | 2.40   | —                                          | (0.21)            | —                        | —                    | (0.21) | 11.44                               |
| Dec. 31, 2014                 | 9.43                                   | 0.33                                             | —                 | 1.88                          | (2.04)                          | 0.17   | —                                          | (0.41)            | —                        | —                    | (0.41) | 9.14                                |

<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 January 25, 2016.

<sup>†</sup> Initial offering net asset value per unit.





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.05</b>                     | <b>21 716</b>               | <b>2 160</b>                          | <b>2.08</b>                                  | <b>2.08</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 11.49                            | 15 172                      | 1 320                                 | 2.10                                         | 2.11                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.54                             | 4 645                       | 487                                   | 2.15                                         | 2.15                                      | 184.20                                      | 0.65                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.05</b>                     | <b>13 963</b>               | <b>1 389</b>                          | <b>2.10</b>                                  | <b>2.10</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 11.49                            | 16 098                      | 1 401                                 | 2.10                                         | 2.11                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016              | 9.54                             | 14 269                      | 1 495                                 | 2.15                                         | 2.16                                      | 184.20                                      | 0.65                                      |
| Dec. 31, 2015              | 11.21                            | 19 569                      | 1 745                                 | 2.21                                         | 2.22                                      | 91.03                                       | 0.51                                      |
| Dec. 31, 2014              | 9.10                             | 12 005                      | 1 319                                 | 2.20                                         | 2.21                                      | 121.11                                      | 0.59                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.82</b>                      | <b>1 616</b>                | <b>183</b>                            | <b>2.17</b>                                  | <b>2.17</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 10.58                            | 1 500                       | 142                                   | 2.02                                         | 2.03                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.15                             | 10                          | 1                                     | 2.01                                         | 2.02                                      | 184.20                                      | 0.65                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.73</b>                      | <b>2 239</b>                | <b>230</b>                            | <b>1.28</b>                                  | <b>1.28</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 11.07                            | 1 713                       | 155                                   | 1.26                                         | 1.27                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.14                             | 425                         | 46                                    | 1.26                                         | 1.27                                      | 184.20                                      | 0.65                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.46</b>                     | <b>26 051</b>               | <b>2 491</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 11.89                            | 21 575                      | 1 815                                 | 1.01                                         | 1.02                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016              | 9.79                             | 14 685                      | 1 500                                 | 0.99                                         | 1.00                                      | 184.20                                      | 0.65                                      |
| Dec. 31, 2015              | 11.42                            | 18 264                      | 1 599                                 | 1.00                                         | 1.02                                      | 91.03                                       | 0.51                                      |
| Dec. 31, 2014              | 9.19                             | 5 897                       | 641                                   | 0.99                                         | 1.00                                      | 121.11                                      | 0.59                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.30</b>                      | <b>516</b>                  | <b>56</b>                             | <b>1.03</b>                                  | <b>1.03</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 11.03                            | 483                         | 44                                    | 0.95                                         | 0.96                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.44                             | 54                          | 6                                     | 0.94                                         | 0.95                                      | 184.20                                      | 0.65                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.69</b>                     | <b>208</b>                  | <b>19</b>                             | <b>0.02</b>                                  | <b>0.02</b>                               | <b>41.23</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 12.02                            | 225                         | 19                                    | 0.02                                         | 0.03                                      | 36.74                                       | 0.24                                      |
| Dec. 31, 2016              | 9.83                             | 350                         | 36                                    | 0.02                                         | 0.03                                      | 184.20                                      | 0.65                                      |
| Dec. 31, 2015              | 11.44                            | 1                           | —                                     | 0.02                                         | 0.03                                      | 91.03                                       | 0.51                                      |
| Dec. 31, 2014              | 9.14                             | —                           | —                                     | 0.02                                         | 0.03                                      | 121.11                                      | 0.59                                      |

<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.

<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 January 25, 2016.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series and Series T5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.15%, Advisor Series – 2.09% and Series T5 – 2.15%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

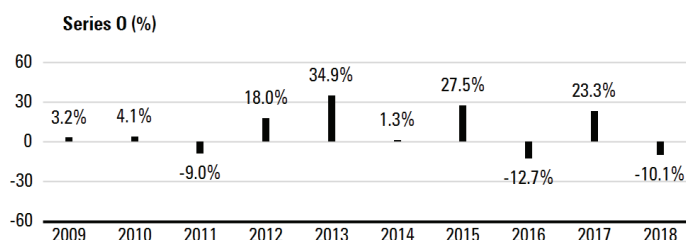
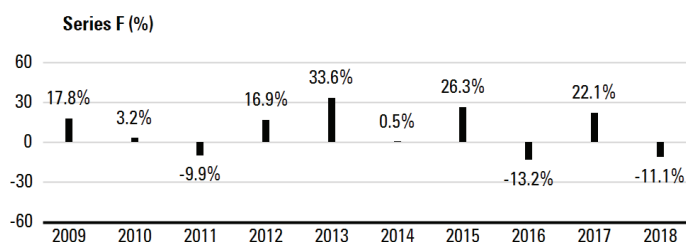
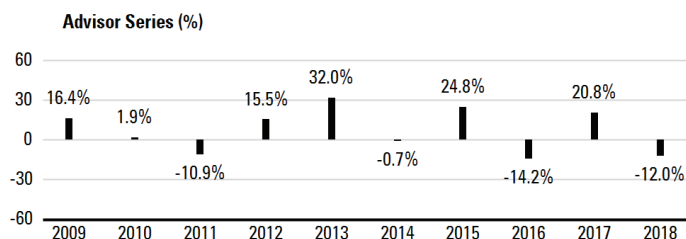
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -12.0        | —               | —               | —                | -0.9               |
| Benchmark      | -6.0         | —               | —               | —                | 4.7                |
| Advisor Series | -12.0        | -3.0            | 2.5             | 6.2              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series T5      | -12.1        | —               | —               | —                | -0.9               |
| Benchmark      | -6.0         | —               | —               | —                | 4.7                |
| Series D       | -11.3        | —               | —               | —                | -0.1               |
| Benchmark      | -6.0         | —               | —               | —                | 4.7                |
| Series F       | -11.1        | -2.0            | 3.6             | 7.4              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series FT5     | -11.1        | —               | —               | —                | 0.2                |
| Benchmark      | -6.0         | —               | —               | —                | 4.7                |
| Series O       | -10.1        | -1.1            | 4.6             | —                | 7.5                |
| Benchmark      | -6.0         | 2.3             | 5.7             | —                | 6.7                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Series T5, Series D and Series FT5 units have been available for sale to unitholders since January 25, 2016, and Series O units since October 26, 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United Kingdom | 27.5                 |
| Japan          | 20.4                 |
| Switzerland    | 8.0                  |
| Australia      | 7.3                  |
| Netherlands    | 5.4                  |
| Germany        | 5.2                  |
| Denmark        | 4.8                  |
| Sweden         | 3.7                  |
| China          | 3.6                  |
| France         | 3.6                  |
| Hong Kong      | 3.0                  |
| Ireland        | 2.4                  |
| Finland        | 1.0                  |
| Indonesia      | 0.7                  |
| Cash/Other     | 3.4                  |

### Top 25 Holdings

|                                     | % of Net Asset Value |
|-------------------------------------|----------------------|
| Unilever Plc.                       | 4.7                  |
| CSL Ltd.                            | 4.1                  |
| SoftBank Group Corp.                | 3.8                  |
| Bridgestone Corp.                   | 3.7                  |
| Diageo Plc.                         | 3.7                  |
| Nitori Co. Ltd.                     | 3.5                  |
| RELX Plc.                           | 3.5                  |
| Cash & Cash Equivalents             | 3.5                  |
| Roche Holdings AG Genussscheine     | 3.4                  |
| Tencent Holdings Ltd.               | 3.2                  |
| AIA Group Ltd.                      | 3.0                  |
| Novo Nordisk A/S                    | 2.9                  |
| Asahi Group Holdings Ltd.           | 2.9                  |
| Heineken N.V.                       | 2.7                  |
| Mitsubishi UFJ Financial Group Inc. | 2.7                  |
| London Stock Exchange Group Plc.    | 2.6                  |
| Sika AG                             | 2.2                  |
| Royal Dutch Shell Plc., A Shares    | 2.2                  |
| SMC Corp.                           | 2.1                  |
| Hargreaves Lansdown Plc.            | 2.0                  |
| Lonza Group AG                      | 1.8                  |
| Symex Corp.                         | 1.7                  |
| LVMH Louis Vuitton Moët-Hennessy    | 1.5                  |
| SAP SE                              | 1.4                  |
| Schroders Plc.                      | 1.4                  |
| Top 25 Holdings                     | 70.2                 |

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).



INTERNATIONAL EQUITY FUND

**RBC INTERNATIONAL EQUITY FUND**

December 31, 2018

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

**Sub-Advisor:** RBC Global Asset Management (UK) Limited, London, England  
*(for the European equity portion of the Fund)*

**Sub-Advisor:** RBC Investment Management (Asia) Limited, Hong Kong, China  
*(for the Asian equity portion of the Fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 aims to provide long-term capital growth by investing in stocks of companies outside North America, providing exposure to economies that may be at different stages of the business cycle or offer growth opportunities unavailable in U.S. and Canadian markets. The Fund focuses on companies that are primarily in Europe, Australasia and the Far East.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$936 million as of December 31, 2018, from \$1.1 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 12.4%, which underperformed the 6.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Both developed and emerging equity markets across Asia performed well in the first half of the year before retreating towards the end of 2018, while in Europe 2018 was a difficult year. Escalating trade tensions between the U.S. and China and concerns that rising U.S. interest rates would lead to capital outflows and emerging-market volatility resulted in declines for most major equity markets. In Europe, the failure of U.K. politicians to agree on terms by which the U.K. would leave the European Union (the "EU") continued to hamper the U.K.'s economic growth, while in Italy the populist government's commitment to higher public spending caused friction with the EU.

Within the Fund, all sectors recorded losses, with Communication Services and Energy having the smallest declines. The worst-performing sectors were Consumer Discretionary, Industrials, Financials and Information Technology. At the stock level, the biggest contributor to relative returns was the Australian company CSL, as strong demand for the company's plasma products drove the stock higher. Unilever, a provider of consumer staples, British American

Tobacco and the London Stock Exchange were also among the top performers. The stock that hurt relative returns most was jewellery company Pandora, with Ryanair, Continental AG and Mitsubishi UFJ Financial Group also having a negative impact on relative performance.

### Recent Developments

The sub-advisor expects that market volatility will remain elevated in the near term given the risks of an escalating trade war between the U.S. and China. European parliamentary elections in May and the continued uncertainty about the U.K.'s exit from the EU are all likely to influence equity markets into 2019. Expectations that global economic growth will decline has led investors to gravitate towards more defensive sectors, such as Consumer Staples, Utilities and Communication Services, which tend to perform better when economic growth is slowing or falling.

Many economic indicators suggest that economic growth could continue to moderate in 2019, creating the potential for market volatility that could, in the view of the sub-advisor, lead to investment opportunities.

### 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-Advisors***

RBC Global Asset Management (UK) Limited and RBC Investment Management (Asia) Limited are the sub-advisors and provide investment advice for the Fund. The sub-advisors earn 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-advisors are 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$38,000 (2017 – \$74,000) or 2% (2017 – 4%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.57                                  | 0.54                                             | (0.45)            | (0.18)                        | (2.51)                          | (2.60) | —                                          | (0.16)            | —                        | —                    | (0.16) | 18.74                               |
| Dec. 31, 2017                 | 18.21                                  | 0.43                                             | (0.43)            | 0.10                          | 3.26                            | 3.36   | —                                          | —                 | —                        | —                    | —      | 21.57                               |
| Dec. 31, 2016                 | 20.08                                  | 0.43                                             | (0.41)            | (0.31)                        | (1.59)                          | (1.88) | —                                          | —                 | —                        | —                    | —      | 18.21                               |
| Dec. 31, 2015                 | 16.04                                  | 0.45                                             | (0.42)            | 0.77                          | (0.07)                          | 0.73   | —                                          | (0.01)            | —                        | —                    | (0.01) | 20.08                               |
| Dec. 31, 2014                 | 15.96                                  | 0.35                                             | (0.36)            | 1.12                          | (1.00)                          | 0.11   | —                                          | —                 | —                        | —                    | —      | 16.04                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 21.41                                  | 0.53                                             | (0.44)            | (0.18)                        | (2.45)                          | (2.54) | —                                          | (0.16)            | —                        | —                    | (0.16) | 18.61                               |
| Dec. 31, 2017                 | 18.07                                  | 0.43                                             | (0.43)            | 0.10                          | 3.10                            | 3.20   | —                                          | —                 | —                        | —                    | —      | 21.41                               |
| Dec. 31, 2016                 | 19.93                                  | 0.43                                             | (0.40)            | (0.30)                        | (1.34)                          | (1.61) | —                                          | —                 | —                        | —                    | —      | 18.07                               |
| Dec. 31, 2015                 | 15.91                                  | 0.42                                             | (0.42)            | 0.72                          | (0.06)                          | 0.66   | —                                          | (0.01)            | —                        | —                    | (0.01) | 19.93                               |
| Dec. 31, 2014                 | 15.83                                  | 0.35                                             | (0.35)            | 1.11                          | (0.99)                          | 0.12   | —                                          | —                 | —                        | —                    | —      | 15.91                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 20.77                                  | 0.50                                             | (0.41)            | (0.17)                        | (2.80)                          | (2.88) | —                                          | (0.08)            | —                        | (0.96)               | (1.04) | 17.27                               |
| Dec. 31, 2017 <sup>3</sup>    | 18.71 <sup>†</sup>                     | 0.34                                             | (0.37)            | 0.08                          | 1.83                            | 1.88   | —                                          | —                 | —                        | (0.78)               | (0.78) | 20.77                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.22                                  | 0.56                                             | (0.27)            | (0.19)                        | (2.66)                          | (2.56) | —                                          | (0.34)            | —                        | —                    | (0.34) | 19.30                               |
| Dec. 31, 2017                 | 18.70                                  | 0.45                                             | (0.26)            | 0.10                          | 3.33                            | 3.62   | —                                          | (0.13)            | —                        | —                    | (0.13) | 22.22                               |
| Dec. 31, 2016                 | 20.60                                  | 0.44                                             | (0.24)            | (0.32)                        | (1.56)                          | (1.68) | —                                          | (0.16)            | —                        | —                    | (0.16) | 18.70                               |
| Dec. 31, 2015                 | 16.37                                  | 0.46                                             | (0.24)            | 0.78                          | (0.07)                          | 0.93   | —                                          | (0.10)            | —                        | —                    | (0.10) | 20.60                               |
| Dec. 31, 2014                 | 16.23                                  | 0.35                                             | (0.21)            | 1.13                          | (1.01)                          | 0.26   | —                                          | (0.11)            | —                        | —                    | (0.11) | 16.37                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.10                                  | 0.60                                             | (0.23)            | (0.21)                        | (3.17)                          | (3.01) | —                                          | (0.42)            | —                        | —                    | (0.42) | 20.94                               |
| Dec. 31, 2017                 | 20.29                                  | 0.48                                             | (0.22)            | 0.11                          | 3.43                            | 3.80   | —                                          | (0.21)            | —                        | —                    | (0.21) | 24.10                               |
| Dec. 31, 2016                 | 22.35                                  | 0.48                                             | (0.21)            | (0.34)                        | (2.01)                          | (2.08) | —                                          | (0.22)            | —                        | —                    | (0.22) | 20.29                               |
| Dec. 31, 2015                 | 17.76                                  | 0.41                                             | (0.22)            | 0.71                          | (0.06)                          | 0.84   | —                                          | (0.16)            | —                        | —                    | (0.16) | 22.35                               |
| Dec. 31, 2014                 | 17.63                                  | 0.39                                             | (0.18)            | 1.25                          | (1.12)                          | 0.34   | —                                          | (0.19)            | —                        | —                    | (0.19) | 17.76                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.42                                  | 0.57                                             | (0.21)            | (0.19)                        | (3.31)                          | (3.14) | —                                          | (0.34)            | —                        | (0.83)               | (1.17) | 19.71                               |
| Dec. 31, 2017 <sup>3</sup>    | 20.89 <sup>†</sup>                     | 0.38                                             | (0.19)            | 0.08                          | 3.70                            | 3.97   | —                                          | (0.19)            | —                        | (0.68)               | (0.87) | 23.42                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.96                                  | 0.58                                             | (0.01)            | (0.20)                        | (2.85)                          | (2.48) | —                                          | (0.61)            | —                        | —                    | (0.61) | 19.93                               |
| Dec. 31, 2017                 | 19.32                                  | 0.46                                             | —                 | 0.10                          | 3.43                            | 3.99   | —                                          | (0.42)            | —                        | —                    | (0.42) | 22.96                               |
| Dec. 31, 2016                 | 21.29                                  | 0.46                                             | —                 | (0.33)                        | (1.36)                          | (1.23) | —                                          | (0.41)            | —                        | —                    | (0.41) | 19.32                               |
| Dec. 31, 2015                 | 16.91                                  | 0.44                                             | —                 | 0.75                          | (0.07)                          | 1.12   | —                                          | (0.36)            | —                        | —                    | (0.36) | 21.29                               |
| Dec. 31, 2014                 | 16.66                                  | 0.35                                             | —                 | 1.12                          | (1.01)                          | 0.46   | —                                          | (0.21)            | —                        | —                    | (0.21) | 16.91                               |

<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 February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.74</b>                     | <b>112 180</b>              | <b>5 987</b>                          | <b>2.15</b>                                  | <b>2.15</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 21.57                            | 139 463                     | 6 465                                 | 2.15                                         | 2.15                                      | 33.73                                       | 0.18                                      |
| Dec. 31, 2016              | 18.21                            | 126 418                     | 6 942                                 | 2.20                                         | 2.20                                      | 46.19                                       | 0.26                                      |
| Dec. 31, 2015              | 20.08                            | 153 272                     | 7 632                                 | 2.26                                         | 2.26                                      | 35.88                                       | 0.28                                      |
| Dec. 31, 2014              | 16.04                            | 120 626                     | 7 521                                 | 2.26                                         | 2.26                                      | 68.87                                       | 0.40                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.61</b>                     | <b>3 814</b>                | <b>205</b>                            | <b>2.11</b>                                  | <b>2.11</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 21.41                            | 4 664                       | 218                                   | 2.14                                         | 2.14                                      | 33.73                                       | 0.18                                      |
| Dec. 31, 2016              | 18.07                            | 3 948                       | 218                                   | 2.18                                         | 2.18                                      | 46.19                                       | 0.26                                      |
| Dec. 31, 2015              | 19.93                            | 3 899                       | 196                                   | 2.25                                         | 2.25                                      | 35.88                                       | 0.28                                      |
| Dec. 31, 2014              | 15.91                            | 1 638                       | 103                                   | 2.21                                         | 2.21                                      | 68.87                                       | 0.40                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>17.27</b>                     | <b>392</b>                  | <b>23</b>                             | <b>2.07</b>                                  | <b>2.07</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 20.77                            | 113                         | 5                                     | 2.14                                         | 2.14                                      | 33.73                                       | 0.18                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.30</b>                     | <b>61 232</b>               | <b>3 173</b>                          | <b>1.25</b>                                  | <b>1.25</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 22.22                            | 71 534                      | 3 220                                 | 1.26                                         | 1.26                                      | 33.73                                       | 0.18                                      |
| Dec. 31, 2016              | 18.70                            | 56 801                      | 3 037                                 | 1.25                                         | 1.25                                      | 46.19                                       | 0.26                                      |
| Dec. 31, 2015              | 20.60                            | 58 812                      | 2 854                                 | 1.26                                         | 1.26                                      | 35.88                                       | 0.28                                      |
| Dec. 31, 2014              | 16.37                            | 37 444                      | 2 288                                 | 1.27                                         | 1.27                                      | 68.87                                       | 0.40                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.94</b>                     | <b>51 645</b>               | <b>2 466</b>                          | <b>0.97</b>                                  | <b>0.97</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 24.10                            | 41 074                      | 1 704                                 | 0.97                                         | 0.97                                      | 33.73                                       | 0.18                                      |
| Dec. 31, 2016              | 20.29                            | 20 944                      | 1 032                                 | 1.01                                         | 1.01                                      | 46.19                                       | 0.26                                      |
| Dec. 31, 2015              | 22.35                            | 19 309                      | 864                                   | 1.02                                         | 1.02                                      | 35.88                                       | 0.28                                      |
| Dec. 31, 2014              | 17.76                            | 1 784                       | 100                                   | 1.01                                         | 1.01                                      | 68.87                                       | 0.40                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.71</b>                     | <b>297</b>                  | <b>15</b>                             | <b>0.95</b>                                  | <b>0.95</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 23.42                            | 114                         | 5                                     | 0.96                                         | 0.96                                      | 33.73                                       | 0.18                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.93</b>                     | <b>706 607</b>              | <b>35 459</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>52.02</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 22.96                            | 863 374                     | 37 608                                | 0.02                                         | 0.02                                      | 33.73                                       | 0.18                                      |
| Dec. 31, 2016              | 19.32                            | 578 709                     | 29 950                                | 0.02                                         | 0.02                                      | 46.19                                       | 0.26                                      |
| Dec. 31, 2015              | 21.29                            | 452 076                     | 21 232                                | 0.02                                         | 0.02                                      | 35.88                                       | 0.28                                      |
| Dec. 31, 2014              | 16.91                            | 94 897                      | 5 611                                 | 0.02                                         | 0.02                                      | 68.87                                       | 0.40                                      |

<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 February 15, 2017.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.15% and Advisor Series – 2.13%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

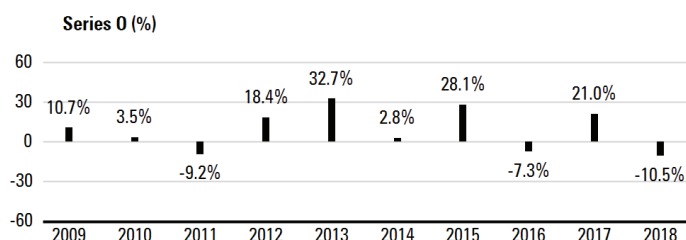
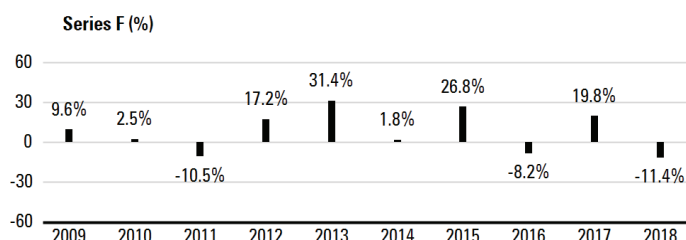
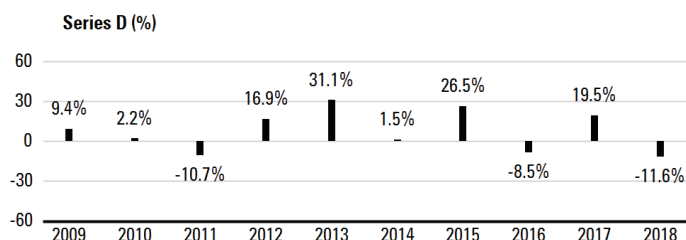
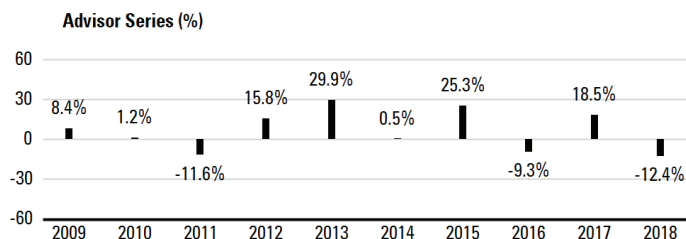
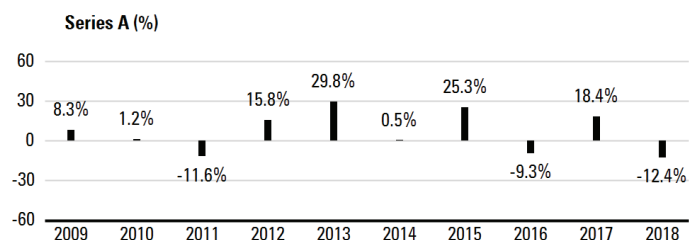
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -12.4        | -2.0            | 3.4             | 5.6              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Advisor Series | -12.4        | -2.0            | 3.5             | 5.6              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series T5      | -12.3        | —               | —               | —                | 0.6                |
| Benchmark      | -6.0         | —               | —               | —                | 4.2                |
| Series D       | -11.6        | -1.1            | 4.4             | 6.6              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series F       | -11.4        | -0.8            | 4.7             | 6.9              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series FT5     | -11.3        | —               | —               | —                | 1.8                |
| Benchmark      | -6.0         | —               | —               | —                | 4.2                |
| Series O       | -10.5        | 0.1             | 5.7             | 8.0              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United Kingdom  | 29.2                 |
| Japan           | 19.7                 |
| Australia       | 8.1                  |
| Switzerland     | 7.6                  |
| Netherlands     | 5.7                  |
| Germany         | 5.5                  |
| Denmark         | 5.2                  |
| Sweden          | 3.2                  |
| France          | 3.1                  |
| Ireland         | 2.3                  |
| Taiwan          | 1.9                  |
| Finland         | 1.1                  |
| Other Countries | 6.2                  |
| Cash/Other      | 1.2                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Unilever Plc.                               | 4.7                  |
| Diageo Plc.                                 | 3.8                  |
| RELX Plc.                                   | 3.7                  |
| Roche Holdings AG Genusscheine              | 3.5                  |
| CSL Ltd.                                    | 3.5                  |
| Heineken N.V.                               | 3.1                  |
| Novo Nordisk A/S                            | 3.1                  |
| London Stock Exchange Group Plc.            | 2.7                  |
| Sika AG                                     | 2.5                  |
| SoftBank Group Corp.                        | 2.5                  |
| Mitsubishi UFJ Financial Group Inc.         | 2.3                  |
| Bridgestone Corp.                           | 2.1                  |
| Tencent Holdings Ltd.                       | 2.1                  |
| Royal Dutch Shell Plc., A Shares            | 2.0                  |
| Hargreaves Lansdown Plc.                    | 1.9                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. | 1.9                  |
| Daiichi Sankyo Co. Ltd.                     | 1.7                  |
| AIA Group Ltd.                              | 1.6                  |
| Lonza Group AG                              | 1.6                  |
| SAP SE                                      | 1.6                  |
| LVMH Louis Vuitton Moët-Hennessy            | 1.5                  |
| Schroders Plc.                              | 1.5                  |
| Suzuki Motor Co. Ltd.                       | 1.5                  |
| SMC Corp.                                   | 1.5                  |
| Asahi Group Holdings Ltd.                   | 1.4                  |
| Top 25 Holdings                             | 59.3                 |

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).



INTERNATIONAL EQUITY FUND

**RBC INTERNATIONAL EQUITY  
CURRENCY NEUTRAL FUND**

*December 31, 2018*

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

**Sub-Advisor:** RBC Global Asset Management (UK) Limited, London, England  
*(for the European equity portion of the underlying fund)*

**Sub-Advisor:** RBC Investment Management (Asia) Limited, Hong Kong, China  
*(for the Asian equity portion of the underlying fund)*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in equity securities of companies outside of North America in order to provide exposure to economies that offer different business cycles and growth opportunities than North American markets. The Fund also seeks to minimize the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

To achieve its objective, the Fund invests its assets primarily in units of the RBC International Equity Fund, or other underlying funds. Each underlying fund’s investment process is primarily based on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying fund. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$42 million as of December 31, 2018, from \$61 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund’s Series A units lost 16.0%, which underperformed the 10.1% decline in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

Both developed and emerging equity markets across Asia performed well in the first half of the year before retreating towards the end of 2018, while in Europe 2018 was a difficult year. Escalating trade tensions between the U.S. and China and concerns that rising U.S. interest rates would lead to capital outflows and

emerging-market volatility resulted in declines for most major equity markets. In Europe, the failure of U.K. politicians to agree on terms by which the U.K. would leave the European Union (the “EU”) continued to hamper the U.K.’s economic growth, while in Italy the populist government’s commitment to higher public spending caused friction with the EU.

Within the Fund, all sectors recorded losses, with Communication Services and Energy having the smallest declines. The worst-performing sectors were Consumer Discretionary, Industrials, Financials and Information Technology. At the stock level, the biggest contributor to relative returns was the Australian company CSL, as strong demand for the company’s plasma products drove the share price higher. Unilever, a provider of consumer staples, British American Tobacco and the London Stock Exchange were also among the top performers. The stock that hurt relative returns most was jewellery company Pandora, with Ryanair, Continental AG and Mitsubishi UFJ Financial Group also having a negative impact on relative performance.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the Canadian dollar and other currencies. This policy had a negative impact on the Fund in 2018, as investors did not benefit from the appreciation of currencies versus the Canadian dollar.

### Recent Developments

The portfolio manager expects that market volatility will remain elevated in the near term, given the risks of an escalating trade war between the U.S. and China. European parliamentary elections in May and continued uncertainty about the U.K.’s exit from the EU are all likely to influence equity markets into 2019. Expectations that global economic growth will decline have led investors to gravitate towards more defensive sectors, such as Consumer Staples, Utilities and Communication Services, which tend to perform better when economic growth is slowing or falling.

Many economic indicators suggest that economic growth could continue to moderate in 2019, creating the potential for market volatility that could, in the view of the portfolio manager, lead to investment opportunities.



## **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-Advisors***

RBC Global Asset Management (UK) Limited and RBC Investment Management (Asia) Limited are the sub-advisors and provide investment advice for the Fund. The sub-advisors earn 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-advisors are 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.25                                  | 0.31                                             | (0.27)            | 0.49                          | (2.61)                          | (2.08) | —                                          | (0.10)            | (0.33)                   | —                    | (0.43) | 10.70                               |
| Dec. 31, 2017                 | 11.27                                  | 0.25                                             | (0.26)            | 0.44                          | 1.54                            | 1.97   | —                                          | —                 | —                        | —                    | —      | 13.25                               |
| Dec. 31, 2016                 | 11.60                                  | 0.26                                             | (0.24)            | 0.49                          | (0.80)                          | (0.29) | —                                          | —                 | —                        | —                    | —      | 11.27                               |
| Dec. 31, 2015                 | 10.46                                  | 0.22                                             | (0.26)            | (0.49)                        | 1.46                            | 0.93   | —                                          | —                 | —                        | —                    | —      | 11.60                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.17                                             | (0.16)            | 0.35                          | 0.19                            | 0.55   | (0.03)                                     | —                 | (0.26)                   | —                    | (0.29) | 10.46                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.26                                  | 0.33                                             | (0.27)            | 0.51                          | (4.00)                          | (3.43) | —                                          | (0.09)            | (0.34)                   | —                    | (0.43) | 10.70                               |
| Dec. 31, 2017                 | 11.27                                  | 0.24                                             | (0.27)            | 0.44                          | 1.49                            | 1.90   | —                                          | —                 | —                        | —                    | —      | 13.26                               |
| Dec. 31, 2016                 | 11.61                                  | 0.26                                             | (0.24)            | 0.49                          | (0.90)                          | (0.39) | —                                          | —                 | —                        | —                    | —      | 11.27                               |
| Dec. 31, 2015                 | 10.46                                  | 0.21                                             | (0.24)            | (0.47)                        | 1.38                            | 0.88   | —                                          | —                 | —                        | —                    | —      | 11.61                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.34                                             | (0.14)            | 0.68                          | 0.38                            | 1.26   | (0.06)                                     | —                 | (0.26)                   | —                    | (0.32) | 10.46                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.42                                  | 0.32                                             | (0.16)            | 0.50                          | (2.66)                          | (2.00) | —                                          | (0.19)            | (0.35)                   | —                    | (0.54) | 10.82                               |
| Dec. 31, 2017                 | 11.38                                  | 0.25                                             | (0.16)            | 0.45                          | 1.55                            | 2.09   | —                                          | (0.09)            | —                        | —                    | (0.09) | 13.42                               |
| Dec. 31, 2016                 | 11.71                                  | 0.26                                             | (0.14)            | 0.49                          | (0.55)                          | 0.06   | —                                          | (0.09)            | —                        | —                    | (0.09) | 11.38                               |
| Dec. 31, 2015                 | 10.51                                  | 0.22                                             | (0.15)            | (0.50)                        | 1.47                            | 1.04   | —                                          | (0.06)            | —                        | —                    | (0.06) | 11.71                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | (0.09)            | 0.32                          | 0.18                            | 0.57   | (0.05)                                     | —                 | (0.26)                   | —                    | (0.31) | 10.51                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.38                                  | 0.32                                             | (0.13)            | 0.50                          | (2.72)                          | (2.03) | —                                          | (0.22)            | (0.35)                   | —                    | (0.57) | 10.79                               |
| Dec. 31, 2017                 | 11.35                                  | 0.25                                             | (0.13)            | 0.44                          | 1.25                            | 1.81   | —                                          | (0.12)            | —                        | —                    | (0.12) | 13.38                               |
| Dec. 31, 2016                 | 11.67                                  | 0.26                                             | (0.11)            | 0.49                          | (0.06)                          | 0.58   | —                                          | (0.12)            | —                        | —                    | (0.12) | 11.35                               |
| Dec. 31, 2015                 | 10.46                                  | 0.21                                             | (0.11)            | (0.48)                        | 1.41                            | 1.03   | —                                          | (0.09)            | —                        | —                    | (0.09) | 11.67                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.34                                             | (0.06)            | 0.68                          | 0.38                            | 1.34   | (0.14)                                     | —                 | (0.26)                   | —                    | (0.40) | 10.46                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.43                                  | 0.32                                             | —                 | 0.50                          | (2.52)                          | (1.70) | —                                          | (0.35)            | (0.34)                   | —                    | (0.69) | 10.83                               |
| Dec. 31, 2017                 | 11.39                                  | 0.25                                             | —                 | 0.45                          | 1.58                            | 2.28   | —                                          | (0.25)            | —                        | —                    | (0.25) | 13.43                               |
| Dec. 31, 2016                 | 11.72                                  | 0.26                                             | —                 | 0.49                          | (0.62)                          | 0.13   | —                                          | (0.23)            | —                        | —                    | (0.23) | 11.39                               |
| Dec. 31, 2015                 | 10.52                                  | 0.23                                             | —                 | (0.52)                        | 1.52                            | 1.23   | —                                          | (0.20)            | —                        | —                    | (0.20) | 11.72                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.18                                             | —                 | 0.36                          | 0.20                            | 0.74   | (0.14)                                     | —                 | (0.26)                   | —                    | (0.40) | 10.52                               |

<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 April 28, 2014.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.70</b>                     | <b>4 968</b>                | <b>464</b>                            | <b>2.12</b>                                  | <b>2.12</b>                               | <b>14.81</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.25                            | 6 170                       | 466                                   | 2.13                                         | 2.13                                      | 22.62                                       | 0.18                                      |
| Dec. 31, 2016              | 11.27                            | 3 668                       | 326                                   | 2.18                                         | 2.19                                      | 37.11                                       | 0.25                                      |
| Dec. 31, 2015              | 11.60                            | 3 628                       | 313                                   | 2.23                                         | 2.25                                      | 33.81                                       | 0.28                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.46                            | 923                         | 88                                    | 2.29                                         | 2.30                                      | 5.57                                        | 0.39                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.70</b>                     | <b>658</b>                  | <b>61</b>                             | <b>2.16</b>                                  | <b>2.16</b>                               | <b>14.81</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.26                            | 102                         | 8                                     | 2.17                                         | 2.17                                      | 22.62                                       | 0.18                                      |
| Dec. 31, 2016              | 11.27                            | 7                           | 1                                     | 2.23                                         | 2.24                                      | 37.11                                       | 0.25                                      |
| Dec. 31, 2015              | 11.61                            | 89                          | 8                                     | 2.13                                         | 2.14                                      | 33.81                                       | 0.28                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.46                            | 1                           | —                                     | 2.12                                         | 2.13                                      | 5.57                                        | 0.39                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.82</b>                     | <b>2 030</b>                | <b>188</b>                            | <b>1.26</b>                                  | <b>1.26</b>                               | <b>14.81</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.42                            | 2 766                       | 206                                   | 1.28                                         | 1.28                                      | 22.62                                       | 0.18                                      |
| Dec. 31, 2016              | 11.38                            | 1 656                       | 145                                   | 1.29                                         | 1.30                                      | 37.11                                       | 0.25                                      |
| Dec. 31, 2015              | 11.71                            | 875                         | 75                                    | 1.28                                         | 1.29                                      | 33.81                                       | 0.28                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.51                            | 139                         | 13                                    | 1.25                                         | 1.26                                      | 5.57                                        | 0.39                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.79</b>                     | <b>3 743</b>                | <b>347</b>                            | <b>1.02</b>                                  | <b>1.02</b>                               | <b>14.81</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.38                            | 3 647                       | 273                                   | 1.00                                         | 1.00                                      | 22.62                                       | 0.18                                      |
| Dec. 31, 2016              | 11.35                            | 581                         | 51                                    | 0.97                                         | 0.97                                      | 37.11                                       | 0.25                                      |
| Dec. 31, 2015              | 11.67                            | 35                          | 3                                     | 0.97                                         | 0.98                                      | 33.81                                       | 0.28                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.46                            | 1                           | —                                     | 0.96                                         | 0.97                                      | 5.57                                        | 0.39                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.83</b>                     | <b>30 988</b>               | <b>2 862</b>                          | <b>0.04</b>                                  | <b>0.04</b>                               | <b>14.81</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.43                            | 48 783                      | 3 632                                 | 0.04                                         | 0.04                                      | 22.62                                       | 0.18                                      |
| Dec. 31, 2016              | 11.39                            | 39 669                      | 3 482                                 | 0.04                                         | 0.05                                      | 37.11                                       | 0.25                                      |
| Dec. 31, 2015              | 11.72                            | 31 057                      | 2 651                                 | 0.04                                         | 0.06                                      | 33.81                                       | 0.28                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.52                            | 19 975                      | 1 900                                 | 0.04                                         | 0.05                                      | 5.57                                        | 0.39                                      |

<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 April 28, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.13% and Advisor Series – 2.17%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

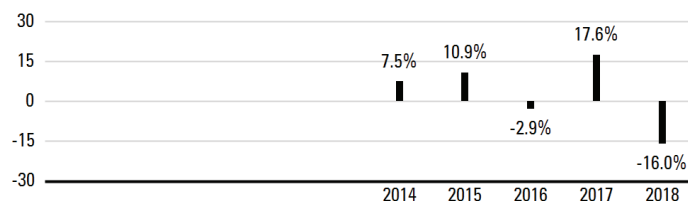
### PAST PERFORMANCE

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.

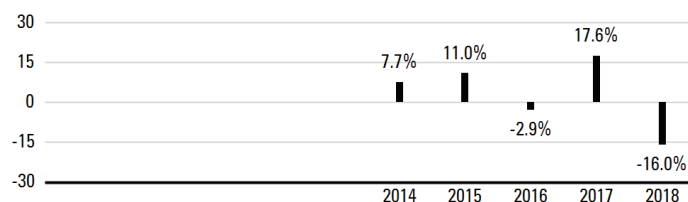
### Year-by-Year Returns (%)

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.

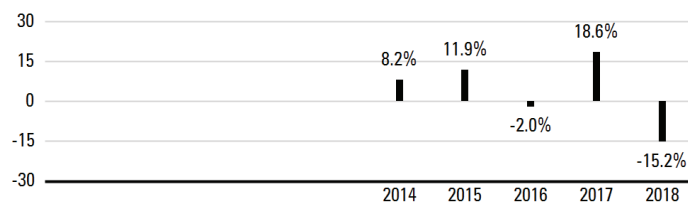
**Series A (%)**



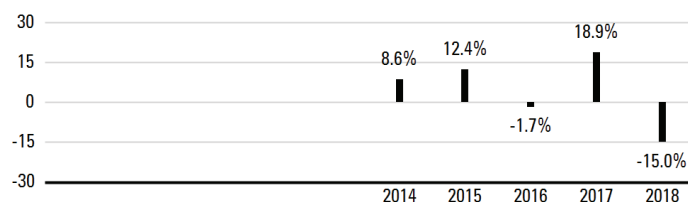
**Advisor Series (%)**



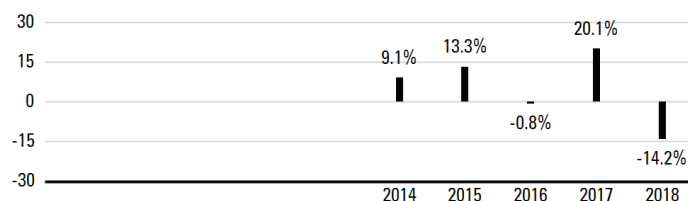
**Series D (%)**



**Series F (%)**



**Series O (%)**







## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI EAFE Total Return Net Index (hedged to CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -16.0        | -1.3            | —               | —                | 2.9                |
| Benchmark      | -10.1        | 3.5             | —               | —                | 4.7                |
| Advisor Series | -16.0        | -1.4            | —               | —                | 3.0                |
| Benchmark      | -10.1        | 3.5             | —               | —                | 4.7                |
| Series D       | -15.2        | -0.5            | —               | —                | 3.9                |
| Benchmark      | -10.1        | 3.5             | —               | —                | 4.7                |
| Series F       | -15.0        | -0.2            | —               | —                | 4.2                |
| Benchmark      | -10.1        | 3.5             | —               | —                | 4.7                |
| Series O       | -14.2        | 0.7             | —               | —                | 5.1                |
| Benchmark      | -10.1        | 3.5             | —               | —                | 4.7                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since April 28, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (hedged to CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United Kingdom  | 29.2                 |
| Japan           | 19.7                 |
| Australia       | 8.1                  |
| Switzerland     | 7.6                  |
| Netherlands     | 5.7                  |
| Germany         | 5.5                  |
| Denmark         | 5.2                  |
| Sweden          | 3.2                  |
| France          | 3.1                  |
| Ireland         | 2.3                  |
| Taiwan          | 1.9                  |
| Finland         | 1.1                  |
| Other Countries | 6.2                  |
| Cash/Other      | 1.2                  |

### Top 25 Holdings\*

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Unilever Plc.                               | 4.7                  |
| Diageo Plc.                                 | 3.8                  |
| RELX Plc.                                   | 3.7                  |
| Roche Holdings AG Genusscheine              | 3.5                  |
| CSL Ltd.                                    | 3.5                  |
| Heineken N.V.                               | 3.1                  |
| Novo Nordisk A/S                            | 3.1                  |
| London Stock Exchange Group Plc.            | 2.7                  |
| Sika AG                                     | 2.5                  |
| SoftBank Group Corp.                        | 2.5                  |
| Mitsubishi UFJ Financial Group Inc.         | 2.3                  |
| Bridgestone Corp.                           | 2.1                  |
| Tencent Holdings Ltd.                       | 2.1                  |
| Royal Dutch Shell Plc., A Shares            | 2.0                  |
| Hargreaves Lansdown Plc.                    | 1.9                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. | 1.9                  |
| Daiichi Sankyo Co. Ltd.                     | 1.7                  |
| AIA Group Ltd.                              | 1.6                  |
| Lonza Group AG                              | 1.6                  |
| SAP SE                                      | 1.6                  |
| LVMH Louis Vuitton Moet-Hennessy            | 1.5                  |
| Schroders Plc.                              | 1.5                  |
| Suzuki Motor Co. Ltd.                       | 1.5                  |
| SMC Corp.                                   | 1.5                  |
| Asahi Group Holdings Ltd.                   | 1.4                  |
| Top 25 Holdings                             | 59.3                 |

\* The Fund invests substantially all of its assets directly in the RBC International Equity Fund. The above are the Top 25 holdings of the RBC International Equity Fund.

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).



INTERNATIONAL EQUITY FUND

**RBC INTERNATIONAL INDEX  
CURRENCY NEUTRAL FUND**

*December 31, 2018*

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

*Sub-Advisor (for the underlying fund): State Street Global Advisors, Ltd.*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by tracking the performance of the FTSE Developed ex North America Index (hedged to CAD) and investing primarily in units of the RBC International Equity Index ETF (the “underlying fund”). The Fund may also use derivatives to hedge against the fluctuations in the value of foreign currencies relative to the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$374 million as of December 31, 2018, from \$414 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund’s Series A units lost 10.8%, which underperformed the 10.4% decline in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

Both developed and emerging equity markets across Asia performed well in the first half of the year before retreating towards the end of 2018, while in Europe 2018 was a difficult year. Escalating trade tensions between the U.S. and China and concerns that rising U.S. interest rates would result in capital outflows and emerging-market volatility led to declines for most major equity markets. In Europe, the failure of U.K. politicians to agree on terms by which the U.K. would leave the European Union (the “EU”) continued to hamper the U.K.’s economic growth, while in Italy the populist government’s commitment to higher public spending caused friction with the EU.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the Canadian dollar and other currencies. This policy had a negative impact on the Fund in 2018, as investors did not benefit from the appreciation of currencies versus the Canadian dollar.

### Recent Developments

The portfolio manager expects that market volatility will remain elevated in the near term, given the risks of an escalating trade war between the U.S. and China. European parliamentary elections in May and continued uncertainty about the U.K.’s exit from the EU are all likely to influence equity markets into 2019. Expectations that global economic growth will decline have led investors to gravitate towards more defensive sectors, such as Consumer Staples, Utilities and Communication Services, which tend to perform better when economic growth is slowing or falling.

RBC GAM has called and will hold a special meeting of the unitholders of the Fund on March 22, 2019. Subject to unitholder approval, the investment objective of the Fund will change to permit the Fund to invest in equity securities, in substantially the same proportion as its benchmark index, either directly or indirectly through investment in other mutual funds. The Fund will continue to use derivatives to hedge against the fluctuations in the value of foreign currencies relative to the Canadian dollar. In addition, the benchmark index will be changed to the MSCI EAFE IMI Total Return Net Index (hedged to CAD). If the change in investment objective is approved, all changes are expected to be effective on or about April 5, 2019.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$40,000 (2017 – \$5,000) or 58% (2017 – 4%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.26</b>                           | <b>0.28</b>                                      | <b>(0.04)</b>     | <b>0.03</b>                   | <b>(1.47)</b>                   | <b>(1.20)</b> | —                                          | <b>(0.31)</b>     | —                        | —                    | <b>(0.31)</b> | <b>9.72</b>                         |
| Dec. 31, 2017                 | 11.03                                  | 1.49                                             | (0.07)            | (0.16)                        | 0.38                            | 1.64          | (1.40)                                     | (0.03)            | —                        | —                    | (1.43)        | 11.26                               |
| Dec. 31, 2016                 | 10.54                                  | 0.61                                             | (0.07)            | —                             | —                               | 0.54          | (0.12)                                     | —                 | —                        | —                    | (0.12)        | 11.03                               |
| Dec. 31, 2015                 | 10.17                                  | 0.43                                             | (0.08)            | —                             | —                               | 0.35          | —                                          | —                 | —                        | —                    | —             | 10.54                               |
| Dec. 31, 2014                 | 9.68                                   | 0.56                                             | (0.07)            | —                             | 0.01                            | 0.50          | —                                          | —                 | —                        | —                    | —             | 10.17                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.47</b>                           | <b>0.28</b>                                      | <b>(0.01)</b>     | <b>0.03</b>                   | <b>(1.88)</b>                   | <b>(1.58)</b> | —                                          | <b>(0.35)</b>     | —                        | —                    | <b>(0.35)</b> | <b>9.91</b>                         |
| Dec. 31, 2017                 | 11.25                                  | 1.52                                             | (0.04)            | (0.16)                        | 0.33                            | 1.65          | (1.47)                                     | (0.03)            | —                        | —                    | (1.50)        | 11.47                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.32                                             | (0.03)            | —                             | 1.43                            | 1.72          | (0.14)                                     | —                 | —                        | —                    | (0.14)        | 11.25                               |

<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.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.72</b>                      | <b>349 235</b>              | <b>35 913</b>                         | <b>0.62</b>                                  | <b>0.62</b>                               | <b>4.48</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.26                            | 403 160                     | 35 812                                | 0.60                                         | 0.60                                      | 1.49                                        | 0.03                                      |
| Dec. 31, 2016              | 11.03                            | 343 561                     | 31 149                                | 0.71                                         | 0.71                                      | n/a                                         | —                                         |
| Dec. 31, 2015              | 10.54                            | 353 381                     | 33 520                                | 0.71                                         | 0.71                                      | n/a                                         | —                                         |
| Dec. 31, 2014              | 10.17                            | 343 613                     | 33 773                                | 0.71                                         | 0.71                                      | n/a                                         | —                                         |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>9.91</b>                      | <b>24 363</b>               | <b>2 459</b>                          | <b>0.28</b>                                  | <b>0.28</b>                               | <b>4.48</b>                                 | <b>0.02</b>                               |
| Dec. 31, 2017              | 11.47                            | 10 822                      | 944                                   | 0.30                                         | 0.30                                      | 1.49                                        | 0.03                                      |
| Dec. 31, 2016 <sup>4</sup> | 11.25                            | 2 888                       | 257                                   | 0.56                                         | 0.56                                      | n/a                                         | —                                         |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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 | 0.30%            | 20%                   | 80%    |
| Series F | 0.00%            | —                     | 100%   |

\* Effective October 11, 2017, the management fees for Series A units were waived to 0.30% from 0.50%; and for Series F units were waived to 0.00% from 0.20% to account for the management fee charged by the underlying fund. Effective June 30, 2017, the management fees for Series F units were reduced to 0.20% from 0.40%.

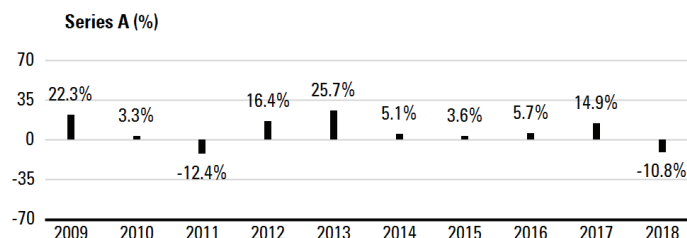
† Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.



**Series F (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the FTSE Developed ex North America Index (hedged to CAD).

The old benchmark (the "Old benchmark") is the FTSE Developed ex North America Index (Local).

The change in benchmark better reflects the composition of the Fund.

|               | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|---------------|-----------|--------------|--------------|---------------|-----------------|
| Series A      | -10.8     | 2.7          | 3.4          | 6.7           | —               |
| New Benchmark | -10.4     | 4.2          | 4.9          | —             | —               |
| Old Benchmark | -11.2     | 3.3          | 4.4          | 8.1           | —               |
| Series F      | -10.5     | —            | —            | —             | 6.7             |
| New Benchmark | -10.4     | —            | —            | —             | 6.1             |
| Old Benchmark | -11.2     | —            | —            | —             | 6.7             |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Series F units have been available for sale to unitholders since July 4, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

The 10-year performance for the New Benchmark is not available as the FTSE Developed ex North America Index (hedged to CAD) does not have a 10-year history. The Since Inception performance for the New Benchmark is from August 1, 2016 as daily returns were unavailable prior to that date.

## INDEX DESCRIPTIONS

**FTSE Developed ex North America Index (hedged to CAD)** This index is a broad measure of the performance of large- and mid-cap stocks in developed markets excluding the U.S. and Canada. The index is hedged to Canadian dollars.

**FTSE Developed ex North America Index (Local)** This index is a broad measure of the performance of large- and mid-cap stocks in developed markets excluding the U.S. and Canada.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 19.2                 |
| Industrials            | 14.7                 |
| Consumer Discretionary | 11.3                 |
| Consumer Staples       | 11.1                 |
| Health Care            | 10.9                 |
| Materials              | 7.6                  |
| Information Technology | 7.3                  |
| Energy                 | 5.6                  |
| Communication Services | 5.6                  |
| Utilities              | 3.6                  |
| Real Estate            | 3.4                  |
| Cash/Other             | (0.3)                |

### Top 25 Holdings\*

|                                    | % of Net Asset Value |
|------------------------------------|----------------------|
| Nestlé S.A.                        | 1.8                  |
| Novartis AG                        | 1.3                  |
| HSBC Holdings Plc. (U.K. Reg.)     | 1.2                  |
| Roche Holdings AG Genusscheine     | 1.2                  |
| Samsung Electronics Co. Ltd.       | 1.2                  |
| Toyota Motor Corp.                 | 1.1                  |
| Royal Dutch Shell Plc., A Shares   | 1.0                  |
| Total S.A.                         | 1.0                  |
| BP Plc.                            | 0.9                  |
| Royal Dutch Shell Plc., B Shares   | 0.8                  |
| AIA Group Ltd.                     | 0.7                  |
| Commonwealth Bank of Australia     | 0.7                  |
| AstraZeneca Plc.                   | 0.7                  |
| GlaxoSmithKline Plc.               | 0.7                  |
| Sanofi                             | 0.7                  |
| SAP SE                             | 0.7                  |
| Diageo Plc.                        | 0.6                  |
| Unilever N.V.                      | 0.6                  |
| Allianz SE                         | 0.6                  |
| Novo Nordisk A/S                   | 0.6                  |
| Siemens AG                         | 0.6                  |
| BHP Group Ltd.                     | 0.6                  |
| LVMH Louis Vuitton Moët-Hennessy   | 0.5                  |
| British American Tobacco Plc.      | 0.5                  |
| BCO Santander Central Hispano S.A. | 0.5                  |
| Total                              | 20.8                 |

\* The Fund invests substantially all of its assets directly in the RBC International Equity Index ETF.  
The above are the Top 25 holdings of the RBC International Equity Index ETF.

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).



INTERNATIONAL EQUITY FUND

**RBC O'SHAUGHNESSY  
INTERNATIONAL EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting of capital growth and current income by investing primarily in equity securities of companies outside of North America based on Strategy Indexing®, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

To achieve its objective, the Fund selects securities on the basis of several factors, including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also select securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buybacks. The Fund does not hedge currency exposure back to Canadian dollars.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$297 million as of December 31, 2018, from \$379 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 13.0%, which underperformed the 6.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

Overweight exposure to smaller-capitalization stocks hurt the Fund's returns the most, as the largest stocks in international markets outperformed. The Fund's allocations to stocks exhibiting high momentum, value and shareholder yield were positive for returns. Exposure to quality had a negative impact on returns, as stocks with high earnings quality and strong earnings growth underperformed.

Sector allocation contributed to returns, while security selection had a negative impact. Allocations to the Energy, Financials and Utilities sectors aided returns, while allocations to Real Estate and Information Technology hurt performance. Security selection in the Financials, Health Care and Consumer Staples sectors contributed to performance. Security selection in the Industrials, Consumer Discretionary and Information Technology sectors hurt returns. Suzuken, Sumitomo Dainippon and GN Store Nord were the largest contributors to returns. Derichebourg, Tui and Nisshinbo held back returns the most.

Sector allocation among countries aided overall performance, while security selection among countries had a negative effect. Security selection in Denmark and New Zealand was the main contributor to returns, and relative allocations to Germany and Norway also aided performance, partially offset by Italy and Switzerland. Security selection in Japan and France hurt performance.

Due to the Fund's investment process and market conditions over the course of 2018, the sub-advisor decreased allocations to the Industrials sector and increased the allocation to the Health Care sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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

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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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.19                                  | 0.58                                             | (0.25)            | 0.27                          | (1.97)                          | (1.37) | —                                          | (0.33)            | —                        | —                    | (0.33) | 9.40                                |
| Dec. 31, 2017                 | 9.89                                   | 0.41                                             | (0.24)            | 0.85                          | 0.51                            | 1.53   | —                                          | (0.18)            | —                        | —                    | (0.18) | 11.19                               |
| Dec. 31, 2016                 | 10.67                                  | 0.40                                             | (0.23)            | (0.28)                        | (0.54)                          | (0.65) | —                                          | (0.20)            | —                        | —                    | (0.20) | 9.89                                |
| Dec. 31, 2015                 | 9.28                                   | 0.38                                             | (0.23)            | 1.06                          | 0.37                            | 1.58   | —                                          | (0.15)            | —                        | —                    | (0.15) | 10.67                               |
| Dec. 31, 2014                 | 9.18                                   | 0.45                                             | (0.22)            | 1.35                          | (1.27)                          | 0.31   | —                                          | (0.23)            | —                        | —                    | (0.23) | 9.28                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.03                                  | 0.57                                             | (0.24)            | 0.27                          | (1.90)                          | (1.30) | —                                          | (0.33)            | —                        | —                    | (0.33) | 9.27                                |
| Dec. 31, 2017                 | 9.74                                   | 0.40                                             | (0.23)            | 0.84                          | 0.49                            | 1.50   | —                                          | (0.19)            | —                        | —                    | (0.19) | 11.03                               |
| Dec. 31, 2016                 | 10.52                                  | 0.39                                             | (0.22)            | (0.28)                        | (0.53)                          | (0.64) | —                                          | (0.21)            | —                        | —                    | (0.21) | 9.74                                |
| Dec. 31, 2015                 | 9.16                                   | 0.37                                             | (0.23)            | 1.04                          | 0.37                            | 1.55   | —                                          | (0.16)            | —                        | —                    | (0.16) | 10.52                               |
| Dec. 31, 2014                 | 9.08                                   | 0.44                                             | (0.21)            | 1.33                          | (1.25)                          | 0.31   | —                                          | (0.25)            | —                        | —                    | (0.25) | 9.16                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.31                                  | 0.59                                             | (0.15)            | 0.28                          | (2.07)                          | (1.35) | —                                          | (0.43)            | —                        | —                    | (0.43) | 9.50                                |
| Dec. 31, 2017                 | 10.00                                  | 0.41                                             | (0.15)            | 0.87                          | 0.50                            | 1.63   | —                                          | (0.29)            | —                        | —                    | (0.29) | 11.31                               |
| Dec. 31, 2016                 | 10.79                                  | 0.41                                             | (0.14)            | (0.29)                        | (0.53)                          | (0.55) | —                                          | (0.30)            | —                        | —                    | (0.30) | 10.00                               |
| Dec. 31, 2015                 | 9.39                                   | 0.39                                             | (0.14)            | 1.07                          | 0.38                            | 1.70   | —                                          | (0.25)            | —                        | —                    | (0.25) | 10.79                               |
| Dec. 31, 2014                 | 9.26                                   | 0.45                                             | (0.13)            | 1.36                          | (1.28)                          | 0.40   | —                                          | (0.29)            | —                        | —                    | (0.29) | 9.39                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.45                                  | 0.55                                             | (0.11)            | 0.26                          | (2.10)                          | (1.40) | —                                          | (0.42)            | —                        | —                    | (0.42) | 8.77                                |
| Dec. 31, 2017                 | 9.23                                   | 0.38                                             | (0.11)            | 0.81                          | 0.36                            | 1.44   | —                                          | (0.30)            | —                        | —                    | (0.30) | 10.45                               |
| Dec. 31, 2016                 | 9.97                                   | 0.38                                             | (0.10)            | (0.27)                        | (0.43)                          | (0.42) | —                                          | (0.30)            | —                        | —                    | (0.30) | 9.23                                |
| Dec. 31, 2015                 | 8.67                                   | 0.36                                             | (0.10)            | 0.99                          | 0.35                            | 1.60   | —                                          | (0.26)            | —                        | —                    | (0.26) | 9.97                                |
| Dec. 31, 2014                 | 8.59                                   | 0.42                                             | (0.10)            | 1.27                          | (1.19)                          | 0.40   | —                                          | (0.33)            | —                        | —                    | (0.33) | 8.67                                |
| Series I                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.24                                  | 0.64                                             | (0.10)            | 0.30                          | (2.21)                          | (1.37) | —                                          | (0.52)            | —                        | —                    | (0.52) | 10.28                               |
| Dec. 31, 2017                 | 10.82                                  | 0.44                                             | (0.10)            | 0.92                          | 0.36                            | 1.62   | —                                          | (0.39)            | —                        | —                    | (0.39) | 12.24                               |
| Dec. 31, 2016                 | 11.67                                  | 0.44                                             | (0.09)            | (0.31)                        | (0.49)                          | (0.45) | —                                          | (0.38)            | —                        | —                    | (0.38) | 10.82                               |
| Dec. 31, 2015                 | 10.17                                  | 0.42                                             | (0.09)            | 1.17                          | 0.41                            | 1.91   | —                                          | (0.35)            | —                        | —                    | (0.35) | 11.67                               |
| Dec. 31, 2014                 | 10.05                                  | 0.49                                             | (0.09)            | 1.48                          | (1.40)                          | 0.48   | —                                          | (0.39)            | —                        | —                    | (0.39) | 10.17                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.00                                  | 0.53                                             | —                 | 0.24                          | (1.86)                          | (1.09) | —                                          | (0.50)            | —                        | —                    | (0.50) | 8.39                                |
| Dec. 31, 2017                 | 8.84                                   | 0.37                                             | —                 | 0.77                          | 0.46                            | 1.60   | (0.01)                                     | (0.39)            | —                        | —                    | (0.40) | 10.00                               |
| Dec. 31, 2016                 | 9.56                                   | 0.36                                             | —                 | (0.26)                        | (0.44)                          | (0.34) | —                                          | (0.40)            | —                        | —                    | (0.40) | 8.84                                |
| Dec. 31, 2015                 | 8.32                                   | 0.34                                             | —                 | 0.96                          | 0.34                            | 1.64   | —                                          | (0.36)            | —                        | —                    | (0.36) | 9.56                                |
| Dec. 31, 2014                 | 8.25                                   | 0.41                                             | —                 | 1.22                          | (1.15)                          | 0.48   | —                                          | (0.42)            | —                        | —                    | (0.42) | 8.32                                |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.40</b>                      | <b>219 261</b>              | <b>23 318</b>                         | <b>2.25</b>                                  | <b>2.25</b>                               | <b>90.84</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017         | 11.19                            | 301 159                     | 26 907                                | 2.25                                         | 2.25                                      | 67.66                                       | 0.13                                      |
| Dec. 31, 2016         | 9.89                             | 314 474                     | 31 812                                | 2.25                                         | 2.25                                      | 72.80                                       | 0.14                                      |
| Dec. 31, 2015         | 10.67                            | 405 852                     | 38 043                                | 2.25                                         | 2.25                                      | 75.66                                       | 0.15                                      |
| Dec. 31, 2014         | 9.28                             | 403 941                     | 43 521                                | 2.25                                         | 2.25                                      | 76.56                                       | 0.14                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.27</b>                      | <b>3 365</b>                | <b>363</b>                            | <b>2.20</b>                                  | <b>2.20</b>                               | <b>90.84</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017         | 11.03                            | 4 940                       | 448                                   | 2.19                                         | 2.19                                      | 67.66                                       | 0.13                                      |
| Dec. 31, 2016         | 9.74                             | 4 948                       | 508                                   | 2.19                                         | 2.19                                      | 72.80                                       | 0.14                                      |
| Dec. 31, 2015         | 10.52                            | 6 342                       | 603                                   | 2.22                                         | 2.22                                      | 75.66                                       | 0.15                                      |
| Dec. 31, 2014         | 9.16                             | 6 193                       | 676                                   | 2.20                                         | 2.20                                      | 76.56                                       | 0.14                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.50</b>                      | <b>17 537</b>               | <b>1 846</b>                          | <b>1.37</b>                                  | <b>1.37</b>                               | <b>90.84</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017         | 11.31                            | 21 488                      | 1 899                                 | 1.37                                         | 1.37                                      | 67.66                                       | 0.13                                      |
| Dec. 31, 2016         | 10.00                            | 18 978                      | 1 899                                 | 1.37                                         | 1.37                                      | 72.80                                       | 0.14                                      |
| Dec. 31, 2015         | 10.79                            | 22 226                      | 2 060                                 | 1.37                                         | 1.37                                      | 75.66                                       | 0.15                                      |
| Dec. 31, 2014         | 9.39                             | 19 646                      | 2 092                                 | 1.37                                         | 1.37                                      | 76.56                                       | 0.14                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.77</b>                      | <b>41 873</b>               | <b>4 773</b>                          | <b>1.08</b>                                  | <b>1.08</b>                               | <b>90.84</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017         | 10.45                            | 33 663                      | 3 222                                 | 1.09                                         | 1.09                                      | 67.66                                       | 0.13                                      |
| Dec. 31, 2016         | 9.23                             | 20 439                      | 2 214                                 | 1.09                                         | 1.09                                      | 72.80                                       | 0.14                                      |
| Dec. 31, 2015         | 9.97                             | 16 433                      | 1 649                                 | 1.08                                         | 1.08                                      | 75.66                                       | 0.15                                      |
| Dec. 31, 2014         | 8.67                             | 13 703                      | 1 580                                 | 1.08                                         | 1.08                                      | 76.56                                       | 0.14                                      |
| <b>Series I</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>10.28</b>                     | <b>2 124</b>                | <b>207</b>                            | <b>0.83</b>                                  | <b>0.83</b>                               | <b>90.84</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017         | 12.24                            | 2 826                       | 231                                   | 0.81                                         | 0.81                                      | 67.66                                       | 0.13                                      |
| Dec. 31, 2016         | 10.82                            | 16 140                      | 1 492                                 | 0.81                                         | 0.81                                      | 72.80                                       | 0.14                                      |
| Dec. 31, 2015         | 11.67                            | 16 468                      | 1 411                                 | 0.81                                         | 0.81                                      | 75.66                                       | 0.15                                      |
| Dec. 31, 2014         | 10.17                            | 14 023                      | 1 379                                 | 0.81                                         | 0.81                                      | 76.56                                       | 0.14                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.39</b>                      | <b>12 417</b>               | <b>1 480</b>                          | <b>0.02</b>                                  | <b>0.02</b>                               | <b>90.84</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017         | 10.00                            | 15 268                      | 1 527                                 | 0.02                                         | 0.02                                      | 67.66                                       | 0.13                                      |
| Dec. 31, 2016         | 8.84                             | 15 047                      | 1 702                                 | 0.02                                         | 0.02                                      | 72.80                                       | 0.14                                      |
| Dec. 31, 2015         | 9.56                             | 17 054                      | 1 785                                 | 0.02                                         | 0.02                                      | 75.66                                       | 0.15                                      |
| Dec. 31, 2014         | 8.32                             | 15 947                      | 1 917                                 | 0.02                                         | 0.02                                      | 76.56                                       | 0.14                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 100%   |
| Series I       | 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.

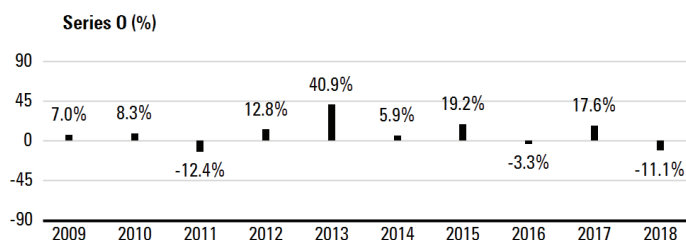
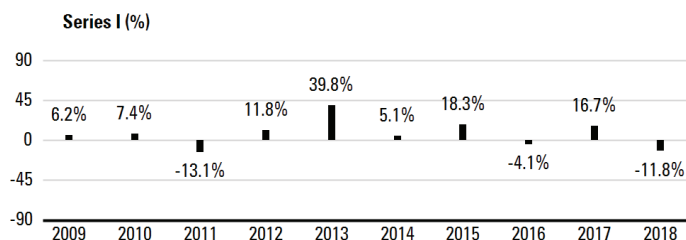
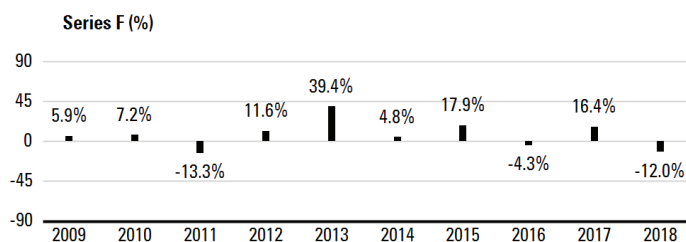
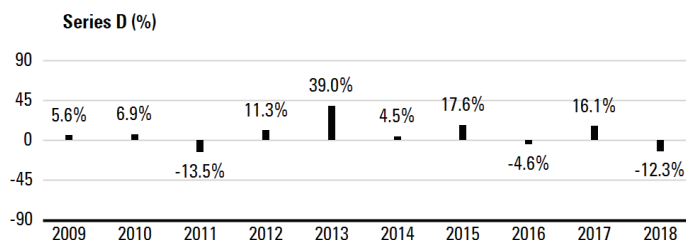
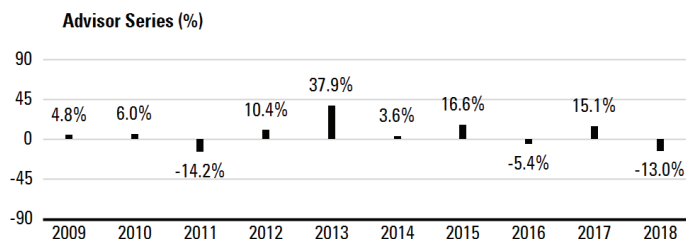
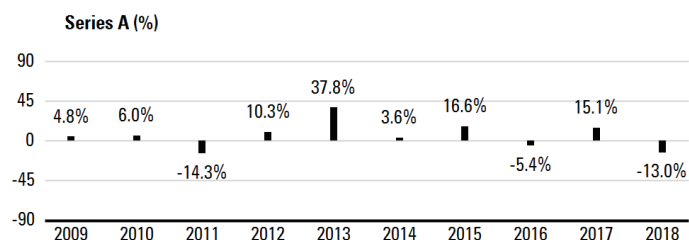
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -13.0        | -1.8            | 2.7             | 5.2              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Advisor Series | -13.0        | -1.8            | 2.8             | 5.2              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series D       | -12.3        | -1.0            | 3.6             | 6.1              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series F       | -12.0        | -0.7            | 3.9             | 6.4              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series I       | -11.8        | -0.4            | 4.2             | 6.6              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series O       | -11.1        | 0.4             | 5.0             | 7.5              | —                  |
| Benchmark      | -6.0         | 2.3             | 5.7             | 7.4              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

Series I units have been capped and are no longer available for purchase by new investors effective June 30, 2016.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| Japan           | 24.1                 |
| United Kingdom  | 14.2                 |
| Australia       | 11.0                 |
| Italy           | 6.7                  |
| France          | 5.1                  |
| Netherlands     | 4.8                  |
| Sweden          | 4.7                  |
| Germany         | 4.5                  |
| Norway          | 4.5                  |
| Switzerland     | 4.0                  |
| Israel          | 2.7                  |
| Finland         | 2.2                  |
| Denmark         | 2.1                  |
| New Zealand     | 1.5                  |
| Other Countries | 7.5                  |
| Cash/Other      | 0.4                  |

### Top 25 Holdings

|                                    | % of Net Asset Value |
|------------------------------------|----------------------|
| Astellas Pharma Inc.               | 2.5                  |
| Burberry Group Plc.                | 2.5                  |
| Koninklijke Ahold Delhaize N.V.    | 2.1                  |
| ENI S.p.A.                         | 2.0                  |
| Suzuken Co. Ltd.                   | 1.8                  |
| Ageas                              | 1.8                  |
| Equinor ASA                        | 1.7                  |
| Rio Tinto Plc.                     | 1.5                  |
| EXOR N.V.                          | 1.5                  |
| Insurance Australia Group Ltd.     | 1.5                  |
| Skandinaviska Enskilda Banken      | 1.4                  |
| Sumitomo Dainippon Pharma Co. Ltd. | 1.4                  |
| Imperial Brands Plc.               | 1.4                  |
| Fiat Chrysler Automobiles N.V.     | 1.2                  |
| Vodafone Group Plc.                | 1.2                  |
| Kanamoto Co. Ltd.                  | 1.2                  |
| AGL Energy Ltd.                    | 1.2                  |
| TUI AG                             | 1.2                  |
| Spark New Zealand Ltd.             | 1.2                  |
| Whitehaven Coal Ltd.               | 1.2                  |
| Zurich Insurance Group AG          | 1.1                  |
| Inghams Group Ltd.                 | 1.1                  |
| ASR Nederland N.V.                 | 1.1                  |
| Société Générale                   | 1.1                  |
| CK Asset Holdings Ltd.             | 1.1                  |
| Top 25 Holdings                    | 37.0                 |

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).



INTERNATIONAL EQUITY FUND

**RBC EUROPEAN DIVIDEND FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting of regular dividend income and modest capital growth.

To achieve its objective, the Fund invests primarily in preferred equity securities of major European companies with above-average dividend yields. The Fund's investment process is primarily based on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$151 million as of December 31, 2018, from \$163 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series A units lost 11.9%, which underperformed the 7.2% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

It was a difficult 2018 for investors in European equities, as geopolitical concerns and faltering global economic growth resulted in declines for most major equity markets. One measure of corporate optimism – the Purchasing Managers' Index – steadily declined over the year, falling to its lowest levels since mid-2016, as GDP growth dropped. A trade conflict between the U.S. and China also worried investors, especially with regard to the European auto sector.

The failure of U.K. politicians to agree on terms by which the country would leave the European Union continued to hamper U.K. economic growth. The year ended with no resolution, as Parliament debated whether to approve a departure proposal made by Prime Minister Theresa May. In Italy, a coalition government committed to higher public spending led to bond- and equity-market volatility, as well as friction with the European Union.

The stock markets of Finland, Norway and Switzerland were the strongest performers. Austria's was Europe's worst-performing

stock market, with Ireland and Belgium also performing poorly. At the sector level, Utilities and Health Care were the strongest performers, while Financials and Consumer Discretionary were the worst-performing. The Fund's underweight position in the Financials sector held back portfolio returns the most, while an overweight position in Energy was the largest contributor to relative returns.

Among individual stocks, Gaztransport Et Technigaz, the French engineering company, was the biggest contributor to the Fund's performance, and John Laing Group, the U.K. infrastructure company, was second. British American Tobacco of the U.K. held back returns the most.

### Recent Developments

Investors have been gravitating since mid-year toward defensive market sectors – sectors that tend to perform better when economic growth is slowing or falling. The result is that companies such as Unilever, which makes a range of food and everyday products, and Heineken, a drinks manufacturer, have been outperforming. Many economic indicators suggest that economic growth could continue to moderate in 2019 and, in the view of the sub-advisor, market volatility is likely to continue to be a factor in 2019.

European parliamentary elections in May, Italian budgetary concerns and uncertainty about the final form of Brexit are all likely to influence financial markets in 2019. Brexit uncertainty is undermining economic growth but has led to attractive valuations for some investments.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$4,000 (2017 – \$9,000) or 3% (2017 – 4%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.69                                  | 0.41                                             | (0.23)            | 0.14                          | (1.65)                          | (1.33) | —                                          | (0.23)            | —                        | —                    | (0.23) | 10.09                               |
| Dec. 31, 2017                 | 10.56                                  | 0.41                                             | (0.24)            | (0.25)                        | 1.38                            | 1.30   | —                                          | (0.21)            | —                        | —                    | (0.21) | 11.69                               |
| Dec. 31, 2016                 | 12.46                                  | 0.43                                             | (0.24)            | (0.34)                        | (1.44)                          | (1.59) | —                                          | (0.31)            | —                        | —                    | (0.31) | 10.56                               |
| Dec. 31, 2015                 | 10.16                                  | 0.33                                             | (0.26)            | 0.08                          | 1.64                            | 1.79   | —                                          | (0.02)            | —                        | —                    | (0.02) | 12.46                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.09)            | (0.02)                        | 0.07                            | —      | —                                          | —                 | —                        | —                    | —      | 10.16                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.70                                  | 0.41                                             | (0.24)            | 0.14                          | (1.61)                          | (1.30) | —                                          | (0.23)            | —                        | —                    | (0.23) | 10.09                               |
| Dec. 31, 2017                 | 10.57                                  | 0.41                                             | (0.24)            | (0.25)                        | 1.17                            | 1.09   | —                                          | (0.21)            | —                        | —                    | (0.21) | 11.70                               |
| Dec. 31, 2016                 | 12.47                                  | 0.42                                             | (0.25)            | (0.34)                        | (1.58)                          | (1.75) | —                                          | (0.30)            | —                        | —                    | (0.30) | 10.57                               |
| Dec. 31, 2015                 | 10.16                                  | 0.33                                             | (0.27)            | 0.08                          | 1.60                            | 1.74   | —                                          | (0.01)            | —                        | —                    | (0.01) | 12.47                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.09)            | (0.02)                        | 0.07                            | —      | —                                          | —                 | —                        | —                    | —      | 10.16                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.79                                  | 0.42                                             | (0.14)            | 0.14                          | (1.70)                          | (1.28) | —                                          | (0.30)            | —                        | —                    | (0.30) | 10.19                               |
| Dec. 31, 2017                 | 10.63                                  | 0.42                                             | (0.14)            | (0.25)                        | 1.21                            | 1.24   | —                                          | (0.28)            | —                        | —                    | (0.28) | 11.79                               |
| Dec. 31, 2016                 | 12.47                                  | 0.43                                             | (0.15)            | (0.34)                        | (1.63)                          | (1.69) | —                                          | (0.33)            | —                        | —                    | (0.33) | 10.63                               |
| Dec. 31, 2015                 | 10.17                                  | 0.34                                             | (0.16)            | 0.08                          | 1.65                            | 1.91   | —                                          | (0.13)            | —                        | —                    | (0.13) | 12.47                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.06)            | (0.02)                        | 0.07                            | 0.03   | —                                          | (0.02)            | —                        | —                    | (0.02) | 10.17                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.85                                  | 0.42                                             | (0.11)            | 0.14                          | (1.79)                          | (1.34) | —                                          | (0.33)            | —                        | —                    | (0.33) | 10.26                               |
| Dec. 31, 2017                 | 10.68                                  | 0.40                                             | (0.12)            | (0.24)                        | 0.67                            | 0.71   | —                                          | (0.31)            | —                        | —                    | (0.31) | 11.85                               |
| Dec. 31, 2016                 | 12.50                                  | 0.43                                             | (0.12)            | (0.34)                        | (2.14)                          | (2.17) | —                                          | (0.34)            | —                        | —                    | (0.34) | 10.68                               |
| Dec. 31, 2015                 | 10.19                                  | 0.33                                             | (0.13)            | 0.08                          | 1.64                            | 1.92   | —                                          | (0.16)            | —                        | —                    | (0.16) | 12.50                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.05)            | (0.02)                        | 0.06                            | 0.03   | —                                          | (0.01)            | —                        | —                    | (0.01) | 10.19                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.25                                  | 0.43                                             | (0.01)            | 0.15                          | (1.74)                          | (1.17) | —                                          | (0.44)            | —                        | —                    | (0.44) | 10.61                               |
| Dec. 31, 2017                 | 11.02                                  | 0.43                                             | (0.01)            | (0.26)                        | 1.31                            | 1.47   | —                                          | (0.41)            | —                        | —                    | (0.41) | 12.25                               |
| Dec. 31, 2016                 | 12.80                                  | 0.44                                             | (0.01)            | (0.35)                        | (1.63)                          | (1.55) | —                                          | (0.38)            | —                        | —                    | (0.38) | 11.02                               |
| Dec. 31, 2015                 | 10.44                                  | 0.37                                             | (0.01)            | 0.09                          | 1.82                            | 2.27   | —                                          | (0.30)            | —                        | —                    | (0.30) | 12.80                               |
| Dec. 31, 2014                 | 10.02                                  | 0.30                                             | (0.01)            | (0.15)                        | 0.44                            | 0.58   | —                                          | (0.09)            | —                        | —                    | (0.09) | 10.44                               |

<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 August 11, 2014.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.09</b>                     | <b>24 312</b>               | <b>2 410</b>                          | <b>2.09</b>                                  | <b>2.09</b>                               | <b>33.54</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 11.69                            | 31 332                      | 2 680                                 | 2.09                                         | 2.09                                      | 33.80                                       | 0.16                                      |
| Dec. 31, 2016              | 10.56                            | 24 866                      | 2 354                                 | 2.15                                         | 2.15                                      | 55.54                                       | 0.24                                      |
| Dec. 31, 2015              | 12.46                            | 30 184                      | 2 422                                 | 2.20                                         | 2.20                                      | 17.62                                       | 0.33                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.16                            | 3 667                       | 361                                   | 2.26                                         | 2.27                                      | 29.25                                       | 0.82                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.09</b>                     | <b>800</b>                  | <b>79</b>                             | <b>2.13</b>                                  | <b>2.13</b>                               | <b>33.54</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 11.70                            | 1 211                       | 104                                   | 2.11                                         | 2.11                                      | 33.80                                       | 0.16                                      |
| Dec. 31, 2016              | 10.57                            | 982                         | 93                                    | 2.19                                         | 2.19                                      | 55.54                                       | 0.24                                      |
| Dec. 31, 2015              | 12.47                            | 1 705                       | 137                                   | 2.26                                         | 2.26                                      | 17.62                                       | 0.33                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.16                            | 75                          | 7                                     | 2.26                                         | 2.27                                      | 29.25                                       | 0.82                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.19</b>                     | <b>2 836</b>                | <b>278</b>                            | <b>1.27</b>                                  | <b>1.27</b>                               | <b>33.54</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 11.79                            | 3 462                       | 294                                   | 1.26                                         | 1.26                                      | 33.80                                       | 0.16                                      |
| Dec. 31, 2016              | 10.63                            | 2 762                       | 260                                   | 1.33                                         | 1.33                                      | 55.54                                       | 0.24                                      |
| Dec. 31, 2015              | 12.47                            | 4 313                       | 346                                   | 1.36                                         | 1.36                                      | 17.62                                       | 0.33                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.17                            | 535                         | 53                                    | 1.41                                         | 1.42                                      | 29.25                                       | 0.82                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.26</b>                     | <b>11 767</b>               | <b>1 147</b>                          | <b>0.98</b>                                  | <b>0.98</b>                               | <b>33.54</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 11.85                            | 11 429                      | 964                                   | 0.99                                         | 0.99                                      | 33.80                                       | 0.16                                      |
| Dec. 31, 2016              | 10.68                            | 2 560                       | 240                                   | 1.06                                         | 1.06                                      | 55.54                                       | 0.24                                      |
| Dec. 31, 2015              | 12.50                            | 4 623                       | 370                                   | 1.06                                         | 1.06                                      | 17.62                                       | 0.33                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.19                            | 726                         | 71                                    | 1.13                                         | 1.14                                      | 29.25                                       | 0.82                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.61</b>                     | <b>110 835</b>              | <b>10 451</b>                         | <b>0.06</b>                                  | <b>0.06</b>                               | <b>33.54</b>                                | <b>0.09</b>                               |
| Dec. 31, 2017              | 12.25                            | 115 522                     | 9 431                                 | 0.06                                         | 0.06                                      | 33.80                                       | 0.16                                      |
| Dec. 31, 2016              | 11.02                            | 94 843                      | 8 604                                 | 0.06                                         | 0.06                                      | 55.54                                       | 0.24                                      |
| Dec. 31, 2015              | 12.80                            | 102 829                     | 8 032                                 | 0.06                                         | 0.06                                      | 17.62                                       | 0.33                                      |
| Dec. 31, 2014              | 10.44                            | 47 973                      | 4 596                                 | 0.05                                         | 0.06                                      | 29.25                                       | 0.82                                      |

<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 August 11, 2014.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.09%, Advisor Series – 2.12%, Series D – 1.27% and Series F – 0.99%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

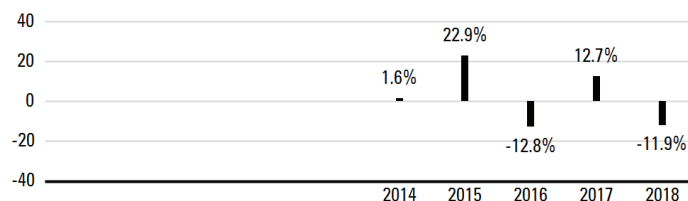
## PAST PERFORMANCE

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.

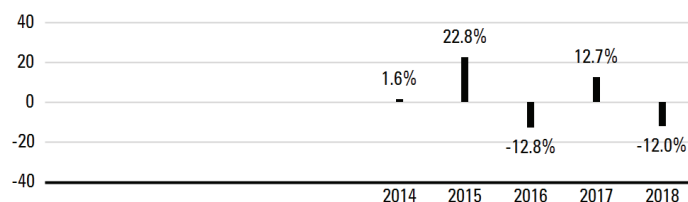
### Year-by-Year Returns (%)

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.

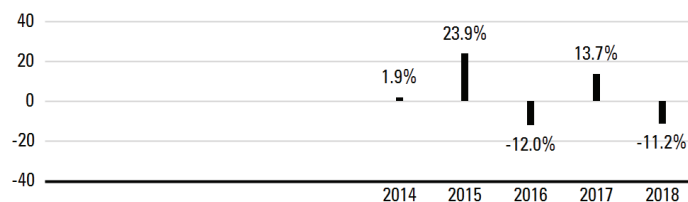
Series A (%)



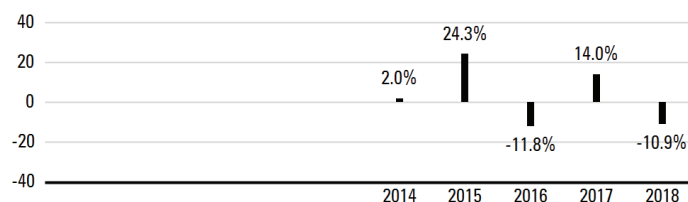
Advisor Series (%)



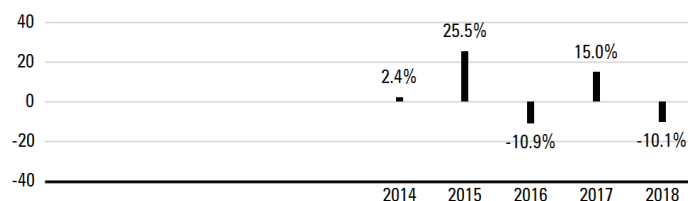
Series D (%)



Series F (%)



Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI Europe Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -11.9        | -4.7            | —               | —                | 1.8                |
| Benchmark      | -7.2         | 1.5             | —               | —                | 4.5                |
| Advisor Series | -12.0        | -4.7            | —               | —                | 1.8                |
| Benchmark      | -7.2         | 1.5             | —               | —                | 4.5                |
| Series D       | -11.2        | -3.9            | —               | —                | 2.6                |
| Benchmark      | -7.2         | 1.5             | —               | —                | 4.5                |
| Series F       | -10.9        | -3.6            | —               | —                | 2.9                |
| Benchmark      | -7.2         | 1.5             | —               | —                | 4.5                |
| Series O       | -10.1        | -2.7            | —               | —                | 3.9                |
| Benchmark      | -7.2         | 1.5             | —               | —                | 9.6                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since August 11, 2014.

Although Series O units of the Fund were created in October 2012, units were not offered for sale under a simplified prospectus until August 11, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Europe Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of major stock markets in Europe. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United Kingdom | 36.8                 |
| France         | 14.0                 |
| Switzerland    | 13.1                 |
| Netherlands    | 9.9                  |
| Germany        | 8.4                  |
| Finland        | 5.0                  |
| Denmark        | 4.1                  |
| Sweden         | 4.0                  |
| Italy          | 2.4                  |
| Norway         | 0.7                  |
| Cash/Other     | 1.6                  |

### Top 25 Holdings

|                                          | % of Net Asset Value |
|------------------------------------------|----------------------|
| Roche Holdings AG Genusscheine           | 4.7                  |
| Unilever N.V.                            | 4.4                  |
| RELX Plc.                                | 4.2                  |
| Reckitt Benckiser Plc.                   | 3.9                  |
| Novartis AG                              | 3.8                  |
| Royal Dutch Shell Plc., B Shares         | 3.5                  |
| Total S.A.                               | 3.2                  |
| ING Groep N.V.                           | 2.9                  |
| Gaztransport Et Technigaz S.A.           | 2.7                  |
| Rio Tinto Plc.                           | 2.5                  |
| Nordea Bank Abp                          | 2.3                  |
| AstraZeneca Plc.                         | 2.2                  |
| Rubis SCA                                | 2.2                  |
| Novo Nordisk A/S                         | 2.1                  |
| London Stock Exchange Group Plc.         | 2.1                  |
| Fortum OYJ                               | 2.1                  |
| BT Group Plc.                            | 2.0                  |
| UBS Group AG                             | 2.0                  |
| Legal & General Group Plc.               | 2.0                  |
| 1&1 Drillisch AG                         | 1.9                  |
| Bayer AG                                 | 1.8                  |
| John Laing Group Plc.                    | 1.8                  |
| Diageo Plc.                              | 1.7                  |
| Cie Generale des Etablissements Michelin | 1.7                  |
| Coor Service Management Holding AB       | 1.7                  |
| Top 25 Holdings                          | 65.4                 |

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



INTERNATIONAL EQUITY FUND

**RBC EUROPEAN EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues long-term capital growth by investing primarily in European stocks.

The Fund provides exposure to growth opportunities in the European economy and diversification benefits beyond North America.

The portfolio manager reviews the economic outlook for Europe and then selects stocks based on fundamental, technical and quantitative inputs. The Fund is managed to limit risk by spreading investments across different industries. The Fund may also invest in debt securities issued or guaranteed by European governments and international agencies.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$6.1 billion as of December 31, 2018, from \$7.0 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 12.4%, which underperformed the 7.2% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

It was a difficult 2018 for investors in European equities, as geopolitical concerns and faltering global economic growth resulted in declines for most major equity markets. One measure of corporate optimism – the Purchasing Managers' Index – steadily declined over the year, falling to its lowest levels since mid-2016, as GDP growth dropped. A trade conflict between the U.S. and China also worried investors, especially with regard to the European auto sector.

The failure of U.K. politicians to agree on terms by which the country would leave the European Union continued to hamper U.K. economic growth. The year ended with no resolution, as Parliament debated whether to approve a departure proposal made by Prime Minister Theresa May. In Italy, a coalition government committed to higher public spending led to bond- and equity-market volatility, as well as friction with the European Union.

The stock markets of Finland, Norway and Switzerland were the strongest performers. Austria's was Europe's worst-performing stock market, with Ireland and Belgium also performing poorly. At the sector level, Utilities and Health Care were the strongest performers, while Financials and Consumer Discretionary were the worst-performing. The Fund's underweight position in the Financials sector held back portfolio returns the most, while an underweight position in Energy was the largest contributor to relative returns.

Among individual stocks, Roche Holding, the Swiss pharmaceuticals company, was the biggest contributor to the Fund's performance, and Diageo was the second-biggest. Bayer, the German pharmaceuticals company, held back returns the most.

### Recent Developments

Investors have been gravitating since midyear toward defensive market sectors – sectors that tend to perform better when economic growth is slowing or falling. The result is that companies such as Unilever, which makes a range of food and everyday products, and Heineken, a drinks manufacturer, have been outperforming. Many economic indicators suggest that economic growth could continue to moderate in 2019 and, in the view of the sub-advisor, market volatility is likely to continue to be a factor in 2019.

European parliamentary elections in May, Italian budgetary concerns and uncertainty about the final form of Brexit are all likely to influence financial markets in 2019. Brexit uncertainty is undermining economic growth but has led to attractive valuations for some investments.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$306,000 (2017 – \$527,000) or 3% (2017 – 4%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.52                                  | 0.66                                             | (0.49)            | 0.42                          | (3.42)                          | (2.83) | —                                          | (0.21)            | (0.56)                   | —                    | (0.77) | 19.82                               |
| Dec. 31, 2017                 | 20.55                                  | 0.56                                             | (0.49)            | 1.24                          | 2.48                            | 3.79   | —                                          | (0.04)            | (0.78)                   | —                    | (0.82) | 23.52                               |
| Dec. 31, 2016                 | 23.87                                  | 0.55                                             | (0.48)            | 0.32                          | (3.47)                          | (3.08) | —                                          | (0.04)            | (0.26)                   | —                    | (0.30) | 20.55                               |
| Dec. 31, 2015                 | 19.22                                  | 0.51                                             | (0.50)            | 0.18                          | 4.35                            | 4.54   | —                                          | —                 | —                        | —                    | —      | 23.87                               |
| Dec. 31, 2014                 | 21.05                                  | 0.48                                             | (0.48)            | 2.12                          | (2.00)                          | 0.12   | —                                          | (0.05)            | (1.83)                   | —                    | (1.88) | 19.22                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.87                                  | 0.67                                             | (0.48)            | 0.43                          | (3.60)                          | (2.98) | —                                          | (0.23)            | (0.56)                   | —                    | (0.79) | 20.12                               |
| Dec. 31, 2017                 | 20.85                                  | 0.57                                             | (0.48)            | 1.26                          | 2.28                            | 3.63   | —                                          | (0.05)            | (0.79)                   | —                    | (0.84) | 23.87                               |
| Dec. 31, 2016                 | 24.21                                  | 0.56                                             | (0.47)            | 0.32                          | (3.81)                          | (3.40) | —                                          | (0.06)            | (0.26)                   | —                    | (0.32) | 20.85                               |
| Dec. 31, 2015                 | 19.47                                  | 0.51                                             | (0.49)            | 0.19                          | 4.37                            | 4.58   | —                                          | —                 | —                        | —                    | —      | 24.21                               |
| Dec. 31, 2014                 | 21.28                                  | 0.47                                             | (0.47)            | 2.11                          | (2.00)                          | 0.11   | —                                          | (0.05)            | (1.83)                   | —                    | (1.88) | 19.47                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.43                                  | 0.65                                             | (0.47)            | 0.41                          | (4.10)                          | (3.51) | —                                          | (0.14)            | (0.55)                   | (0.48)               | (1.17) | 19.46                               |
| Dec. 31, 2017 <sup>3</sup>    | 21.02 <sup>†</sup>                     | 0.47                                             | (0.41)            | 1.03                          | (0.45)                          | 0.64   | —                                          | (0.06)            | (0.38)                   | (0.44)               | (0.88) | 23.43                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.81                                  | 0.67                                             | (0.29)            | 0.43                          | (3.60)                          | (2.79) | —                                          | (0.40)            | (0.57)                   | —                    | (0.97) | 20.06                               |
| Dec. 31, 2017                 | 20.81                                  | 0.57                                             | (0.30)            | 1.26                          | 2.33                            | 3.86   | —                                          | (0.25)            | (0.79)                   | —                    | (1.04) | 23.81                               |
| Dec. 31, 2016                 | 24.16                                  | 0.56                                             | (0.28)            | 0.32                          | (3.57)                          | (2.97) | —                                          | (0.23)            | (0.27)                   | —                    | (0.50) | 20.81                               |
| Dec. 31, 2015                 | 19.41                                  | 0.51                                             | (0.29)            | 0.19                          | 4.39                            | 4.80   | —                                          | (0.18)            | —                        | —                    | (0.18) | 24.16                               |
| Dec. 31, 2014                 | 21.16                                  | 0.48                                             | (0.27)            | 2.14                          | (2.02)                          | 0.33   | —                                          | (0.19)            | (1.82)                   | —                    | (2.01) | 19.41                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 25.31                                  | 0.72                                             | (0.24)            | 0.46                          | (4.04)                          | (3.10) | —                                          | (0.49)            | (0.60)                   | —                    | (1.09) | 21.33                               |
| Dec. 31, 2017                 | 22.14                                  | 0.61                                             | (0.24)            | 1.35                          | 2.44                            | 4.16   | —                                          | (0.35)            | (0.85)                   | —                    | (1.20) | 25.31                               |
| Dec. 31, 2016                 | 25.69                                  | 0.59                                             | (0.22)            | 0.34                          | (3.67)                          | (2.96) | —                                          | (0.31)            | (0.28)                   | —                    | (0.59) | 22.14                               |
| Dec. 31, 2015                 | 20.64                                  | 0.54                                             | (0.24)            | 0.19                          | 4.60                            | 5.09   | —                                          | (0.28)            | —                        | —                    | (0.28) | 25.69                               |
| Dec. 31, 2014                 | 22.47                                  | 0.50                                             | (0.22)            | 2.22                          | (2.10)                          | 0.40   | —                                          | (0.24)            | (1.94)                   | —                    | (2.18) | 20.64                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 24.99                                  | 0.69                                             | (0.24)            | 0.44                          | (4.02)                          | (3.13) | —                                          | (0.43)            | (0.60)                   | (0.22)               | (1.25) | 21.00                               |
| Dec. 31, 2017 <sup>3</sup>    | 22.68 <sup>†</sup>                     | 0.50                                             | (0.20)            | 1.12                          | (0.30)                          | 1.12   | (0.01)                                     | (0.25)            | (1.24)                   | —                    | (1.50) | 24.99                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.99                                  | 0.68                                             | (0.01)            | 0.43                          | (3.52)                          | (2.42) | —                                          | (0.67)            | (0.58)                   | —                    | (1.25) | 20.20                               |
| Dec. 31, 2017                 | 20.99                                  | 0.58                                             | (0.01)            | 1.28                          | 2.56                            | 4.41   | —                                          | (0.57)            | (0.81)                   | —                    | (1.38) | 23.99                               |
| Dec. 31, 2016                 | 24.38                                  | 0.56                                             | —                 | 0.32                          | (3.40)                          | (2.52) | —                                          | (0.50)            | (0.28)                   | —                    | (0.78) | 20.99                               |
| Dec. 31, 2015                 | 19.59                                  | 0.52                                             | (0.01)            | 0.19                          | 4.47                            | 5.17   | —                                          | (0.50)            | —                        | —                    | (0.50) | 24.38                               |
| Dec. 31, 2014                 | 21.36                                  | 0.48                                             | —                 | 2.12                          | (2.01)                          | 0.59   | —                                          | (0.45)            | (1.85)                   | —                    | (2.30) | 19.59                               |

<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 February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.82</b>                     | <b>200 823</b>              | <b>10 133</b>                         | <b>2.15</b>                                  | <b>2.15</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 23.52                            | 261 879                     | 11 136                                | 2.15                                         | 2.15                                      | 45.32                                       | 0.19                                      |
| Dec. 31, 2016              | 20.55                            | 243 312                     | 11 838                                | 2.21                                         | 2.21                                      | 39.18                                       | 0.27                                      |
| Dec. 31, 2015              | 23.87                            | 322 635                     | 13 517                                | 2.26                                         | 2.26                                      | 20.57                                       | 0.18                                      |
| Dec. 31, 2014              | 19.22                            | 258 306                     | 13 441                                | 2.26                                         | 2.26                                      | 67.36                                       | 0.43                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.12</b>                     | <b>6 205</b>                | <b>308</b>                            | <b>2.06</b>                                  | <b>2.06</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 23.87                            | 8 753                       | 367                                   | 2.06                                         | 2.06                                      | 45.32                                       | 0.19                                      |
| Dec. 31, 2016              | 20.85                            | 6 951                       | 333                                   | 2.12                                         | 2.12                                      | 39.18                                       | 0.27                                      |
| Dec. 31, 2015              | 24.21                            | 11 011                      | 455                                   | 2.16                                         | 2.16                                      | 20.57                                       | 0.18                                      |
| Dec. 31, 2014              | 19.47                            | 5 469                       | 281                                   | 2.19                                         | 2.19                                      | 67.36                                       | 0.43                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>19.46</b>                     | <b>386</b>                  | <b>20</b>                             | <b>2.14</b>                                  | <b>2.14</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 23.43                            | 23                          | 1                                     | 2.12                                         | 2.12                                      | 45.32                                       | 0.19                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.06</b>                     | <b>27 898</b>               | <b>1 391</b>                          | <b>1.26</b>                                  | <b>1.26</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 23.81                            | 31 908                      | 1 340                                 | 1.27                                         | 1.27                                      | 45.32                                       | 0.19                                      |
| Dec. 31, 2016              | 20.81                            | 23 828                      | 1 145                                 | 1.27                                         | 1.27                                      | 39.18                                       | 0.27                                      |
| Dec. 31, 2015              | 24.16                            | 31 091                      | 1 287                                 | 1.27                                         | 1.27                                      | 20.57                                       | 0.18                                      |
| Dec. 31, 2014              | 19.41                            | 15 966                      | 822                                   | 1.27                                         | 1.27                                      | 67.36                                       | 0.43                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.33</b>                     | <b>63 817</b>               | <b>2 992</b>                          | <b>0.97</b>                                  | <b>0.97</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 25.31                            | 69 135                      | 2 731                                 | 0.96                                         | 0.96                                      | 45.32                                       | 0.19                                      |
| Dec. 31, 2016              | 22.14                            | 38 212                      | 1 726                                 | 0.96                                         | 0.96                                      | 39.18                                       | 0.27                                      |
| Dec. 31, 2015              | 25.69                            | 38 181                      | 1 486                                 | 0.96                                         | 0.96                                      | 20.57                                       | 0.18                                      |
| Dec. 31, 2014              | 20.64                            | 8 937                       | 433                                   | 0.97                                         | 0.97                                      | 67.36                                       | 0.43                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>21.00</b>                     | <b>305</b>                  | <b>15</b>                             | <b>1.01</b>                                  | <b>1.01</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 24.99                            | 87                          | 3                                     | 0.95                                         | 0.95                                      | 45.32                                       | 0.19                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>20.20</b>                     | <b>5 787 495</b>            | <b>286 535</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>50.32</b>                                | <b>0.17</b>                               |
| Dec. 31, 2017              | 23.99                            | 6 633 225                   | 276 457                               | 0.02                                         | 0.02                                      | 45.32                                       | 0.19                                      |
| Dec. 31, 2016              | 20.99                            | 5 836 619                   | 278 098                               | 0.02                                         | 0.02                                      | 39.18                                       | 0.27                                      |
| Dec. 31, 2015              | 24.38                            | 5 489 488                   | 225 139                               | 0.02                                         | 0.02                                      | 20.57                                       | 0.18                                      |
| Dec. 31, 2014              | 19.59                            | 3 659 903                   | 186 781                               | 0.02                                         | 0.02                                      | 67.36                                       | 0.43                                      |

<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 February 15, 2017.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.15% and Advisor Series – 2.06%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

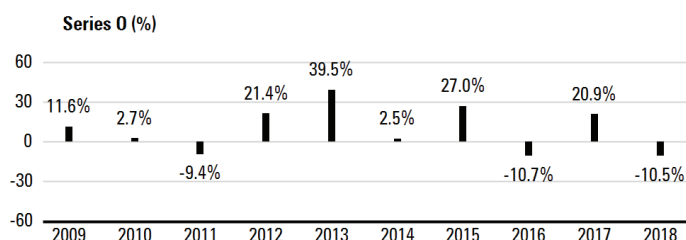
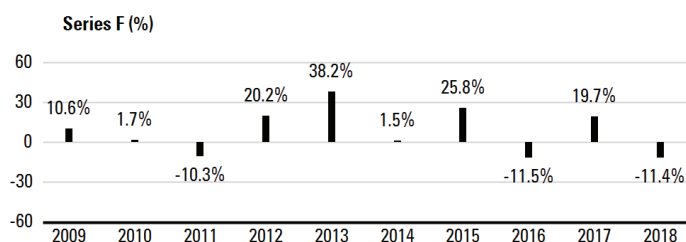
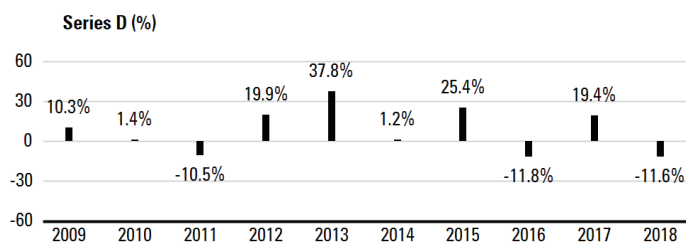
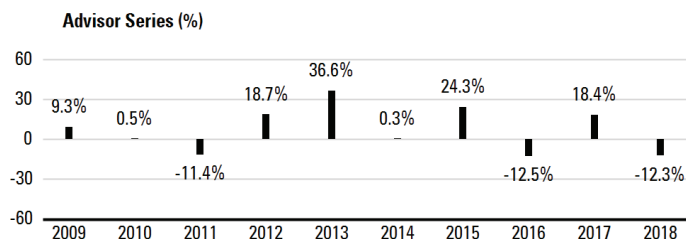
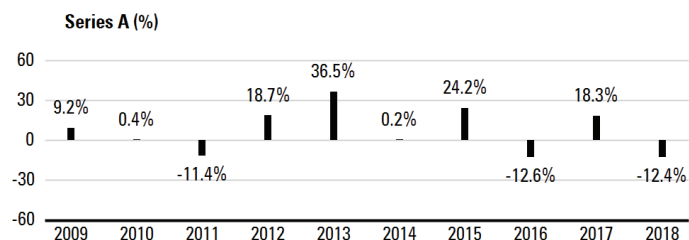
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI Europe Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -12.4        | -3.2            | 2.4             | 5.9              | —                  |
| Benchmark      | -7.2         | 1.5             | 4.5             | 7.2              | —                  |
| Advisor Series | -12.3        | -3.2            | 2.5             | 6.0              | —                  |
| Benchmark      | -7.2         | 1.5             | 4.5             | 7.2              | —                  |
| Series T5      | -12.4        | —               | —               | —                | 0.8                |
| Benchmark      | -7.2         | —               | —               | —                | 4.4                |
| Series D       | -11.6        | -2.4            | 3.4             | 6.9              | —                  |
| Benchmark      | -7.2         | 1.5             | 4.5             | 7.2              | —                  |
| Series F       | -11.4        | -2.1            | 3.7             | 7.2              | —                  |
| Benchmark      | -7.2         | 1.5             | 4.5             | 7.2              | —                  |
| Series FT5     | -11.4        | —               | —               | —                | 2.0                |
| Benchmark      | -7.2         | —               | —               | —                | 4.4                |
| Series O       | -10.5        | -1.1            | 4.7             | 8.2              | —                  |
| Benchmark      | -7.2         | 1.5             | 4.5             | 7.2              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Europe Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of major stock markets in Europe. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United Kingdom | 43.2                 |
| Switzerland    | 10.9                 |
| Germany        | 8.9                  |
| Denmark        | 8.7                  |
| Netherlands    | 7.7                  |
| France         | 5.3                  |
| Ireland        | 4.6                  |
| Sweden         | 4.4                  |
| Finland        | 2.1                  |
| Spain          | 1.6                  |
| Cash/Other     | 2.6                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Unilever Plc.                    | 5.7                  |
| RELX Plc.                        | 4.9                  |
| Diageo Plc.                      | 4.9                  |
| Roche Holdings AG Genussscheine  | 4.9                  |
| Novo Nordisk A/S                 | 4.4                  |
| Heineken N.V.                    | 4.0                  |
| London Stock Exchange Group Plc. | 3.8                  |
| Royal Dutch Shell Plc., A Shares | 3.6                  |
| SAP SE                           | 2.9                  |
| Sika AG                          | 2.8                  |
| Hargreaves Lansdown Plc.         | 2.7                  |
| LVMH Louis Vuitton Moët-Hennessy | 2.6                  |
| Cash & Cash Equivalents          | 2.6                  |
| Lonza Group AG                   | 2.4                  |
| ISS A/S                          | 2.2                  |
| Schroders Plc.                   | 2.2                  |
| Imperial Brands Plc.             | 2.1                  |
| Nordea Bank Abp                  | 2.1                  |
| ING Groep N.V.                   | 2.1                  |
| Sampo OYJ                        | 2.1                  |
| Bayer AG                         | 1.9                  |
| The Sage Group Plc.              | 1.9                  |
| Ashtead Group Plc.               | 1.9                  |
| Paddy Power Betfair Plc.         | 1.9                  |
| Ryanair Holdings Plc. ADR        | 1.7                  |
| Top 25 Holdings                  | 74.3                 |

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).



INTERNATIONAL EQUITY FUND

**RBC EUROPEAN MID-CAP  
EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of European mid-cap companies. The Fund provides exposure to growth opportunities in the European economy and diversification benefits beyond North America.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$562 million as of December 31, 2018, from \$11 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 9.9%, which matched the decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

It was a difficult 2018 for investors in European equities as geopolitical concerns and faltering global economic growth resulted in declines for most major equity markets. One measure of corporate optimism – the Purchasing Managers' Index – steadily declined over the year, falling to its lowest levels since mid-2016, as GDP growth dropped. A trade conflict between the U.S. and China also worried investors, especially with regard to the European auto sector.

The failure of U.K. politicians to agree on terms by which the country would leave the European Union continued to hamper U.K. economic growth. The year ended with no resolution, as Parliament debated whether to approve a departure proposal made by Prime Minister Theresa May. In Italy, a coalition government committed to higher public spending led to bond- and equity-market volatility, as well as friction with the European Union.

The stock markets of Finland, Norway and Switzerland were the strongest performers. Austria was Europe's worst-performing stock market, with Ireland and Belgium also performing poorly. At the sector level, Consumer Staples and Energy were the strongest performers, while Consumer Discretionary and Information Technology were the worst-performing. The Fund's overweight position in the Industrials sector held back portfolio returns the most, while an overweight position in Energy was the largest contributor to returns.

Among individual stocks, Virgin Money Holdings, the U.K. financial company, was the biggest contributor to the Fund's performance, and Gaztransport Et Technigaz, the French engineering company, was the second-biggest. Jewellery company Pandora of Denmark held back returns the most.

### **Recent Developments**

Investors have been gravitating since midyear toward defensive market sectors – sectors that tend to perform better when economic growth is slowing or falling. The result is that companies such as Unilever, which makes a range of food and everyday products, and Heineken, a drinks manufacturer, have been outperforming. Many economic indicators suggest that economic growth could continue to moderate in 2019 and, in the view of the sub-advisor, market volatility is likely to continue to be a factor in 2019.

European parliamentary elections in May, Italian budgetary concerns and uncertainty about the final form of Brexit are all likely to influence financial markets in 2019. Brexit uncertainty is undermining economic growth but has led to attractive valuations for some investments.

### **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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$17,000 (2017 – \$1,000) or 1% (2017 – 6%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.64</b>                           | <b>1.36</b>                                      | <b>(0.25)</b>     | <b>(1.35)</b>                 | <b>(1.20)</b>                   | <b>(1.44)</b> | —                                          | —                 | —                        | —                    | —             | <b>10.49</b>                        |
| Dec. 31, 2017                 | 9.44                                   | 0.20                                             | (0.24)            | —                             | 1.60                            | 1.56          | —                                          | —                 | —                        | —                    | —             | 11.64                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.05)            | 0.02                          | (0.03)                          | (0.02)        | —                                          | —                 | —                        | —                    | —             | 9.44                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.67</b>                           | <b>1.15</b>                                      | <b>(0.23)</b>     | <b>(1.14)</b>                 | <b>(1.64)</b>                   | <b>(1.86)</b> | —                                          | —                 | —                        | —                    | —             | <b>10.53</b>                        |
| Dec. 31, 2017                 | 9.45                                   | 0.22                                             | (0.22)            | —                             | 1.93                            | 1.93          | —                                          | —                 | —                        | —                    | —             | 11.67                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.05)            | 0.02                          | (0.56)                          | (0.55)        | —                                          | —                 | —                        | —                    | —             | 9.45                                |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.77</b>                           | <b>1.46</b>                                      | <b>(0.15)</b>     | <b>(1.45)</b>                 | <b>(1.17)</b>                   | <b>(1.31)</b> | —                                          | —                 | —                        | —                    | —             | <b>10.70</b>                        |
| Dec. 31, 2017                 | 9.46                                   | 0.21                                             | (0.14)            | —                             | 1.99                            | 2.06          | —                                          | —                 | —                        | —                    | —             | 11.77                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.03)            | 0.02                          | 0.31                            | 0.34          | —                                          | —                 | —                        | —                    | —             | 9.46                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.82</b>                           | <b>1.28</b>                                      | <b>(0.11)</b>     | <b>(1.27)</b>                 | <b>(1.56)</b>                   | <b>(1.66)</b> | —                                          | —                 | —                        | —                    | —             | <b>10.78</b>                        |
| Dec. 31, 2017                 | 9.47                                   | 0.18                                             | (0.11)            | —                             | 1.88                            | 1.95          | —                                          | —                 | —                        | —                    | —             | 11.82                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | (0.02)            | 0.02                          | (0.57)                          | (0.53)        | —                                          | —                 | —                        | —                    | —             | 9.47                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.12</b>                           | <b>0.17</b>                                      | —                 | <b>(0.17)</b>                 | <b>(4.39)</b>                   | <b>(4.39)</b> | —                                          | <b>(0.05)</b>     | —                        | —                    | <b>(0.05)</b> | <b>10.18</b>                        |
| Dec. 31, 2017                 | 8.86                                   | 0.21                                             | (0.01)            | —                             | 1.90                            | 2.10          | —                                          | (0.04)            | —                        | —                    | (0.04)        | 11.12                               |
| Dec. 31, 2016                 | 9.78                                   | 0.18                                             | —                 | 0.10                          | (1.26)                          | (0.98)        | —                                          | —                 | —                        | —                    | —             | 8.86                                |
| Dec. 31, 2015                 | 9.95                                   | 0.29                                             | —                 | 0.47                          | 3.17                            | 3.93          | (3.81)                                     | (0.28)            | —                        | —                    | (4.09)        | 9.78                                |
| Dec. 31, 2014                 | 10.00                                  | 0.27                                             | —                 | 0.99                          | (1.09)                          | 0.17          | —                                          | (0.23)            | —                        | —                    | (0.23)        | 9.95                                |

<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 September 26, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.49</b>                     | <b>929</b>                  | <b>89</b>                             | <b>2.15</b>                                  | <b>2.15</b>                               | <b>3.64</b>                                 | <b>1.13</b>                               |
| Dec. 31, 2017              | 11.64                            | 496                         | 43                                    | 2.18                                         | 2.22                                      | 2.60                                        | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.44                             | 11                          | 1                                     | 2.15                                         | 2.18                                      | 13.61                                       | 0.18                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.53</b>                     | <b>2 156</b>                | <b>205</b>                            | <b>2.01</b>                                  | <b>2.01</b>                               | <b>3.64</b>                                 | <b>1.13</b>                               |
| Dec. 31, 2017              | 11.67                            | 120                         | 10                                    | 2.01                                         | 2.05                                      | 2.60                                        | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.45                             | 1                           | —                                     | 2.15                                         | 2.18                                      | 13.61                                       | 0.18                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.70</b>                     | <b>688</b>                  | <b>64</b>                             | <b>1.26</b>                                  | <b>1.26</b>                               | <b>3.64</b>                                 | <b>1.13</b>                               |
| Dec. 31, 2017              | 11.77                            | 490                         | 42                                    | 1.25                                         | 1.29                                      | 2.60                                        | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.46                             | 50                          | 5                                     | 1.30                                         | 1.33                                      | 13.61                                       | 0.18                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.78</b>                     | <b>994</b>                  | <b>92</b>                             | <b>0.96</b>                                  | <b>0.96</b>                               | <b>3.64</b>                                 | <b>1.13</b>                               |
| Dec. 31, 2017              | 11.82                            | 294                         | 25                                    | 0.96                                         | 1.00                                      | 2.60                                        | 0.24                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.47                             | 1                           | —                                     | 1.02                                         | 1.05                                      | 13.61                                       | 0.18                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.18</b>                     | <b>556 794</b>              | <b>54 673</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>3.64</b>                                 | <b>1.13</b>                               |
| Dec. 31, 2017              | 11.12                            | 9 399                       | 845                                   | 0.02                                         | 0.06                                      | 2.60                                        | 0.24                                      |
| Dec. 31, 2016              | 8.86                             | 4 128                       | 466                                   | 0.02                                         | 0.05                                      | 13.61                                       | 0.18                                      |
| Dec. 31, 2015              | 9.78                             | 3 290                       | 336                                   | 0.02                                         | 0.02                                      | 29.15                                       | 0.15                                      |
| Dec. 31, 2014              | 9.95                             | 2 359                       | 237                                   | 0.02                                         | 0.02                                      | 43.79                                       | 0.24                                      |

<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 September 26, 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

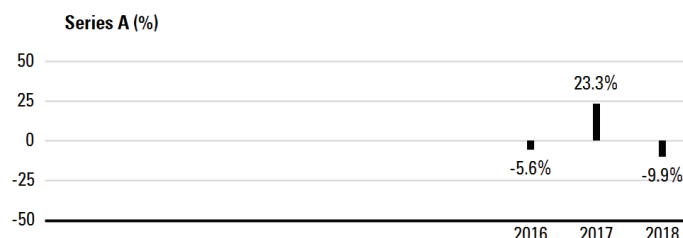
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### 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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### MSCI Europe Mid Cap Total Return Net Index (CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -9.9      | —            | —            | —             | 2.1             |
| Benchmark      | -9.9      | —            | —            | —             | 4.1             |
| Advisor Series | -9.8      | —            | —            | —             | 2.3             |
| Benchmark      | -9.9      | —            | —            | —             | 4.1             |
| Series D       | -9.1      | —            | —            | —             | 3.0             |
| Benchmark      | -9.9      | —            | —            | —             | 4.1             |
| Series F       | -8.8      | —            | —            | —             | 3.4             |
| Benchmark      | -9.9      | —            | —            | —             | 4.1             |
| Series O       | -7.9      | —            | —            | —             | 7.2             |
| Benchmark      | -9.9      | —            | —            | —             | 11.7            |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since September 26, 2016.

Although Series O units of the Fund were created in October 2012, units were not offered for sale under a simplified prospectus until June 30, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**MSCI Europe Mid Cap Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of mid-cap stocks in major equity markets in Europe. The index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United Kingdom | 40.0                 |
| Denmark        | 11.3                 |
| Switzerland    | 7.7                  |
| Ireland        | 7.2                  |
| France         | 6.4                  |
| Sweden         | 6.2                  |
| Spain          | 5.8                  |
| Germany        | 4.2                  |
| Italy          | 4.1                  |
| Norway         | 2.7                  |
| Netherlands    | 1.2                  |
| Cash/Other     | 3.2                  |

### Top 25 Holdings

|                                    | % of Net Asset Value |
|------------------------------------|----------------------|
| Cash & Cash Equivalents            | 3.2                  |
| Paddy Power Betfair Plc.           | 3.0                  |
| Red Electrica Corp. S.A.           | 2.8                  |
| InterContinental Hotels Group Plc. | 2.7                  |
| Topdanmark A/S                     | 2.7                  |
| DCC Plc.                           | 2.5                  |
| London Stock Exchange Group Plc.   | 2.5                  |
| Christian Hansen Holding A/S       | 2.4                  |
| Cranswick Plc.                     | 2.3                  |
| Ashtead Group Plc.                 | 2.3                  |
| Kerry Group Plc.                   | 2.3                  |
| Moncler S.p.A.                     | 2.2                  |
| Auto Trader Group Plc.             | 2.2                  |
| Sika AG                            | 2.1                  |
| Grifols S.A.                       | 2.1                  |
| Howden Joinery Group Plc.          | 2.0                  |
| DSV A/S                            | 2.0                  |
| Recordati S.p.A.                   | 2.0                  |
| Ryanair Holdings Plc. ADR          | 1.9                  |
| Barratt Developments Plc.          | 1.9                  |
| Rathbone Brothers Plc.             | 1.9                  |
| Symrise AG                         | 1.9                  |
| Ibstock Plc.                       | 1.8                  |
| Gaztransport Et Technigaz S.A.     | 1.8                  |
| Rightmove Plc.                     | 1.8                  |
| Top 25 Holdings                    | 56.3                 |

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).



INTERNATIONAL EQUITY FUND

**RBC ASIAN EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Investment Management (Asia) Limited, Hong Kong, China

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing in equity securities of companies located in or having a principal business interest in Asian markets such as Japan, Hong Kong, Taiwan, South Korea, Singapore, China and Australia, either directly or indirectly through investment in other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called “underlying funds”).

To achieve its investment objective, the Fund selects underlying funds from the RBC Funds family or PH&N Funds family, including the RBC Asia Pacific ex-Japan Equity Fund and the RBC Japanese Equity Fund, that focus on Asian sectors and themes and diversify their holdings across the region to reduce risk.

### Risk

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$72 million as of December 31, 2018, from \$75 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund’s Series A units lost 6.2%, which underperformed the 5.7% decline in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

The allocations to Japanese equities and to Asian equities outside Japan had a negative impact on the Fund’s performance. The segment that invests in Asia excluding Japan underperformed the Japanese portion.

Equity markets across Asia posted gains in the first half of 2018 before retreating amid escalating trade tensions between the U.S. and China and concerns that rising U.S. interest rates would lead to capital outflows and rising emerging-market volatility. For most of the year, higher energy prices had a negative impact on the many Asian countries that import oil. The significant drop in oil prices toward the end of 2018 came as a respite to these countries.

In the Fund’s Asia-Pacific holding, returns were aided by Thailand’s Fabrinet, whose shares rose on stronger-than-expected revenue growth and profitability at the maker of optical components; Metrobank, a Philippine financial institution whose shares rose on strong profit increases and steady loan growth; and CSL, given demand for the company’s plasma products. Returns were hurt by Yes Bank of India, which reported higher non-performing loans, and Baozun, a Chinese ecommerce service provider negatively affected by slower domestic growth.

In the Japanese segment, returns benefited from exposure to Sanbio, a biopharmaceutical company focused on treating brain disorders. Stock selection in the Information Technology sector contributed the most to relative performance, propelled by Nintendo, the video-game company, and BenGo4, whose online search platform provides information to lawyers and accountants. The Fund’s lack of significant exposure to the Industrials sector aided relative performance, as stocks exposed to economic growth pulled back on slowing Chinese demand.

The Fund’s holdings in Yahoo Japan, an internet search company, and Zozo, an online retailer of men’s clothing, hurt the Fund’s relative performance, as these companies reported lower-than-expected results. An underweight position in the Consumer Staples sector was also a negative for relative returns.

### Recent Developments

The portfolio manager expects financial-market volatility to remain elevated in the near term given the risks of an escalated trade war between the U.S. and China. Expectations that global economic growth will decline have led to investors’ preference for areas that are less tied to economic growth, such as the Consumer Staples and Utilities sectors and telecommunications companies, at the expense of sectors such as Information Technology. Given trade tensions, the portfolio manager of the Asia-Pacific segment is shifting its focus to investments outside China, mainly in Asian emerging markets.

The portfolio manager is mindful that higher U.S. interest rates are raising funding costs in many parts of Asia that rely on loans denominated in U.S. dollars. Japan’s economic prospects are not immune to cooling global growth and a rising tide of protectionism and slowing growth in corporate profits.



## **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***

RBC Investment Management (Asia) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.47                                  | 0.19                                             | (0.25)            | 1.03                          | (1.73)                          | (0.76) | —                                          | —                 | —                        | —                    | —      | 11.70                               |
| Dec. 31, 2017                 | 10.02                                  | 0.17                                             | (0.22)            | 0.46                          | 2.06                            | 2.47   | —                                          | —                 | —                        | —                    | —      | 12.47                               |
| Dec. 31, 2016                 | 10.18                                  | 0.15                                             | (0.20)            | 0.42                          | (0.53)                          | (0.16) | —                                          | —                 | —                        | —                    | —      | 10.02                               |
| Dec. 31, 2015                 | 8.62                                   | 0.13                                             | (0.20)            | 2.68                          | 0.25                            | 2.86   | —                                          | (0.07)            | —                        | —                    | (0.07) | 10.18                               |
| Dec. 31, 2014                 | 8.50                                   | 0.43                                             | (0.18)            | 8.67                          | (9.66)                          | (0.74) | (0.01)                                     | (0.02)            | —                        | —                    | (0.03) | 8.62                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.52                                  | 0.19                                             | (0.25)            | 1.03                          | (1.96)                          | (0.99) | —                                          | —                 | —                        | —                    | —      | 11.74                               |
| Dec. 31, 2017                 | 10.06                                  | 0.17                                             | (0.23)            | 0.47                          | 2.03                            | 2.44   | —                                          | —                 | —                        | —                    | —      | 12.52                               |
| Dec. 31, 2016                 | 10.21                                  | 0.15                                             | (0.20)            | 0.42                          | (0.61)                          | (0.24) | —                                          | —                 | —                        | —                    | —      | 10.06                               |
| Dec. 31, 2015                 | 8.65                                   | 0.13                                             | (0.21)            | 2.64                          | 0.25                            | 2.81   | —                                          | (0.07)            | —                        | —                    | (0.07) | 10.21                               |
| Dec. 31, 2014                 | 8.53                                   | 0.43                                             | (0.19)            | 8.64                          | (9.63)                          | (0.75) | (0.01)                                     | (0.02)            | —                        | —                    | (0.03) | 8.65                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.79                                  | 0.19                                             | (0.15)            | 1.06                          | (1.89)                          | (0.79) | —                                          | —                 | —                        | —                    | —      | 12.10                               |
| Dec. 31, 2017                 | 10.20                                  | 0.18                                             | (0.13)            | 0.47                          | 2.02                            | 2.54   | —                                          | —                 | —                        | —                    | —      | 12.79                               |
| Dec. 31, 2016                 | 10.26                                  | 0.15                                             | (0.12)            | 0.43                          | (0.53)                          | (0.07) | —                                          | —                 | —                        | —                    | —      | 10.20                               |
| Dec. 31, 2015                 | 8.69                                   | 0.13                                             | (0.11)            | 2.71                          | 0.25                            | 2.98   | (0.01)                                     | (0.16)            | —                        | —                    | (0.17) | 10.26                               |
| Dec. 31, 2014                 | 8.57                                   | 0.44                                             | (0.10)            | 8.78                          | (9.78)                          | (0.66) | (0.03)                                     | (0.09)            | —                        | —                    | (0.12) | 8.69                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.92                                  | 0.21                                             | (0.12)            | 1.16                          | (2.26)                          | (1.01) | —                                          | —                 | —                        | —                    | —      | 13.20                               |
| Dec. 31, 2017                 | 11.07                                  | 0.19                                             | (0.11)            | 0.52                          | 2.08                            | 2.68   | —                                          | —                 | —                        | —                    | —      | 13.92                               |
| Dec. 31, 2016                 | 11.11                                  | 0.16                                             | (0.10)            | 0.47                          | (0.91)                          | (0.38) | —                                          | —                 | —                        | —                    | —      | 11.07                               |
| Dec. 31, 2015                 | 9.41                                   | 0.15                                             | (0.10)            | 3.25                          | 0.30                            | 3.60   | (0.01)                                     | (0.20)            | —                        | —                    | (0.21) | 11.11                               |
| Dec. 31, 2014                 | 9.23                                   | 0.43                                             | (0.09)            | 8.61                          | (9.60)                          | (0.65) | (0.02)                                     | (0.07)            | —                        | —                    | (0.09) | 9.41                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.89                                  | 0.20                                             | —                 | 1.08                          | (1.97)                          | (0.69) | —                                          | —                 | —                        | —                    | —      | 12.33                               |
| Dec. 31, 2017                 | 10.16                                  | 0.18                                             | —                 | 0.48                          | 1.91                            | 2.57   | —                                          | —                 | —                        | —                    | —      | 12.89                               |
| Dec. 31, 2016                 | 10.11                                  | 0.14                                             | —                 | 0.41                          | (3.61)                          | (3.06) | —                                          | —                 | —                        | —                    | —      | 10.16                               |
| Dec. 31, 2015                 | 8.56                                   | 0.07                                             | —                 | 1.40                          | 0.13                            | 1.60   | (0.01)                                     | (0.27)            | —                        | —                    | (0.28) | 10.11                               |
| Dec. 31, 2014                 | 8.63                                   | 0.14                                             | —                 | 2.81                          | (3.13)                          | (0.18) | (0.10)                                     | (0.34)            | —                        | —                    | (0.44) | 8.56                                |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.70</b>                     | <b>52 978</b>               | <b>4 529</b>                          | <b>2.00</b>                                  | <b>2.00</b>                               | <b>10.71</b>                                | <b>0.24</b>                               |
| Dec. 31, 2017         | 12.47                            | 60 456                      | 4 847                                 | 2.00                                         | 2.00                                      | 7.52                                        | 0.28                                      |
| Dec. 31, 2016         | 10.02                            | 54 687                      | 5 456                                 | 2.06                                         | 2.06                                      | 14.83                                       | 0.29                                      |
| Dec. 31, 2015         | 10.18                            | 62 391                      | 6 130                                 | 2.11                                         | 2.11                                      | 43.55                                       | 0.38                                      |
| Dec. 31, 2014         | 8.62                             | 56 922                      | 6 602                                 | 2.18                                         | 2.18                                      | 175.02                                      | 0.64                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.74</b>                     | <b>587</b>                  | <b>50</b>                             | <b>2.00</b>                                  | <b>2.00</b>                               | <b>10.71</b>                                | <b>0.24</b>                               |
| Dec. 31, 2017         | 12.52                            | 398                         | 32                                    | 2.01                                         | 2.01                                      | 7.52                                        | 0.28                                      |
| Dec. 31, 2016         | 10.06                            | 313                         | 31                                    | 2.06                                         | 2.06                                      | 14.83                                       | 0.29                                      |
| Dec. 31, 2015         | 10.21                            | 319                         | 31                                    | 2.13                                         | 2.13                                      | 43.55                                       | 0.38                                      |
| Dec. 31, 2014         | 8.65                             | 280                         | 32                                    | 2.20                                         | 2.20                                      | 175.02                                      | 0.64                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.10</b>                     | <b>9 575</b>                | <b>792</b>                            | <b>1.18</b>                                  | <b>1.18</b>                               | <b>10.71</b>                                | <b>0.24</b>                               |
| Dec. 31, 2017         | 12.79                            | 8 805                       | 688                                   | 1.18                                         | 1.18                                      | 7.52                                        | 0.28                                      |
| Dec. 31, 2016         | 10.20                            | 6 401                       | 628                                   | 1.18                                         | 1.18                                      | 14.83                                       | 0.29                                      |
| Dec. 31, 2015         | 10.26                            | 6 864                       | 669                                   | 1.18                                         | 1.18                                      | 43.55                                       | 0.38                                      |
| Dec. 31, 2014         | 8.69                             | 5 578                       | 642                                   | 1.22                                         | 1.22                                      | 175.02                                      | 0.64                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.20</b>                     | <b>8 684</b>                | <b>658</b>                            | <b>0.90</b>                                  | <b>0.90</b>                               | <b>10.71</b>                                | <b>0.24</b>                               |
| Dec. 31, 2017         | 13.92                            | 5 426                       | 390                                   | 0.90                                         | 0.90                                      | 7.52                                        | 0.28                                      |
| Dec. 31, 2016         | 11.07                            | 2 129                       | 192                                   | 0.90                                         | 0.90                                      | 14.83                                       | 0.29                                      |
| Dec. 31, 2015         | 11.11                            | 1 332                       | 120                                   | 0.92                                         | 0.92                                      | 43.55                                       | 0.38                                      |
| Dec. 31, 2014         | 9.41                             | 675                         | 72                                    | 0.95                                         | 0.95                                      | 175.02                                      | 0.64                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.33</b>                     | <b>35</b>                   | <b>3</b>                              | <b>0.04</b>                                  | <b>0.04</b>                               | <b>10.71</b>                                | <b>0.24</b>                               |
| Dec. 31, 2017         | 12.89                            | 27                          | 2                                     | 0.04                                         | 0.04                                      | 7.52                                        | 0.28                                      |
| Dec. 31, 2016         | 10.16                            | 6                           | 1                                     | 0.05                                         | 0.05                                      | 14.83                                       | 0.29                                      |
| Dec. 31, 2015         | 10.11                            | 334                         | 33                                    | 0.05                                         | 0.05                                      | 43.55                                       | 0.38                                      |
| Dec. 31, 2014         | 8.56                             | 206 023                     | 24 055                                | 0.03                                         | 0.03                                      | 175.02                                      | 0.64                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.00% and Advisor Series – 2.01%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

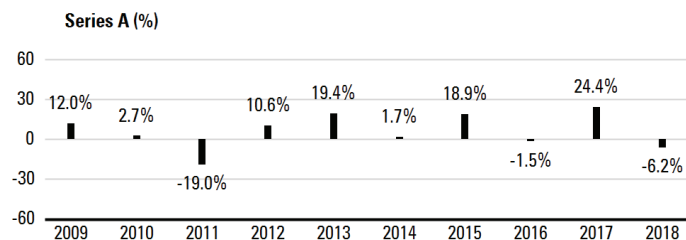
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

### PAST PERFORMANCE

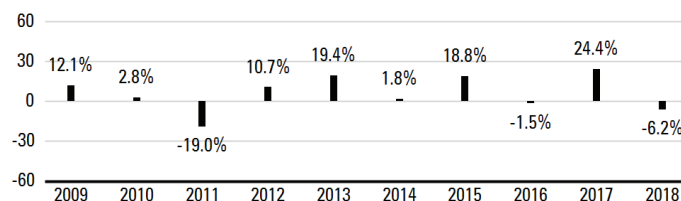
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

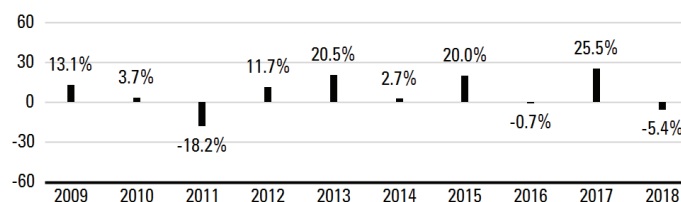
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



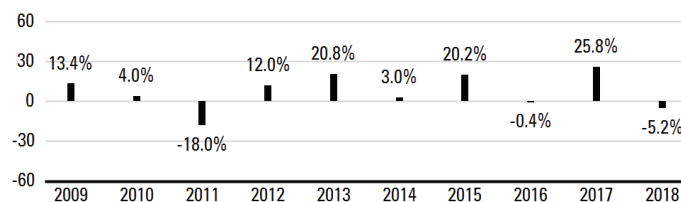
**Advisor Series (%)**



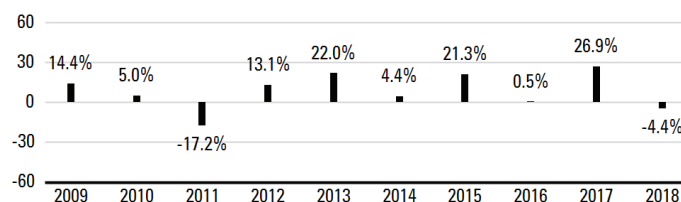
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI AC Asia Pacific Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -6.2         | 4.7             | 6.8             | 5.5              | —                  |
| Benchmark      | -5.7         | 5.5             | 8.5             | 8.8              | —                  |
| Advisor Series | -6.2         | 4.7             | 6.8             | 5.5              | —                  |
| Benchmark      | -5.7         | 5.5             | 8.5             | 8.8              | —                  |
| Series D       | -5.4         | 5.6             | 7.7             | 6.5              | —                  |
| Benchmark      | -5.7         | 5.5             | 8.5             | 8.8              | —                  |
| Series F       | -5.2         | 5.9             | 8.0             | 6.8              | —                  |
| Benchmark      | -5.7         | 5.5             | 8.5             | 8.8              | —                  |
| Series O       | -4.4         | 6.8             | 9.1             | 7.8              | —                  |
| Benchmark      | -5.7         | 5.5             | 8.5             | 8.8              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI AC Asia Pacific Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of stocks from equity markets covering countries that are mostly in the Pacific Rim, but includes India. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                                      | % of Net Asset Value |
|--------------------------------------|----------------------|
| Asian (excluding Japan) Equity Funds | 62.3                 |
| Japanese Equity Funds                | 37.7                 |

### Top 25 Holdings\*

|                                       | % of Net Asset Value |
|---------------------------------------|----------------------|
| RBC Asia Pacific ex-Japan Equity Fund | 62.2                 |
| RBC Japanese Equity Fund              | 37.7                 |
| Cash & Cash Equivalents               | 0.1                  |
| Total                                 | 100.0                |

\* 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).



INTERNATIONAL EQUITY FUND

**RBC ASIA PACIFIC EX-JAPAN  
EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Investment Management (Asia) Limited, Hong Kong, China

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of companies located or having a principal business interest in Asian markets such as Hong Kong, South Korea, China, Taiwan, Australia, New Zealand, Singapore, India, Malaysia, Thailand, the Philippines and Indonesia. The Fund does not invest in Japan.

To achieve the Fund's objectives, the portfolio manager uses primarily fundamental research to assess the economic outlook for the Asian region, including expected growth, market valuations and economic trends. The portfolio manager may invest as much as 10% of the Fund's assets in other mutual funds managed by RBC GAM or an affiliate.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$2.2 billion as of December 31, 2018, from \$2.0 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 6.7%, which underperformed the 6.2% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets across Asia, both developed and emerging, posted gains in the first half of 2018 before retreating amid escalating trade tensions between the U.S. and China as well as concerns that rising U.S. interest rates would lead to capital outflows and rising emerging-market volatility. For most of the year, higher energy prices had a negative impact on the many Asian countries that must import oil. The significant drop in oil prices toward the end of 2018 came as a respite to these countries.

The largest contributor to the Fund's returns came from the Fund's holdings in Thailand, the Philippines and Australia. In Thailand, Fabrinet shares rose on the back of stronger-than-expected revenue growth and profitability as the assembler of electronic components gained market share. In the Philippines, Metrobank shares rose on strong profit increases and steady loan growth. In Australia, strong demand for CSL's plasma products drove the shares higher.

The stock that had the most negative impact on returns was Yes Bank of India, whose shares declined on a rise in non-performing loans and uncertainty around CEO succession. Baozun, a Chinese e-commerce service provider, also hurt the Fund's performance as the domestic economy slowed. However, the decision to eliminate Alibaba, a bigger e-commerce company, from the portfolio in the third quarter allowed the Fund to avoid some of the negative impact of the broad late-year drop in technology stocks.

During the year, the Fund initiated a position in Computershare, an Australian company that operates share registries and administers employee share plans and corporate trust services. Computershare is the only global provider of share-registry administration, and has a stable and growing revenue stream.

### **Recent Developments**

The sub-advisor expects market volatility to remain elevated in the near term given the risks of an escalated trade war between the U.S. and China. Expectations that global economic growth will decline has led to investors' preference for areas that are less tied to economic growth, such as the Consumer Staples and Utilities sectors and telecommunications companies, at the expense of sectors such as Information Technology. Given Sino-U.S. trade tensions, the sub-advisor is shifting its focus to investments outside China and Japan, mainly in Asian emerging markets.

The sub-advisor believes that 2018's equity-market declines and expectations of significant market fluctuations in 2019 will provide the Fund with good investment opportunities. Certain markets and industries are trading at attractive valuations and offer the potential for attractive long-term returns.

### **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***

RBC Investment Management (Asia) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.22                                  | 0.21                                             | (0.29)            | 1.04                          | (1.99)                          | (1.03) | —                                          | —                 | (0.89)                   | —                    | (0.89) | 11.42                               |
| Dec. 31, 2017                 | 10.64                                  | 0.21                                             | (0.27)            | 0.76                          | 2.02                            | 2.72   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 13.22                               |
| Dec. 31, 2016                 | 10.97                                  | 0.18                                             | (0.23)            | (0.22)                        | (0.01)                          | (0.28) | —                                          | —                 | —                        | —                    | —      | 10.64                               |
| Dec. 31, 2015                 | 10.34                                  | 0.56                                             | (0.24)            | 0.54                          | 0.53                            | 1.39   | (0.04)                                     | (0.20)            | (0.50)                   | —                    | (0.74) | 10.97                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.28                                             | (0.19)            | 0.13                          | 0.25                            | 0.47   | (0.01)                                     | (0.04)            | (0.08)                   | —                    | (0.13) | 10.34                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.26                                  | 0.22                                             | (0.29)            | 1.05                          | (1.63)                          | (0.65) | —                                          | —                 | (0.89)                   | —                    | (0.89) | 11.46                               |
| Dec. 31, 2017                 | 10.68                                  | 0.22                                             | (0.28)            | 0.77                          | 2.40                            | 3.11   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 13.26                               |
| Dec. 31, 2016                 | 11.01                                  | 0.18                                             | (0.24)            | (0.22)                        | (0.24)                          | (0.52) | —                                          | —                 | —                        | —                    | —      | 10.68                               |
| Dec. 31, 2015                 | 10.39                                  | 0.57                                             | (0.24)            | 0.55                          | 0.54                            | 1.42   | (0.05)                                     | (0.20)            | (0.51)                   | —                    | (0.76) | 11.01                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.32                                             | (0.18)            | 0.15                          | 0.29                            | 0.58   | —                                          | (0.02)            | (0.08)                   | —                    | (0.10) | 10.39                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.42                                  | 0.22                                             | (0.19)            | 1.06                          | (1.88)                          | (0.79) | —                                          | (0.03)            | (0.91)                   | —                    | (0.94) | 11.66                               |
| Dec. 31, 2017                 | 10.73                                  | 0.22                                             | (0.18)            | 0.77                          | 1.94                            | 2.75   | —                                          | (0.01)            | (0.33)                   | —                    | (0.34) | 13.42                               |
| Dec. 31, 2016                 | 11.01                                  | 0.18                                             | (0.15)            | (0.22)                        | 0.04                            | (0.15) | —                                          | (0.03)            | —                        | —                    | (0.03) | 10.73                               |
| Dec. 31, 2015                 | 10.39                                  | 0.57                                             | (0.16)            | 0.55                          | 0.54                            | 1.50   | (0.06)                                     | (0.28)            | (0.51)                   | —                    | (0.85) | 11.01                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.27                                             | (0.12)            | 0.12                          | 0.25                            | 0.52   | (0.02)                                     | (0.05)            | (0.08)                   | —                    | (0.15) | 10.39                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.45                                  | 0.22                                             | (0.15)            | 1.05                          | (2.28)                          | (1.16) | —                                          | (0.07)            | (0.91)                   | —                    | (0.98) | 11.69                               |
| Dec. 31, 2017                 | 10.76                                  | 0.22                                             | (0.14)            | 0.78                          | 2.07                            | 2.93   | —                                          | (0.06)            | (0.33)                   | —                    | (0.39) | 13.45                               |
| Dec. 31, 2016                 | 11.04                                  | 0.18                                             | (0.12)            | (0.22)                        | 0.03                            | (0.13) | —                                          | (0.06)            | —                        | —                    | (0.06) | 10.76                               |
| Dec. 31, 2015                 | 10.45                                  | 0.56                                             | (0.13)            | 0.54                          | 0.53                            | 1.50   | (0.07)                                     | (0.30)            | (0.54)                   | —                    | (0.91) | 11.04                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.26                                             | (0.09)            | 0.12                          | 0.24                            | 0.53   | (0.01)                                     | (0.04)            | (0.08)                   | —                    | (0.13) | 10.45                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.35                                  | 0.22                                             | —                 | 1.05                          | (1.81)                          | (0.54) | (0.01)                                     | (0.19)            | (0.91)                   | —                    | (1.11) | 11.59                               |
| Dec. 31, 2017                 | 10.67                                  | 0.22                                             | —                 | 0.77                          | 2.22                            | 3.21   | —                                          | (0.20)            | (0.32)                   | —                    | (0.52) | 13.35                               |
| Dec. 31, 2016                 | 10.95                                  | 0.18                                             | —                 | (0.22)                        | (0.03)                          | (0.07) | —                                          | (0.18)            | —                        | —                    | (0.18) | 10.67                               |
| Dec. 31, 2015                 | 10.35                                  | 0.57                                             | —                 | 0.55                          | 0.54                            | 1.66   | (0.09)                                     | (0.41)            | (0.52)                   | —                    | (1.02) | 10.95                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.29                                             | —                 | 0.13                          | 0.27                            | 0.69   | (0.06)                                     | (0.17)            | (0.08)                   | —                    | (0.31) | 10.35                               |

<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 March 10, 2014.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.42</b>                     | <b>6 512</b>                | <b>570</b>                            | <b>2.20</b>                                  | <b>2.20</b>                               | <b>54.85</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017              | 13.22                            | 5 238                       | 396                                   | 2.19                                         | 2.19                                      | 60.86                                       | 0.33                                      |
| Dec. 31, 2016              | 10.64                            | 2 334                       | 219                                   | 2.17                                         | 2.17                                      | 61.05                                       | 0.33                                      |
| Dec. 31, 2015              | 10.97                            | 2 257                       | 206                                   | 2.16                                         | 2.16                                      | 80.43                                       | 0.47                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.34                            | 1 271                       | 123                                   | 2.19                                         | 2.19                                      | 105.08                                      | 0.51                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.46</b>                     | <b>41</b>                   | <b>4</b>                              | <b>2.20</b>                                  | <b>2.20</b>                               | <b>54.85</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017              | 13.26                            | 80                          | 6                                     | 2.22                                         | 2.22                                      | 60.86                                       | 0.33                                      |
| Dec. 31, 2016              | 10.68                            | 15                          | 1                                     | 2.23                                         | 2.23                                      | 61.05                                       | 0.33                                      |
| Dec. 31, 2015              | 11.01                            | 21                          | 2                                     | 2.10                                         | 2.10                                      | 80.43                                       | 0.47                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.39                            | 23                          | 2                                     | 2.10                                         | 2.10                                      | 105.08                                      | 0.51                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.66</b>                     | <b>2 153</b>                | <b>185</b>                            | <b>1.39</b>                                  | <b>1.39</b>                               | <b>54.85</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017              | 13.42                            | 2 368                       | 177                                   | 1.41                                         | 1.41                                      | 60.86                                       | 0.33                                      |
| Dec. 31, 2016              | 10.73                            | 1 017                       | 95                                    | 1.39                                         | 1.39                                      | 61.05                                       | 0.33                                      |
| Dec. 31, 2015              | 11.01                            | 508                         | 46                                    | 1.38                                         | 1.38                                      | 80.43                                       | 0.47                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.39                            | 352                         | 34                                    | 1.39                                         | 1.39                                      | 105.08                                      | 0.51                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.69</b>                     | <b>4 604</b>                | <b>394</b>                            | <b>1.10</b>                                  | <b>1.10</b>                               | <b>54.85</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017              | 13.45                            | 2 434                       | 181                                   | 1.10                                         | 1.10                                      | 60.86                                       | 0.33                                      |
| Dec. 31, 2016              | 10.76                            | 1 143                       | 106                                   | 1.11                                         | 1.11                                      | 61.05                                       | 0.33                                      |
| Dec. 31, 2015              | 11.04                            | 414                         | 38                                    | 1.15                                         | 1.15                                      | 80.43                                       | 0.47                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.45                            | 160                         | 15                                    | 1.05                                         | 1.05                                      | 105.08                                      | 0.51                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.59</b>                     | <b>2 142 428</b>            | <b>184 909</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>54.85</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017              | 13.35                            | 1 995 965                   | 149 543                               | 0.02                                         | 0.02                                      | 60.86                                       | 0.33                                      |
| Dec. 31, 2016              | 10.67                            | 1 642 250                   | 153 883                               | 0.02                                         | 0.02                                      | 61.05                                       | 0.33                                      |
| Dec. 31, 2015              | 10.95                            | 1 537 371                   | 140 415                               | 0.02                                         | 0.02                                      | 80.43                                       | 0.47                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.35                            | 1 083 454                   | 104 714                               | 0.02                                         | 0.02                                      | 105.08                                      | 0.51                                      |

<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 March 10, 2014.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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.

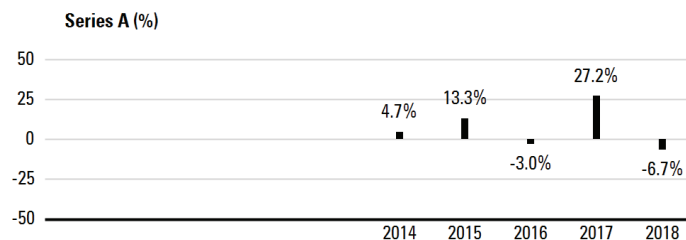
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

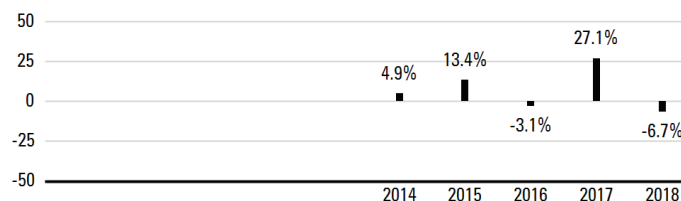
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

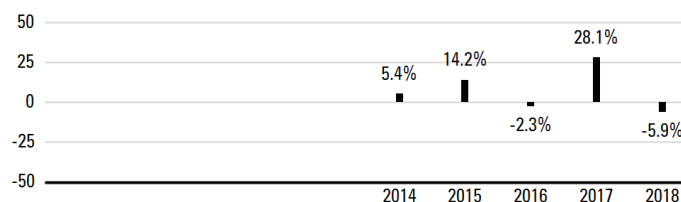
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



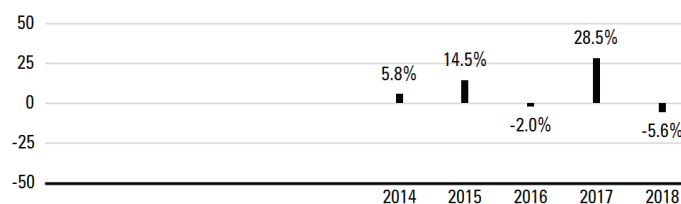
### Advisor Series (%)



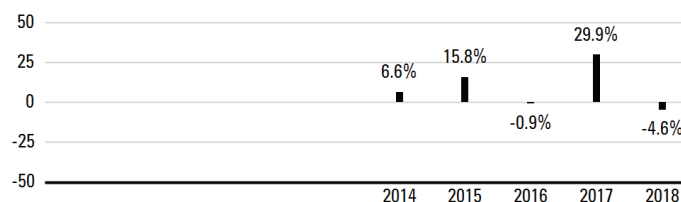
### Series D (%)



### Series F (%)



### Series O (%)







## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI AC Asia Pacific ex-Japan Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -6.7         | 4.8             | —               | —                | 6.7                |
| Benchmark      | -6.2         | 7.4             | —               | —                | 8.1                |
| Advisor Series | -6.7         | 4.8             | —               | —                | 6.7                |
| Benchmark      | -6.2         | 7.4             | —               | —                | 8.1                |
| Series D       | -5.9         | 5.6             | —               | —                | 7.5                |
| Benchmark      | -6.2         | 7.4             | —               | —                | 8.1                |
| Series F       | -5.6         | 5.9             | —               | —                | 7.9                |
| Benchmark      | -6.2         | 7.4             | —               | —                | 8.1                |
| Series O       | -4.6         | 7.1             | —               | —                | 9.0                |
| Benchmark      | -6.2         | 7.4             | —               | —                | 8.1                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since March 10, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI AC Asia Pacific ex-Japan Total Return Net Index (CAD)** This index is a broad measure of equity-market performance in Asia excluding Japan. Included in the index are the stock markets of Australia, Hong Kong, New Zealand and Singapore, as well as eight emerging-market countries including China and India. The index covers most of the free float-adjusted market capitalization in each country. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|             | % of Net Asset Value |
|-------------|----------------------|
| China       | 25.3                 |
| Australia   | 15.3                 |
| India       | 13.9                 |
| South Korea | 13.1                 |
| Taiwan      | 7.5                  |
| Indonesia   | 6.6                  |
| Hong Kong   | 6.0                  |
| Thailand    | 3.8                  |
| Philippines | 1.9                  |
| Singapore   | 1.3                  |
| New Zealand | 1.1                  |
| Cash/Other  | 4.2                  |

### Top 25 Holdings

|                                               | % of Net Asset Value |
|-----------------------------------------------|----------------------|
| Tencent Holdings Ltd.                         | 6.8                  |
| Taiwan Semiconductor Manufacturing Co. Ltd.   | 5.3                  |
| Samsung Electronics Co. Ltd.                  | 4.4                  |
| CSL Ltd.                                      | 4.1                  |
| HDFC Bank Ltd.                                | 3.3                  |
| Ping An Insurance Group Company of China Ltd. | 3.2                  |
| Cash & Cash Equivalents                       | 3.1                  |
| AIA Group Ltd.                                | 3.0                  |
| Bank of China Ltd.                            | 2.7                  |
| Commonwealth Bank of Australia                | 2.2                  |
| Korea Electric Power Corp.                    | 2.1                  |
| IMAX China Holding Inc.                       | 2.0                  |
| Shenzhou International Group Holdings Ltd.    | 2.0                  |
| Metropolitan Bank & Trust Co.                 | 1.9                  |
| Hong Kong Exchanges and Clearing Ltd.         | 1.7                  |
| Bajaj Finance Ltd.                            | 1.6                  |
| CP All PCL                                    | 1.5                  |
| PT Telekomunikasi Indonesia Persero Tbk       | 1.5                  |
| SK Innovation Co. Ltd.                        | 1.4                  |
| Oil Search Ltd.                               | 1.4                  |
| Challenger Ltd.                               | 1.4                  |
| Hindustan Unilever Ltd.                       | 1.3                  |
| Cochlear Limited                              | 1.3                  |
| Telstra Corp. Ltd.                            | 1.3                  |
| Marico Ltd.                                   | 1.3                  |
| Top 25 Holdings                               | 61.8                 |

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).



INTERNATIONAL EQUITY FUND

**RBC JAPANESE EQUITY FUND**

December 31, 2018

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

Sub-Advisor: RBC Investment Management (Asia) Limited, Hong Kong, China

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of Japanese companies.

To achieve the Fund's objectives, the portfolio manager uses primarily fundamental research to assess the economic outlook for Japan, including expected growth, market valuations and economic trends. The portfolio manager may invest as much as 10% of the Fund's assets in other mutual funds managed by RBC GAM or an affiliate.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$1.2 billion as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series A units lost 6.6%, which underperformed the 5.0% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Japanese equity markets slumped in 2018 as concerns about the deepening trade dispute between the U.S. and China lowered stock valuations even as Japanese companies reported better-than-expected earnings. Meanwhile, the Japanese economy remained sound amid strong capital expenditures and business and consumer confidence. A combination of rising wages and steady job creation resulted in healthy income increases that helped drive domestic consumption.

The Fund outperformed the benchmark, as both sector allocation and stock selection contributed to returns. Sanbio, a biopharmaceutical company focused on treating brain injuries and neurological disorders, had a significant positive impact on performance following successful U.S. clinical trials of its treatment for stroke. Stock selection in the Information Technology sector contributed the most to relative performance, propelled by Nintendo, the video-game company, and BenGo4, whose online search platform provides information to lawyers and accountants. Additionally, the Fund's

lack of significant exposure to the Industrials sector aided relative performance, as stocks that are highly exposed to economic growth pulled back on slowing Chinese demand.

On the other hand, the Fund's holdings in Yahoo Japan, the internet search company, and Zozo, an online retailer of men's clothing, hurt the Fund's relative performance as the companies reported lower-than-expected results for much of the year. An underweight position in the Consumer Staples sector was also a negative for relative returns.

### Recent Developments

The sub-advisor remains optimistic about Japanese equities as long as positive economic trends stay intact. A tight labour market has translated into faster growth in personal incomes, and the Bank of Japan (the "BOJ") remains dedicated to fighting stubbornly low inflation. The sub-advisor expects the BOJ to keep interest rates at extremely low levels, while a boost in fiscal spending allows Japan to better cope with the sales-tax hike that takes effect in 2019. Longer-term positives, in the view of the sub-advisor, are reforms in corporate governance and related dividend increases.

The sub-advisor is mindful, however, that higher U.S. interest rates are raising funding costs in many parts of Asia that rely on loans denominated in U.S. dollars. More importantly, Japan's economic prospects are not immune to cooling global growth and a rising tide of protectionism and slowing growth in corporate profits.

### 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***

RBC Investment Management (Asia) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.71                                  | 0.19                                             | (0.29)            | 0.95                          | (1.98)                          | (1.13) | —                                          | —                 | (0.83)                   | —                    | (0.83) | 11.05                               |
| Dec. 31, 2017                 | 10.89                                  | 0.17                                             | (0.26)            | 0.53                          | 1.62                            | 2.06   | —                                          | —                 | (0.36)                   | —                    | (0.36) | 12.71                               |
| Dec. 31, 2016                 | 11.89                                  | 0.18                                             | (0.26)            | 1.15                          | (1.09)                          | (0.02) | —                                          | —                 | (1.04)                   | —                    | (1.04) | 10.89                               |
| Dec. 31, 2015                 | 10.00                                  | 0.17                                             | (0.27)            | 1.15                          | 1.69                            | 2.74   | —                                          | —                 | (0.91)                   | —                    | (0.91) | 11.89                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.18)            | 0.25                          | 0.38                            | 0.56   | —                                          | —                 | (0.21)                   | —                    | (0.21) | 10.00                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.74                                  | 0.19                                             | (0.29)            | 0.96                          | (1.61)                          | (0.75) | —                                          | —                 | (0.83)                   | —                    | (0.83) | 11.08                               |
| Dec. 31, 2017                 | 10.93                                  | 0.17                                             | (0.28)            | 0.53                          | 1.51                            | 1.93   | —                                          | —                 | (0.37)                   | —                    | (0.37) | 12.74                               |
| Dec. 31, 2016                 | 11.92                                  | 0.18                                             | (0.25)            | 1.14                          | (1.13)                          | (0.06) | —                                          | —                 | (1.04)                   | —                    | (1.04) | 10.93                               |
| Dec. 31, 2015                 | 10.02                                  | 0.17                                             | (0.26)            | 1.15                          | 1.69                            | 2.75   | —                                          | —                 | (0.91)                   | —                    | (0.91) | 11.92                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.16                                             | (0.17)            | 0.35                          | 0.55                            | 0.89   | —                                          | —                 | (0.21)                   | —                    | (0.21) | 10.02                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.15                                  | 0.20                                             | (0.19)            | 0.99                          | (1.99)                          | (0.99) | —                                          | —                 | (0.87)                   | —                    | (0.87) | 11.53                               |
| Dec. 31, 2017                 | 11.18                                  | 0.17                                             | (0.17)            | 0.55                          | 1.71                            | 2.26   | —                                          | —                 | (0.38)                   | —                    | (0.38) | 13.15                               |
| Dec. 31, 2016                 | 12.06                                  | 0.19                                             | (0.16)            | 1.17                          | (1.53)                          | (0.33) | —                                          | —                 | (1.02)                   | —                    | (1.02) | 11.18                               |
| Dec. 31, 2015                 | 10.06                                  | 0.17                                             | (0.17)            | 1.16                          | 1.71                            | 2.87   | —                                          | —                 | (0.93)                   | —                    | (0.93) | 12.06                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.11)            | 0.25                          | 0.39                            | 0.64   | —                                          | (0.01)            | (0.21)                   | —                    | (0.22) | 10.06                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.17                                  | 0.20                                             | (0.15)            | 0.99                          | (2.49)                          | (1.45) | —                                          | (0.04)            | (0.87)                   | —                    | (0.91) | 11.54                               |
| Dec. 31, 2017                 | 11.19                                  | 0.17                                             | (0.14)            | 0.55                          | 1.70                            | 2.28   | —                                          | (0.03)            | (0.37)                   | —                    | (0.40) | 13.17                               |
| Dec. 31, 2016                 | 12.07                                  | 0.19                                             | (0.13)            | 1.17                          | 0.13                            | 1.36   | —                                          | (0.05)            | (1.01)                   | —                    | (1.06) | 11.19                               |
| Dec. 31, 2015                 | 10.07                                  | 0.17                                             | (0.13)            | 1.15                          | 1.69                            | 2.88   | —                                          | (0.03)            | (0.95)                   | —                    | (0.98) | 12.07                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | (0.07)            | 0.44                          | 0.68                            | 1.25   | —                                          | (0.04)            | (0.21)                   | —                    | (0.25) | 10.07                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.11                                  | 0.20                                             | —                 | 0.99                          | (1.79)                          | (0.60) | —                                          | (0.18)            | (0.87)                   | —                    | (1.05) | 11.48                               |
| Dec. 31, 2017                 | 11.14                                  | 0.17                                             | —                 | 0.55                          | 1.80                            | 2.52   | —                                          | (0.18)            | (0.37)                   | —                    | (0.55) | 13.11                               |
| Dec. 31, 2016                 | 12.08                                  | 0.19                                             | —                 | 1.18                          | (1.05)                          | 0.32   | —                                          | (0.17)            | (1.09)                   | —                    | (1.26) | 11.14                               |
| Dec. 31, 2015                 | 10.08                                  | 0.17                                             | —                 | 1.18                          | 1.74                            | 3.09   | —                                          | (0.16)            | (0.94)                   | —                    | (1.10) | 12.08                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.12                                             | —                 | 0.27                          | 0.41                            | 0.80   | —                                          | (0.10)            | (0.21)                   | —                    | (0.31) | 10.08                               |

<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 March 10, 2014.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.05</b>                     | <b>6 179</b>                | <b>559</b>                            | <b>2.21</b>                                  | <b>2.21</b>                               | <b>59.41</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 12.71                            | 4 614                       | 363                                   | 2.22                                         | 2.22                                      | 67.99                                       | 0.19                                      |
| Dec. 31, 2016              | 10.89                            | 3 658                       | 336                                   | 2.23                                         | 2.23                                      | 82.47                                       | 0.22                                      |
| Dec. 31, 2015              | 11.89                            | 4 693                       | 395                                   | 2.23                                         | 2.23                                      | 89.25                                       | 0.26                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.00                            | 711                         | 71                                    | 2.23                                         | 2.23                                      | 91.34                                       | 0.29                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.08</b>                     | <b>850</b>                  | <b>77</b>                             | <b>2.20</b>                                  | <b>2.20</b>                               | <b>59.41</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 12.74                            | 820                         | 64                                    | 2.27                                         | 2.27                                      | 67.99                                       | 0.19                                      |
| Dec. 31, 2016              | 10.93                            | 233                         | 21                                    | 2.12                                         | 2.12                                      | 82.47                                       | 0.22                                      |
| Dec. 31, 2015              | 11.92                            | 81                          | 7                                     | 2.18                                         | 2.18                                      | 89.25                                       | 0.26                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.02                            | 4                           | —                                     | 2.10                                         | 2.10                                      | 91.34                                       | 0.29                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.53</b>                     | <b>4 444</b>                | <b>386</b>                            | <b>1.37</b>                                  | <b>1.37</b>                               | <b>59.41</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.15                            | 3 564                       | 271                                   | 1.38                                         | 1.38                                      | 67.99                                       | 0.19                                      |
| Dec. 31, 2016              | 11.18                            | 2 728                       | 244                                   | 1.38                                         | 1.38                                      | 82.47                                       | 0.22                                      |
| Dec. 31, 2015              | 12.06                            | 2 662                       | 221                                   | 1.39                                         | 1.39                                      | 89.25                                       | 0.26                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.06                            | 311                         | 31                                    | 1.38                                         | 1.38                                      | 91.34                                       | 0.29                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.54</b>                     | <b>7 306</b>                | <b>633</b>                            | <b>1.10</b>                                  | <b>1.10</b>                               | <b>59.41</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.17                            | 2 434                       | 185                                   | 1.13                                         | 1.13                                      | 67.99                                       | 0.19                                      |
| Dec. 31, 2016              | 11.19                            | 1 324                       | 118                                   | 1.06                                         | 1.06                                      | 82.47                                       | 0.22                                      |
| Dec. 31, 2015              | 12.07                            | 619                         | 51                                    | 1.06                                         | 1.06                                      | 89.25                                       | 0.26                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.07                            | 1                           | —                                     | 1.05                                         | 1.05                                      | 91.34                                       | 0.29                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.48</b>                     | <b>1 224 821</b>            | <b>106 727</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>59.41</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017              | 13.11                            | 1 216 355                   | 92 809                                | 0.02                                         | 0.02                                      | 67.99                                       | 0.19                                      |
| Dec. 31, 2016              | 11.14                            | 1 031 002                   | 92 591                                | 0.02                                         | 0.02                                      | 82.47                                       | 0.22                                      |
| Dec. 31, 2015              | 12.08                            | 965 842                     | 79 923                                | 0.02                                         | 0.02                                      | 89.25                                       | 0.26                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.08                            | 698 163                     | 69 231                                | 0.02                                         | 0.02                                      | 91.34                                       | 0.29                                      |

<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 March 10, 2014.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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.

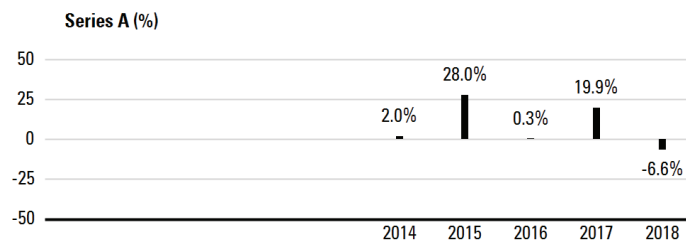
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

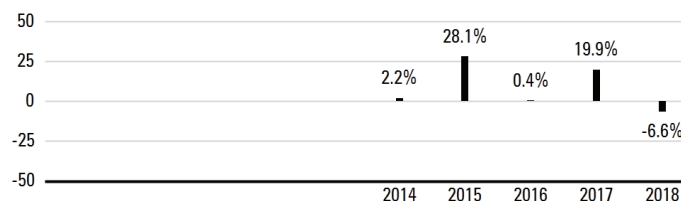
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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 (%)

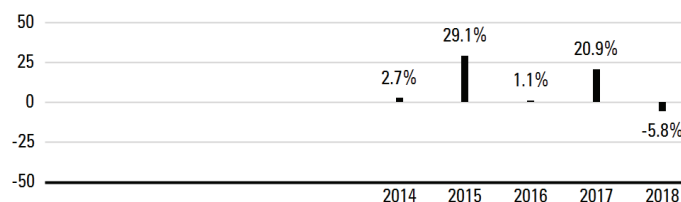
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



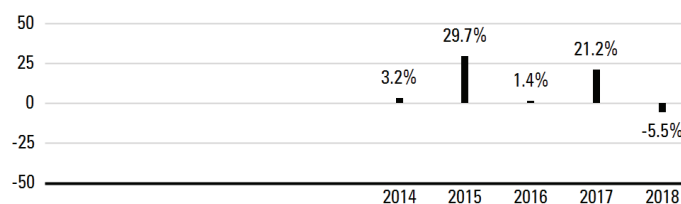
### Advisor Series (%)



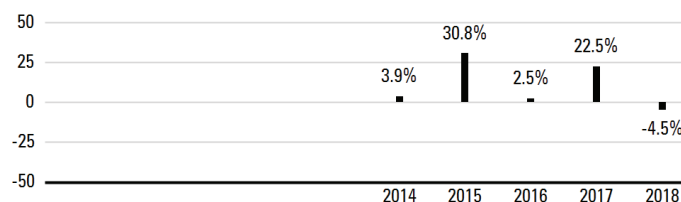
### Series D (%)



### Series F (%)



### Series O (%)





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI Japan Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -6.6         | 4.0             | —               | —                | 8.3                |
| Benchmark      | -5.0         | 2.8             | —               | —                | 8.7                |
| Advisor Series | -6.6         | 4.0             | —               | —                | 8.4                |
| Benchmark      | -5.0         | 2.8             | —               | —                | 8.7                |
| Series D       | -5.8         | 4.8             | —               | —                | 9.2                |
| Benchmark      | -5.0         | 2.8             | —               | —                | 8.7                |
| Series F       | -5.5         | 5.1             | —               | —                | 9.6                |
| Benchmark      | -5.0         | 2.8             | —               | —                | 8.7                |
| Series O       | -4.5         | 6.2             | —               | —                | 10.7               |
| Benchmark      | -5.0         | 2.8             | —               | —                | 8.7                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since March 10, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Japan Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of the large and mid-cap segments of the Japanese stock market. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Consumer Discretionary | 20.8                 |
| Communication Services | 15.8                 |
| Industrials            | 14.6                 |
| Health Care            | 13.2                 |
| Financials             | 11.4                 |
| Information Technology | 7.1                  |
| Consumer Staples       | 5.9                  |
| Real Estate            | 2.3                  |
| Utilities              | 2.3                  |
| Materials              | 2.0                  |
| Energy                 | 1.2                  |
| Cash/Other             | 3.4                  |

### Top 25 Holdings

|                                      | % of Net Asset Value |
|--------------------------------------|----------------------|
| SoftBank Group Corp.                 | 6.3                  |
| Mitsubishi Corp.                     | 3.9                  |
| SanBio Co. Ltd.                      | 3.6                  |
| Toyota Motor Corp.                   | 3.6                  |
| Cash & Cash Equivalents              | 3.2                  |
| Mizuho Financial Group Inc.          | 3.1                  |
| Mitsubishi UFJ Financial Group Inc.  | 2.9                  |
| PeptiDream Inc.                      | 2.9                  |
| Sumitomo Mitsui Financial Group Inc. | 2.9                  |
| Suzuki Motor Co. Ltd.                | 2.7                  |
| Bridgestone Corp.                    | 2.7                  |
| Sony Corp.                           | 2.6                  |
| Chubu Electric Power Co. Inc.        | 2.3                  |
| Asahi Group Holdings Ltd.            | 2.2                  |
| Nitori Co. Ltd.                      | 2.0                  |
| Nintendo Co. Ltd.                    | 1.9                  |
| Keyence Corp.                        | 1.9                  |
| Tokio Marine Holdings, Inc.          | 1.8                  |
| Daiichi Sankyo Co. Ltd.              | 1.8                  |
| Murata Manufacturing Co. Ltd.        | 1.8                  |
| Nippon Telegraph & Telephone Corp.   | 1.8                  |
| Mitsui Fudosan Co. Ltd.              | 1.8                  |
| SMC Corp.                            | 1.7                  |
| ZOZO Inc.                            | 1.7                  |
| Recruit Holdings Co. Ltd.            | 1.5                  |
| Top 25 Holdings                      | 64.6                 |

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).





INTERNATIONAL EQUITY FUND

## RBC EMERGING MARKETS MULTI-STRATEGY EQUITY FUND

December 31, 2018

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

Sub-Advisor (for the underlying fund): RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 aims to provide long-term capital growth by investing primarily in other mutual funds managed by RBC GAM or an affiliate, emphasizing funds that invest in equity securities of companies located or active in emerging markets.

The Fund invests up to 100% of its net assets in the RBC Emerging Markets Dividend Fund, RBC Emerging Markets Equity Fund and RBC Emerging Markets Small-Cap Equity Fund (the “underlying funds”), which are sub-advised by RBC Global Asset Management (UK) Limited. The underlying funds invest primarily in securities of companies located or active in emerging-market countries, including: China, Brazil, South Korea, Taiwan, India, South Africa, Russia, Mexico, Israel, Malaysia, Indonesia, Turkey, Chile, Thailand and Poland.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium-to-high investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value rose to \$318 million as of December 31, 2018, from \$259 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund’s Series A units lost 7.0%, which underperformed the 6.9% decline in the benchmark. The Fund’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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets faced a challenging 2018 given U.S.-China trade tensions and slowing economic expansion, notably in China, which accounts for a significant portion of the world’s growth. Emerging markets underperformed developed markets, as interest-rate hikes by the U.S. Federal Reserve and U.S. tax reform bolstered the U.S. dollar. This created negative sentiment towards emerging markets, which have historically underperformed during an environment of U.S. dollar strength.

All of the Fund’s investments held back performance, with the RBC Emerging Markets Dividend Fund having the most negative impact.

The Fund’s biggest holding was the RBC Emerging Markets Equity Fund, as stock selection was strong in China and India. In China, the Asian life-insurance company AIA Group reported expanding membership in its wellness platform, Vitality, through its partnership with the growing Chinese online health-services company WeDoctor. In India, HDFC, an Indian mortgage provider, helped returns as it recorded increased profits and market share. Tata Consultancy Services, which provides information-technology services, continued to bring in new business and also benefited from a weaker local currency, which boosted the value of earnings outside India. An underweight position in China helped relative performance, as Chinese equities were hurt by trade tensions with the U.S.

In the small-cap holding, stock selection was strong across most sectors, but particularly in Materials and Information Technology. The Brazilian company Duratex was helped by a broad rally in Brazilian equity markets towards the end of the year, after a pro-market candidate, Jair Bolsonaro, was elected president. In the Information Technology sector, the Indian services company Cyient did well on the back of strong revenue and earnings growth. It also benefited from the weak Indian currency. At the country level, stock selection was particularly strong in India, China and Thailand.

### **Recent Developments**

The Fund’s investments continue to be driven by long-term themes. The portfolio manager is optimistic about companies having exposure to consumption in local Asian economies; deposit franchises (banks that are able to keep the cost of funding low due to their strong deposit business); health and wellness; and infrastructure and digitalization.

There have been big differences in performance among emerging markets in recent years. Countries that embrace legal and financial reforms will end up as the winners, in the view of the portfolio manager, which is particularly optimistic about the outlook for India. In addition to reforms, India offers a good choice of high-quality businesses.



## **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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.62</b>                           | <b>0.25</b>                                      | <b>(0.24)</b>     | <b>0.29</b>                   | <b>(1.38)</b>                   | <b>(1.08)</b> | —                                          | <b>(0.09)</b>     | <b>(0.43)</b>            | —                    | <b>(0.52)</b> | <b>10.26</b>                        |
| Dec. 31, 2017                 | 9.43                                   | 0.33                                             | (0.24)            | 0.15                          | 1.59                            | 1.83          | —                                          | (0.10)            | (0.04)                   | —                    | (0.14)        | 11.62                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.24                                             | (0.06)            | (0.02)                        | (0.78)                          | (0.62)        | —                                          | (0.08)            | (0.01)                   | —                    | (0.09)        | 9.43                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.62</b>                           | <b>0.25</b>                                      | <b>(0.24)</b>     | <b>0.29</b>                   | <b>(1.05)</b>                   | <b>(0.75)</b> | —                                          | <b>(0.09)</b>     | <b>(0.43)</b>            | —                    | <b>(0.52)</b> | <b>10.26</b>                        |
| Dec. 31, 2017                 | 9.44                                   | 0.37                                             | (0.24)            | 0.16                          | 1.68                            | 1.97          | —                                          | (0.10)            | (0.04)                   | —                    | (0.14)        | 11.62                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.15                                             | (0.06)            | (0.01)                        | (0.26)                          | (0.18)        | —                                          | (0.08)            | (0.01)                   | —                    | (0.09)        | 9.44                                |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.68</b>                           | <b>0.25</b>                                      | <b>(0.14)</b>     | <b>0.29</b>                   | <b>(1.44)</b>                   | <b>(1.04)</b> | —                                          | <b>(0.14)</b>     | <b>(0.43)</b>            | —                    | <b>(0.57)</b> | <b>10.37</b>                        |
| Dec. 31, 2017                 | 9.43                                   | 0.42                                             | (0.14)            | 0.19                          | 1.62                            | 2.09          | —                                          | (0.13)            | (0.04)                   | —                    | (0.17)        | 11.68                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.40                                             | (0.04)            | (0.03)                        | (0.77)                          | (0.44)        | —                                          | (0.10)            | (0.01)                   | —                    | (0.11)        | 9.43                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.69</b>                           | <b>0.25</b>                                      | <b>(0.11)</b>     | <b>0.29</b>                   | <b>(1.34)</b>                   | <b>(0.91)</b> | —                                          | <b>(0.16)</b>     | <b>(0.43)</b>            | —                    | <b>(0.59)</b> | <b>10.39</b>                        |
| Dec. 31, 2017                 | 9.43                                   | 0.36                                             | (0.11)            | 0.16                          | 1.69                            | 2.10          | —                                          | (0.15)            | (0.04)                   | —                    | (0.19)        | 11.69                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.19                                             | (0.03)            | (0.01)                        | (0.58)                          | (0.43)        | —                                          | (0.11)            | (0.01)                   | —                    | (0.12)        | 9.43                                |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.72</b>                           | <b>0.25</b>                                      | <b>(0.01)</b>     | <b>0.30</b>                   | <b>(1.36)</b>                   | <b>(0.82)</b> | —                                          | <b>(0.21)</b>     | <b>(0.43)</b>            | —                    | <b>(0.64)</b> | <b>10.46</b>                        |
| Dec. 31, 2017                 | 9.42                                   | 0.31                                             | (0.01)            | 0.14                          | 1.68                            | 2.12          | —                                          | (0.21)            | (0.05)                   | —                    | (0.26)        | 11.72                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 1.07                                             | (0.02)            | (0.07)                        | (1.19)                          | (0.21)        | —                                          | (0.14)            | (0.01)                   | —                    | (0.15)        | 9.42                                |

<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 June 27, 2016.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.26</b>                     | <b>19 179</b>               | <b>1 869</b>                          | <b>2.30</b>                                  | <b>2.30</b>                               | <b>32.77</b>                                | <b>0.18</b>                               |
| Dec. 31, 2017              | 11.62                            | 11 852                      | 1 020                                 | 2.40                                         | 2.40                                      | 3.51                                        | 0.19                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.43                             | 403                         | 43                                    | 2.41                                         | 2.45                                      | 6.76                                        | 0.23                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.26</b>                     | <b>7 062</b>                | <b>688</b>                            | <b>2.28</b>                                  | <b>2.28</b>                               | <b>32.77</b>                                | <b>0.18</b>                               |
| Dec. 31, 2017              | 11.62                            | 3 917                       | 337                                   | 2.41                                         | 2.41                                      | 3.51                                        | 0.19                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.44                             | 232                         | 25                                    | 2.46                                         | 2.49                                      | 6.76                                        | 0.23                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.37</b>                     | <b>3 024</b>                | <b>292</b>                            | <b>1.43</b>                                  | <b>1.43</b>                               | <b>32.77</b>                                | <b>0.18</b>                               |
| Dec. 31, 2017              | 11.68                            | 1 840                       | 158                                   | 1.50                                         | 1.50                                      | 3.51                                        | 0.19                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.43                             | 150                         | 16                                    | 1.56                                         | 1.60                                      | 6.76                                        | 0.23                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.39</b>                     | <b>193 759</b>              | <b>18 644</b>                         | <b>1.16</b>                                  | <b>1.16</b>                               | <b>32.77</b>                                | <b>0.18</b>                               |
| Dec. 31, 2017              | 11.69                            | 160 510                     | 13 732                                | 1.25                                         | 1.25                                      | 3.51                                        | 0.19                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.43                             | 5 398                       | 572                                   | 1.28                                         | 1.32                                      | 6.76                                        | 0.23                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.46</b>                     | <b>95 147</b>               | <b>9 093</b>                          | <b>0.22</b>                                  | <b>0.22</b>                               | <b>32.77</b>                                | <b>0.18</b>                               |
| Dec. 31, 2017              | 11.72                            | 80 431                      | 6 865                                 | 0.30                                         | 0.30                                      | 3.51                                        | 0.19                                      |
| Dec. 31, 2016 <sup>4</sup> | 9.42                             | 443                         | 47                                    | 0.32                                         | 0.36                                      | 6.76                                        | 0.23                                      |

<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 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 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 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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

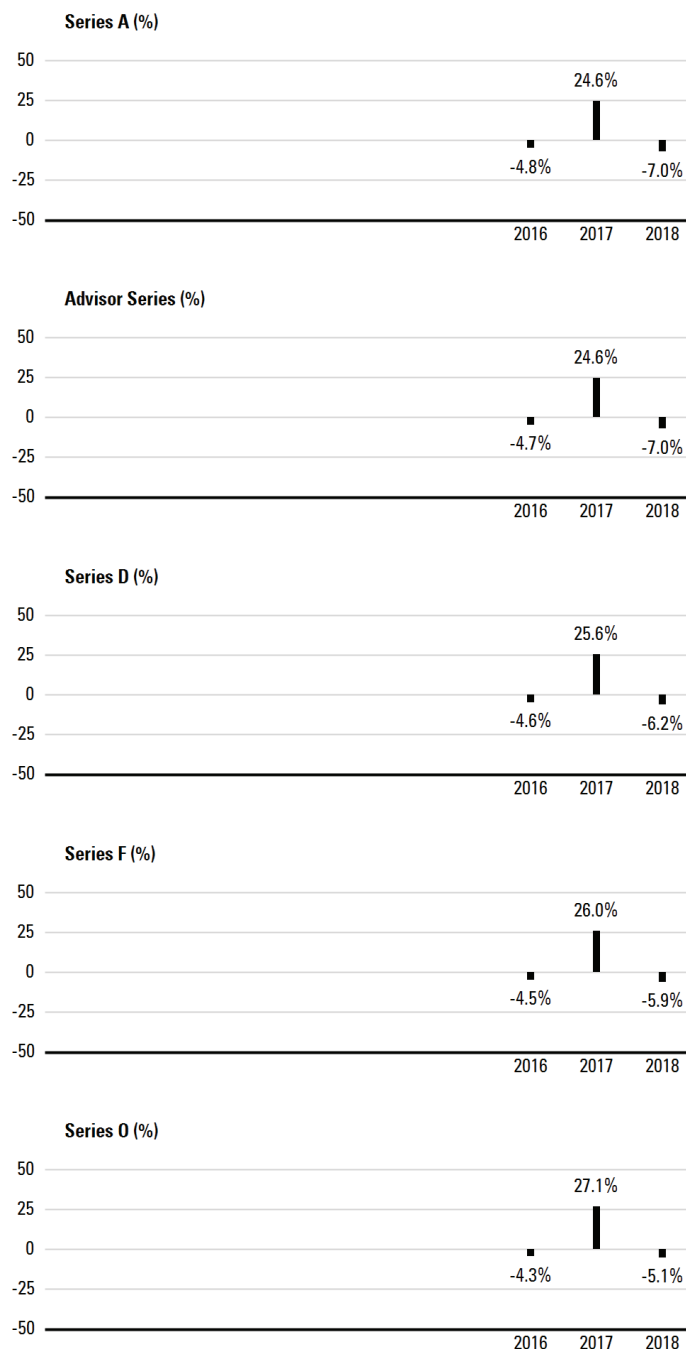
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### MSCI Emerging Markets Total Return Net Index (CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | -7.0      | —            | —            | —             | 4.4             |
| Benchmark      | -6.9      | —            | —            | —             | 6.9             |
| Advisor Series | -7.0      | —            | —            | —             | 4.4             |
| Benchmark      | -6.9      | —            | —            | —             | 6.9             |
| Series D       | -6.2      | —            | —            | —             | 5.3             |
| Benchmark      | -6.9      | —            | —            | —             | 6.9             |
| Series F       | -5.9      | —            | —            | —             | 5.6             |
| Benchmark      | -6.9      | —            | —            | —             | 6.9             |
| Series O       | -5.1      | —            | —            | —             | 6.6             |
| Benchmark      | -6.9      | —            | —            | —             | 6.9             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O units have been available for sale to unitholders since September 26, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                            | % of Net Asset Value |
|----------------------------|----------------------|
| International Equity Funds | 99.8                 |
| Cash/Other                 | 0.2                  |

### Top 25 Holdings\*

|                                            | % of Net Asset Value |
|--------------------------------------------|----------------------|
| RBC Emerging Markets Equity Fund           | 49.6                 |
| RBC Emerging Markets Dividend Fund         | 40.1                 |
| RBC Emerging Markets Small-Cap Equity Fund | 10.0                 |
| Cash & Cash Equivalents                    | 0.3                  |
| Total                                      | 100.0                |

\* 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).



INTERNATIONAL EQUITY FUND

## RBC EMERGING MARKETS DIVIDEND FUND

December 31, 2018

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting of dividend income and capital growth by investing in equity securities of companies that are located or active in emerging markets and that offer above-average dividend yields.

To achieve the Fund's objectives, the portfolio manager selects equity securities of companies in emerging-market countries, including, but not limited to, China, Brazil, South Korea, Taiwan, India, South Africa, Russia, Mexico, Peru, Malaysia, Indonesia, Turkey, Chile, Thailand and Poland. The Fund's investment process is based primarily on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection is ultimately based on an understanding of the company, its business and its outlook. The portfolio manager also assesses the economic outlook in each emerging-market region, including expected growth, market valuations and economic trends. The Fund is diversified by sector and emerging-market country to help reduce risk.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$1.0 billion as of December 31, 2018, from \$815 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A lost 11.6%, which underperformed the 6.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets faced a challenging 2018 given U.S.-China trade tensions and a slowing economic expansion, notably in China, which accounts for a significant portion of the world's growth. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve (the "Fed") and U.S. tax reform bolstered the U.S. dollar. This environment created negative sentiment toward emerging markets, which have historically underperformed when the U.S. dollar is rising significantly.

The Fund underperformed due to how assets were allocated among countries and the negative impact of stock selection. Allocation among sectors had a positive impact on relative returns.

At the sector level, an overweight allocation to Energy helped returns, as it was the top-performing emerging-market sector during 2018, driven by a sharp rise in oil prices for most of the year. The portfolio's underweight position in the Communication Services sector also added to relative returns, as this was one of the weaker sectors. Meanwhile, stock selection in the Financials sector hurt relative returns, given holdings in Banco Macro in Argentina, a position that was eliminated towards the end of the year, and Russia's Sberbank. Banco Macro was negatively affected by a deteriorating macroeconomic picture in Argentina, while Sberbank was faced with the impact of U.S. sanctions placed on Russia.

At the country level, stock selection in China contributed to relative returns, partially reflecting a position in the Chinese real-estate developer Shimao Property Holdings, which reported strong results. Stock selection in Taiwan had an overall negative impact on relative performance, given a position in the memory-device manufacturer Macronix, whose shares declined given industrywide concerns that demand would soften.

The portfolio was negatively affected in 2018 by exposure to riskier countries and sectors and smaller-cap stocks. In the cyclical segment of the portfolio, the Fund reduced exposure to semiconductors, given that the sub-advisor expects demand to weaken. The sub-advisor also reduced exposure to pulp and paper, where prices have fallen amid slower demand growth and new supply.

### Recent Developments

Emerging-market performance stabilized in recent months, helped by lower oil prices and expectations that the Fed would slow the rate of interest-rate increases. The sub-advisor is focused on attractively valued stocks that had significant declines in 2018.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.49                                  | 0.42                                             | (0.31)            | 0.37                          | (2.43)                          | (1.95) | —                                          | (0.19)            | (0.35)                   | —                    | (0.54) | 12.27                               |
| Dec. 31, 2017                 | 11.69                                  | 0.35                                             | (0.32)            | 0.91                          | 1.99                            | 2.93   | —                                          | (0.09)            | (0.24)                   | —                    | (0.33) | 14.49                               |
| Dec. 31, 2016                 | 10.64                                  | 0.37                                             | (0.26)            | (0.57)                        | 1.61                            | 1.15   | —                                          | (0.12)            | —                        | —                    | (0.12) | 11.69                               |
| Dec. 31, 2015                 | 11.26                                  | 0.35                                             | (0.28)            | 0.07                          | (0.84)                          | (0.70) | —                                          | (0.13)            | (0.07)                   | —                    | (0.20) | 10.64                               |
| Dec. 31, 2014                 | 10.68                                  | 0.47                                             | (0.28)            | 0.13                          | 0.35                            | 0.67   | —                                          | (0.12)            | (0.11)                   | —                    | (0.23) | 11.26                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.51                                  | 0.43                                             | (0.31)            | 0.37                          | (2.48)                          | (1.99) | —                                          | (0.19)            | (0.35)                   | —                    | (0.54) | 12.29                               |
| Dec. 31, 2017                 | 11.71                                  | 0.36                                             | (0.33)            | 0.92                          | 1.99                            | 2.94   | —                                          | (0.09)            | (0.24)                   | —                    | (0.33) | 14.51                               |
| Dec. 31, 2016                 | 10.66                                  | 0.37                                             | (0.27)            | (0.57)                        | 1.60                            | 1.13   | —                                          | (0.11)            | —                        | —                    | (0.11) | 11.71                               |
| Dec. 31, 2015                 | 11.28                                  | 0.35                                             | (0.28)            | 0.07                          | (0.84)                          | (0.70) | —                                          | (0.13)            | (0.07)                   | —                    | (0.20) | 10.66                               |
| Dec. 31, 2014                 | 10.68                                  | 0.46                                             | (0.27)            | 0.13                          | 0.34                            | 0.66   | —                                          | (0.11)            | (0.11)                   | —                    | (0.22) | 11.28                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.67                                  | 0.44                                             | (0.19)            | 0.37                          | (2.32)                          | (1.70) | —                                          | (0.25)            | (0.36)                   | —                    | (0.61) | 12.48                               |
| Dec. 31, 2017                 | 11.80                                  | 0.36                                             | (0.21)            | 0.92                          | 1.89                            | 2.96   | —                                          | (0.17)            | (0.24)                   | —                    | (0.41) | 14.67                               |
| Dec. 31, 2016                 | 10.72                                  | 0.37                                             | (0.18)            | (0.57)                        | 1.57                            | 1.19   | —                                          | (0.20)            | —                        | —                    | (0.20) | 11.80                               |
| Dec. 31, 2015                 | 11.30                                  | 0.35                                             | (0.19)            | 0.07                          | (0.84)                          | (0.61) | —                                          | (0.17)            | (0.07)                   | —                    | (0.24) | 10.72                               |
| Dec. 31, 2014                 | 10.70                                  | 0.48                                             | (0.18)            | 0.13                          | 0.36                            | 0.79   | —                                          | (0.20)            | (0.11)                   | —                    | (0.31) | 11.30                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.82                                  | 0.43                                             | (0.16)            | 0.37                          | (2.50)                          | (1.86) | —                                          | (0.27)            | (0.36)                   | —                    | (0.63) | 12.62                               |
| Dec. 31, 2017                 | 11.90                                  | 0.36                                             | (0.18)            | 0.94                          | 2.14                            | 3.26   | —                                          | (0.19)            | (0.24)                   | —                    | (0.43) | 14.82                               |
| Dec. 31, 2016                 | 10.81                                  | 0.37                                             | (0.15)            | (0.58)                        | 1.31                            | 0.95   | —                                          | (0.22)            | —                        | —                    | (0.22) | 11.90                               |
| Dec. 31, 2015                 | 11.38                                  | 0.35                                             | (0.16)            | 0.07                          | (0.84)                          | (0.58) | —                                          | (0.19)            | (0.07)                   | —                    | (0.26) | 10.81                               |
| Dec. 31, 2014                 | 10.71                                  | 0.43                                             | (0.15)            | 0.12                          | 0.32                            | 0.72   | —                                          | (0.16)            | (0.11)                   | —                    | (0.27) | 11.38                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.40                                  | 0.42                                             | (0.02)            | 0.36                          | (2.19)                          | (1.43) | —                                          | (0.36)            | (0.35)                   | —                    | (0.71) | 12.30                               |
| Dec. 31, 2017                 | 11.56                                  | 0.36                                             | (0.03)            | 0.92                          | 2.10                            | 3.35   | —                                          | (0.31)            | (0.24)                   | —                    | (0.55) | 14.40                               |
| Dec. 31, 2016                 | 10.49                                  | 0.36                                             | (0.03)            | (0.56)                        | 1.68                            | 1.45   | —                                          | (0.32)            | —                        | —                    | (0.32) | 11.56                               |
| Dec. 31, 2015                 | 11.04                                  | 0.34                                             | (0.03)            | 0.07                          | (0.82)                          | (0.44) | —                                          | (0.29)            | (0.07)                   | —                    | (0.36) | 10.49                               |
| Dec. 31, 2014                 | 10.43                                  | 0.45                                             | (0.03)            | 0.13                          | 0.34                            | 0.89   | —                                          | (0.31)            | (0.11)                   | —                    | (0.42) | 11.04                               |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.27</b>                     | <b>45 421</b>               | <b>3 701</b>                          | <b>2.22</b>                                  | <b>2.22</b>                               | <b>65.74</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017         | 14.49                            | 40 513                      | 2 796                                 | 2.37                                         | 2.37                                      | 54.61                                       | 0.31                                      |
| Dec. 31, 2016         | 11.69                            | 16 137                      | 1 380                                 | 2.43                                         | 2.43                                      | 70.28                                       | 0.41                                      |
| Dec. 31, 2015         | 10.64                            | 15 274                      | 1 436                                 | 2.43                                         | 2.43                                      | 69.98                                       | 0.50                                      |
| Dec. 31, 2014         | 11.26                            | 11 639                      | 1 034                                 | 2.46                                         | 2.46                                      | 74.47                                       | 0.49                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.29</b>                     | <b>6 014</b>                | <b>489</b>                            | <b>2.24</b>                                  | <b>2.24</b>                               | <b>65.74</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017         | 14.51                            | 5 189                       | 358                                   | 2.39                                         | 2.39                                      | 54.61                                       | 0.31                                      |
| Dec. 31, 2016         | 11.71                            | 2 338                       | 200                                   | 2.48                                         | 2.48                                      | 70.28                                       | 0.41                                      |
| Dec. 31, 2015         | 10.66                            | 2 453                       | 230                                   | 2.43                                         | 2.43                                      | 69.98                                       | 0.50                                      |
| Dec. 31, 2014         | 11.28                            | 1 656                       | 147                                   | 2.39                                         | 2.39                                      | 74.47                                       | 0.49                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.48</b>                     | <b>9 643</b>                | <b>773</b>                            | <b>1.37</b>                                  | <b>1.37</b>                               | <b>65.74</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017         | 14.67                            | 10 892                      | 743                                   | 1.53                                         | 1.53                                      | 54.61                                       | 0.31                                      |
| Dec. 31, 2016         | 11.80                            | 3 348                       | 284                                   | 1.60                                         | 1.60                                      | 70.28                                       | 0.41                                      |
| Dec. 31, 2015         | 10.72                            | 2 732                       | 255                                   | 1.60                                         | 1.60                                      | 69.98                                       | 0.50                                      |
| Dec. 31, 2014         | 11.30                            | 1 636                       | 145                                   | 1.62                                         | 1.62                                      | 74.47                                       | 0.49                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.62</b>                     | <b>51 202</b>               | <b>4 057</b>                          | <b>1.11</b>                                  | <b>1.11</b>                               | <b>65.74</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017         | 14.82                            | 41 123                      | 2 776                                 | 1.28                                         | 1.28                                      | 54.61                                       | 0.31                                      |
| Dec. 31, 2016         | 11.90                            | 20 510                      | 1 723                                 | 1.36                                         | 1.36                                      | 70.28                                       | 0.41                                      |
| Dec. 31, 2015         | 10.81                            | 19 177                      | 1 775                                 | 1.36                                         | 1.36                                      | 69.98                                       | 0.50                                      |
| Dec. 31, 2014         | 11.38                            | 8 435                       | 741                                   | 1.35                                         | 1.35                                      | 74.47                                       | 0.49                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>12.30</b>                     | <b>910 778</b>              | <b>74 053</b>                         | <b>0.17</b>                                  | <b>0.17</b>                               | <b>65.74</b>                                | <b>0.29</b>                               |
| Dec. 31, 2017         | 14.40                            | 717 291                     | 49 810                                | 0.24                                         | 0.24                                      | 54.61                                       | 0.31                                      |
| Dec. 31, 2016         | 11.56                            | 471 003                     | 40 749                                | 0.28                                         | 0.28                                      | 70.28                                       | 0.41                                      |
| Dec. 31, 2015         | 10.49                            | 392 045                     | 37 366                                | 0.28                                         | 0.28                                      | 69.98                                       | 0.50                                      |
| Dec. 31, 2014         | 11.04                            | 269 582                     | 24 428                                | 0.28                                         | 0.28                                      | 74.47                                       | 0.49                                      |

<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.

Effective October 2, 2017, the administration fees were changed in respect of Series A, Advisor Series, Series D, Series F and Series O units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 2.22%, Advisor Series – 2.24%, Series D – 1.39%, Series F – 1.12% and Series O – 0.17%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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.

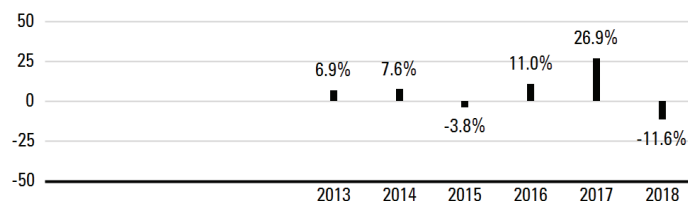
### PAST PERFORMANCE

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.

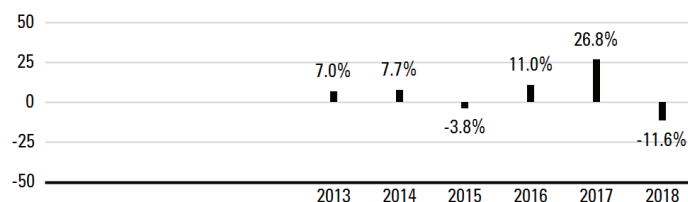
### Year-by-Year Returns (%)

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.

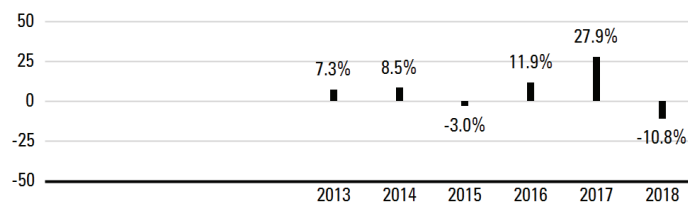
**Series A (%)**



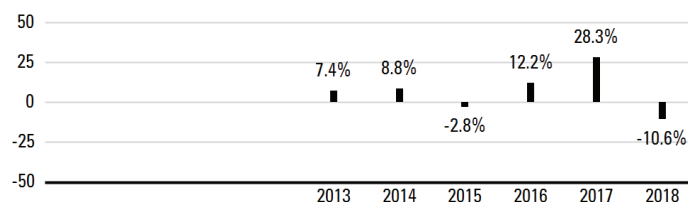
**Advisor Series (%)**



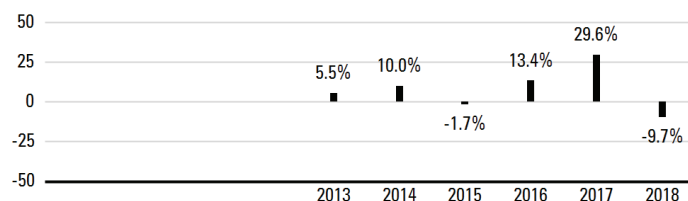
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI Emerging Markets Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -11.6        | 7.6             | 5.2             | —                | 6.1                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 8.0                |
| Advisor Series | -11.6        | 7.6             | 5.2             | —                | 6.2                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 8.0                |
| Series D       | -10.8        | 8.5             | 6.1             | —                | 7.0                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 8.0                |
| Series F       | -10.6        | 8.8             | 6.4             | —                | 7.3                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 8.0                |
| Series O       | -9.7         | 9.9             | 7.5             | —                | 7.7                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 7.8                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since August 12, 2013, and Series O units since June 10, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| China           | 28.8                 |
| South Korea     | 11.1                 |
| India           | 8.7                  |
| Taiwan          | 8.6                  |
| Brazil          | 6.9                  |
| South Africa    | 6.7                  |
| Russia          | 5.4                  |
| Indonesia       | 3.3                  |
| Mexico          | 2.5                  |
| Thailand        | 1.4                  |
| Other Countries | 16.4                 |
| Cash/Other      | 0.2                  |

### Top 25 Holdings

|                                                 | % of Net Asset Value |
|-------------------------------------------------|----------------------|
| Industrial & Commercial Bank of China           | 4.1                  |
| China Construction Bank Corp.                   | 4.0                  |
| Alibaba Group Holding Ltd. ADR                  | 3.9                  |
| Naspers Ltd.                                    | 3.8                  |
| Taiwan Semiconductor Manufacturing Co. Ltd.     | 3.5                  |
| Samsung Electronics Co. Ltd.                    | 3.2                  |
| Ping An Insurance Group Company of China Ltd.   | 2.5                  |
| Shimao Property Holdings Ltd.                   | 2.1                  |
| Reliance Industries Ltd.                        | 2.0                  |
| PT Bank Negara Indonesia Persero Tbk            | 1.9                  |
| Aurobindo Pharma Ltd.                           | 1.8                  |
| LG Chem Ltd.                                    | 1.8                  |
| Standard Bank Group Ltd.                        | 1.8                  |
| MOL Hungarian Oil & Gas Plc.                    | 1.6                  |
| Mphasis Ltd.                                    | 1.5                  |
| SITC International Holdings Co. Ltd.            | 1.5                  |
| China Resources Power Holdings Co. Ltd.         | 1.5                  |
| TF Administradora Industrial S. de R.L. de C.V. |                      |
| Real Estate Investment Trust                    | 1.4                  |
| Krung Thai Bank PCL                             | 1.4                  |
| Banco do Brasil S.A.                            | 1.4                  |
| Vale S.A. ADR                                   | 1.3                  |
| Banco Davivienda S.A. Preference                | 1.3                  |
| Lukoil PJSC ADR                                 | 1.2                  |
| Xinyi Glass Holdings Ltd.                       | 1.2                  |
| Sberbank of Russia ADR                          | 1.2                  |
| Top 25 Holdings                                 | 52.9                 |

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).



INTERNATIONAL EQUITY FUND

**RBC EMERGING MARKETS  
EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 aims to provide long-term capital growth by investing primarily in equity securities of companies located or active in emerging markets.

The Fund's investment process is based primarily on fundamental research, and includes an assessment of each emerging-market region, including expected growth, market valuations and economic trends. Quantitative and technical factors may also be considered. The Fund may invest in securities of companies located or active in emerging-market countries, including, but not limited to: China, Brazil, South Korea, Taiwan, India, South Africa, Russia, Mexico, Israel, Malaysia, Indonesia, Turkey, Chile, Thailand and Poland. The portfolio is diversified by sector and emerging-market country to help reduce risk. Individual stocks are selected based on the intrinsic value of each company, liquidity and overall portfolio risk.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$4.4 billion as of December 31, 2018, from \$3.8 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 3.8%, which outperformed the 6.9% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets faced a challenging 2018, given U.S.-China trade tensions and a slowing economic expansion, notably in China, which accounts for a significant portion of the world's growth. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve and U.S. tax reform bolstered the U.S. dollar. This environment created negative sentiment toward emerging markets, which have historically underperformed when the U.S. dollar is rising significantly.

The Fund outperformed its benchmark due mainly to stock selection. Allocations among countries also contributed to relative outperformance, while sector allocation was somewhat negative.

The sub-advisor's stock selection was especially strong in China and India. Stocks that had a positive impact on relative returns included AIA Group, a big Asian-centered life insurer that has a partnership with the fast-growing Chinese online health-services company WeDoctor. In India, HDFC, an Indian mortgage provider, aided returns as it recorded strong growth in profits and market share. Tata Consultancy Services, which provides information-technology services, continued to land new business while benefiting from a weakening local currency that boosts the value of revenue earned outside India. The portfolio's underweight position in China helped relative performance, as China equity markets were hurt by trade tensions with the U.S.

At the sector level, the portfolio's lack of relative exposure to Energy hurt the Fund's performance. Strong stock selection in the Information Technology and Communication Services sectors helped offset those losses.

### Recent Developments

The Fund's investments continue to be driven by long-term investment trends that the sub-advisor believes are important. The sub-advisor is currently optimistic about companies having exposure to consumption in local Asian economies; deposit franchises (banks that are adept at accumulating low-cost deposits); health and wellness; infrastructure; and digitalization. In terms of sector positioning, the sub-advisor believes that areas that are less exposed to economic-growth rates will outperform owing to attractive valuations and earnings momentum. Among sectors exposed to faster economic growth, Financials is favoured by the sub-advisor.

There have been big differences in performance among emerging markets in recent years. Countries that embrace legal and financial reforms will end up as the winners, in the view of the sub-advisor, which is particularly optimistic about the outlook for India. In addition to reforms, India offers a good choice of high-quality businesses. The Fund is also maintaining overweight positions in South Africa and Chile, given a host of attractively valued companies.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.64                                  | 0.39                                             | (0.38)            | 1.09                          | (1.85)                          | (0.75) | —                                          | —                 | (0.80)                   | —                    | (0.80) | 16.15                               |
| Dec. 31, 2017                 | 14.04                                  | 0.34                                             | (0.38)            | 0.50                          | 3.08                            | 3.54   | —                                          | —                 | —                        | —                    | —      | 17.64                               |
| Dec. 31, 2016                 | 13.91                                  | 0.30                                             | (0.34)            | 0.25                          | (0.10)                          | 0.11   | —                                          | —                 | —                        | —                    | —      | 14.04                               |
| Dec. 31, 2015                 | 13.10                                  | 0.43                                             | (0.34)            | 0.53                          | 0.19                            | 0.81   | —                                          | (0.08)            | —                        | —                    | (0.08) | 13.91                               |
| Dec. 31, 2014                 | 11.50                                  | 0.33                                             | (0.30)            | 0.31                          | 1.29                            | 1.63   | —                                          | (0.01)            | —                        | —                    | (0.01) | 13.10                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.61                                  | 0.39                                             | (0.38)            | 1.09                          | (1.88)                          | (0.78) | —                                          | —                 | (0.80)                   | —                    | (0.80) | 16.12                               |
| Dec. 31, 2017                 | 14.02                                  | 0.34                                             | (0.38)            | 0.50                          | 3.03                            | 3.49   | —                                          | —                 | —                        | —                    | —      | 17.61                               |
| Dec. 31, 2016                 | 13.89                                  | 0.29                                             | (0.34)            | 0.25                          | (0.03)                          | 0.17   | —                                          | —                 | —                        | —                    | —      | 14.02                               |
| Dec. 31, 2015                 | 13.08                                  | 0.43                                             | (0.34)            | 0.53                          | 0.19                            | 0.81   | —                                          | (0.08)            | —                        | —                    | (0.08) | 13.89                               |
| Dec. 31, 2014                 | 11.48                                  | 0.33                                             | (0.30)            | 0.31                          | 1.29                            | 1.63   | —                                          | (0.01)            | —                        | —                    | (0.01) | 13.08                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.97                                  | 0.37                                             | (0.36)            | 1.01                          | (2.16)                          | (1.14) | —                                          | (0.01)            | (0.67)                   | (0.17)               | (0.85) | 15.49                               |
| Dec. 31, 2017 <sup>3</sup>    | 14.84 <sup>†</sup>                     | 0.28                                             | (0.33)            | 0.41                          | 1.54                            | 1.90   | —                                          | —                 | —                        | (0.62)               | (0.62) | 16.97                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.02                                  | 0.40                                             | (0.22)            | 1.12                          | (1.91)                          | (0.61) | —                                          | (0.16)            | (0.83)                   | —                    | (0.99) | 16.49                               |
| Dec. 31, 2017                 | 14.28                                  | 0.35                                             | (0.23)            | 0.51                          | 3.03                            | 3.66   | —                                          | (0.09)            | —                        | —                    | (0.09) | 18.02                               |
| Dec. 31, 2016                 | 14.07                                  | 0.30                                             | (0.21)            | 0.25                          | (0.09)                          | 0.25   | —                                          | (0.06)            | —                        | —                    | (0.06) | 14.28                               |
| Dec. 31, 2015                 | 13.25                                  | 0.44                                             | (0.21)            | 0.54                          | 0.19                            | 0.96   | —                                          | (0.21)            | —                        | —                    | (0.21) | 14.07                               |
| Dec. 31, 2014                 | 11.61                                  | 0.33                                             | (0.19)            | 0.31                          | 1.31                            | 1.76   | —                                          | (0.11)            | —                        | —                    | (0.11) | 13.25                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.14                                  | 0.41                                             | (0.18)            | 1.12                          | (1.97)                          | (0.62) | —                                          | (0.21)            | (0.84)                   | —                    | (1.05) | 16.60                               |
| Dec. 31, 2017                 | 14.38                                  | 0.35                                             | (0.19)            | 0.51                          | 3.00                            | 3.67   | —                                          | (0.14)            | —                        | —                    | (0.14) | 18.14                               |
| Dec. 31, 2016                 | 14.17                                  | 0.30                                             | (0.17)            | 0.25                          | (0.02)                          | 0.36   | —                                          | (0.10)            | —                        | —                    | (0.10) | 14.38                               |
| Dec. 31, 2015                 | 13.33                                  | 0.43                                             | (0.17)            | 0.54                          | 0.19                            | 0.99   | —                                          | (0.25)            | —                        | —                    | (0.25) | 14.17                               |
| Dec. 31, 2014                 | 11.63                                  | 0.33                                             | (0.15)            | 0.31                          | 1.31                            | 1.80   | —                                          | (0.08)            | —                        | —                    | (0.08) | 13.33                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.60                                  | 0.38                                             | (0.16)            | 1.05                          | (1.60)                          | (0.33) | —                                          | (0.19)            | (0.98)                   | —                    | (1.17) | 15.97                               |
| Dec. 31, 2017 <sup>3</sup>    | 15.22 <sup>†</sup>                     | 0.28                                             | (0.16)            | 0.41                          | 1.84                            | 2.37   | —                                          | (0.12)            | —                        | (0.52)               | (0.64) | 17.60                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.19                                  | 0.41                                             | (0.03)            | 1.13                          | (1.82)                          | (0.31) | —                                          | (0.35)            | (0.84)                   | —                    | (1.19) | 16.65                               |
| Dec. 31, 2017                 | 14.41                                  | 0.35                                             | (0.04)            | 0.52                          | 3.29                            | 4.12   | —                                          | (0.29)            | —                        | —                    | (0.29) | 18.19                               |
| Dec. 31, 2016                 | 14.20                                  | 0.30                                             | (0.04)            | 0.26                          | (0.06)                          | 0.46   | —                                          | (0.23)            | —                        | —                    | (0.23) | 14.41                               |
| Dec. 31, 2015                 | 13.37                                  | 0.44                                             | (0.04)            | 0.55                          | 0.20                            | 1.15   | —                                          | (0.39)            | —                        | —                    | (0.39) | 14.20                               |
| Dec. 31, 2014                 | 11.72                                  | 0.34                                             | (0.04)            | 0.32                          | 1.33                            | 1.95   | —                                          | (0.27)            | —                        | —                    | (0.27) | 13.37                               |

<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 February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>16.15</b>                     | <b>150 643</b>              | <b>9 329</b>                          | <b>2.21</b>                                  | <b>2.21</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 17.64                            | 153 345                     | 8 694                                 | 2.37                                         | 2.37                                      | 18.10                                       | 0.11                                      |
| Dec. 31, 2016              | 14.04                            | 109 012                     | 7 763                                 | 2.43                                         | 2.43                                      | 20.89                                       | 0.16                                      |
| Dec. 31, 2015              | 13.91                            | 122 456                     | 8 802                                 | 2.43                                         | 2.43                                      | 24.03                                       | 0.17                                      |
| Dec. 31, 2014              | 13.10                            | 110 209                     | 8 416                                 | 2.43                                         | 2.43                                      | 38.68                                       | 0.21                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>16.12</b>                     | <b>51 527</b>               | <b>3 197</b>                          | <b>2.22</b>                                  | <b>2.22</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 17.61                            | 46 086                      | 2 617                                 | 2.37                                         | 2.37                                      | 18.10                                       | 0.11                                      |
| Dec. 31, 2016              | 14.02                            | 27 669                      | 1 974                                 | 2.45                                         | 2.45                                      | 20.89                                       | 0.16                                      |
| Dec. 31, 2015              | 13.89                            | 20 707                      | 1 491                                 | 2.44                                         | 2.44                                      | 24.03                                       | 0.17                                      |
| Dec. 31, 2014              | 13.08                            | 9 308                       | 712                                   | 2.44                                         | 2.44                                      | 38.68                                       | 0.21                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.49</b>                     | <b>619</b>                  | <b>40</b>                             | <b>2.23</b>                                  | <b>2.23</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 16.97                            | 110                         | 6                                     | 2.41                                         | 2.41                                      | 18.10                                       | 0.11                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>16.49</b>                     | <b>51 487</b>               | <b>3 122</b>                          | <b>1.26</b>                                  | <b>1.26</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 18.02                            | 52 594                      | 2 919                                 | 1.42                                         | 1.42                                      | 18.10                                       | 0.11                                      |
| Dec. 31, 2016              | 14.28                            | 30 009                      | 2 102                                 | 1.48                                         | 1.48                                      | 20.89                                       | 0.16                                      |
| Dec. 31, 2015              | 14.07                            | 27 124                      | 1 927                                 | 1.48                                         | 1.48                                      | 24.03                                       | 0.17                                      |
| Dec. 31, 2014              | 13.25                            | 19 721                      | 1 489                                 | 1.48                                         | 1.48                                      | 38.68                                       | 0.21                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>16.60</b>                     | <b>429 722</b>              | <b>25 888</b>                         | <b>0.99</b>                                  | <b>0.99</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 18.14                            | 336 369                     | 18 539                                | 1.13                                         | 1.13                                      | 18.10                                       | 0.11                                      |
| Dec. 31, 2016              | 14.38                            | 138 306                     | 9 619                                 | 1.20                                         | 1.20                                      | 20.89                                       | 0.16                                      |
| Dec. 31, 2015              | 14.17                            | 76 433                      | 5 395                                 | 1.19                                         | 1.19                                      | 24.03                                       | 0.17                                      |
| Dec. 31, 2014              | 13.33                            | 14 802                      | 1 111                                 | 1.20                                         | 1.20                                      | 38.68                                       | 0.21                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.97</b>                     | <b>3 870</b>                | <b>242</b>                            | <b>0.98</b>                                  | <b>0.98</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 17.60                            | 1 653                       | 94                                    | 1.13                                         | 1.13                                      | 18.10                                       | 0.11                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>16.65</b>                     | <b>3 678 104</b>            | <b>220 922</b>                        | <b>0.16</b>                                  | <b>0.16</b>                               | <b>22.32</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017              | 18.19                            | 3 198 176                   | 175 779                               | 0.24                                         | 0.24                                      | 18.10                                       | 0.11                                      |
| Dec. 31, 2016              | 14.41                            | 2 297 657                   | 159 446                               | 0.27                                         | 0.27                                      | 20.89                                       | 0.16                                      |
| Dec. 31, 2015              | 14.20                            | 2 093 317                   | 147 407                               | 0.28                                         | 0.28                                      | 24.03                                       | 0.17                                      |
| Dec. 31, 2014              | 13.37                            | 1 727 073                   | 129 154                               | 0.28                                         | 0.28                                      | 38.68                                       | 0.21                                      |

<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 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 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 February 15, 2017.

Effective October 2, 2017, the administration fees were changed in respect of Series A, Advisor Series, Series T5, Series D, Series F, Series FT5 and Series O units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 2.21%, Advisor Series – 2.21%, Series T5 – 2.26%, Series D – 1.26%, Series F – 0.99%, Series FT5 – 1.00% and Series O – 0.16%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series T5      | 1.85%           | 54%                   | 46%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

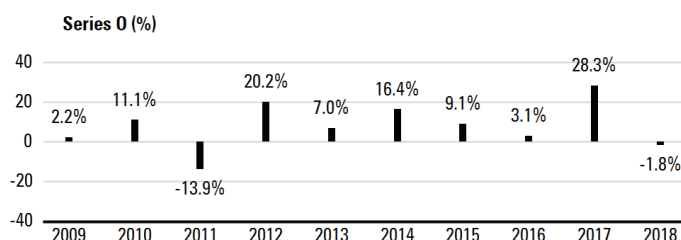
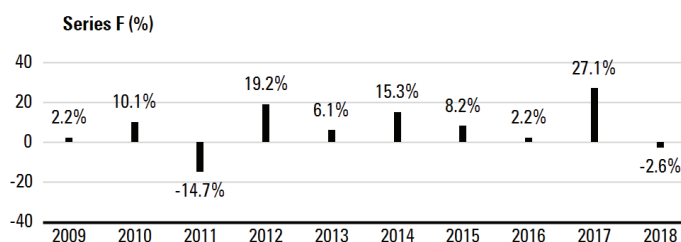
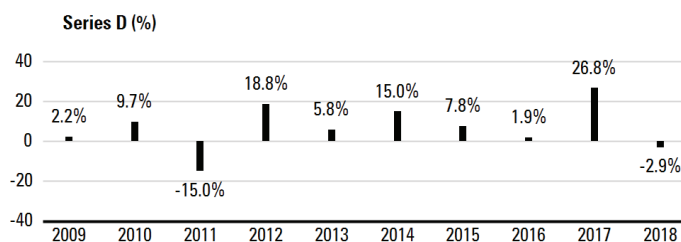
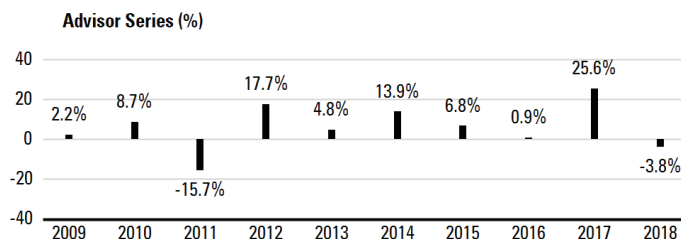
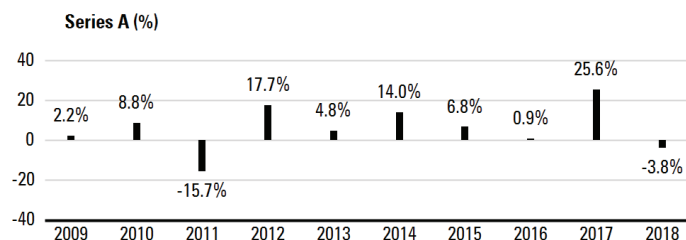
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI Emerging Markets Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.8         | 6.8             | 8.2             | —                | 6.2                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 5.5                |
| Advisor Series | -3.8         | 6.8             | 8.2             | —                | 6.1                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 5.5                |
| Series T5      | -3.8         | —               | —               | —                | 7.5                |
| Benchmark      | -6.9         | —               | —               | —                | 6.4                |
| Series D       | -2.9         | 7.9             | 9.2             | —                | 7.1                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 5.5                |
| Series F       | -2.6         | 8.1             | 9.5             | —                | 7.5                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 5.5                |
| Series FT5     | -2.6         | —               | —               | —                | 8.9                |
| Benchmark      | -6.9         | —               | —               | —                | 6.4                |
| Series O       | -1.8         | 9.1             | 10.5            | —                | 8.4                |
| Benchmark      | -6.9         | 8.6             | 6.9             | —                | 5.5                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017, and Series A, Advisor Series, Series D, Series F and Series O units since December 23, 2009.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Emerging Markets Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| China           | 13.4                 |
| India           | 13.2                 |
| South Africa    | 12.5                 |
| Taiwan          | 11.4                 |
| South Korea     | 7.8                  |
| Brazil          | 7.1                  |
| United Kingdom  | 6.5                  |
| Hong Kong       | 5.9                  |
| Indonesia       | 4.0                  |
| Philippines     | 3.1                  |
| Thailand        | 2.8                  |
| Peru            | 2.7                  |
| Malaysia        | 1.0                  |
| Other Countries | 8.1                  |
| Cash/Other      | 0.5                  |

### Top 25 Holdings

|                                               | % of Net Asset Value |
|-----------------------------------------------|----------------------|
| Naspers Ltd.                                  | 5.7                  |
| Housing Development Finance Corp.             | 5.4                  |
| Taiwan Semiconductor Manufacturing Co. Ltd.   | 5.0                  |
| AIA Group Ltd.                                | 4.6                  |
| Unilever Plc.                                 | 3.7                  |
| Tata Consultancy Services Ltd.                | 3.7                  |
| SM Investments Corp.                          | 3.1                  |
| Antofagasta Plc.                              | 2.8                  |
| Credicorp Ltd.                                | 2.7                  |
| Banco do Brasil S.A.                          | 2.6                  |
| China Mobile (Hong Kong) Ltd.                 | 2.5                  |
| Ping An Insurance Group Company of China Ltd. | 2.5                  |
| Dr. Reddy's Laboratories Ltd. ADR             | 2.5                  |
| Shinhan Financial Group Co. Ltd.              | 2.3                  |
| PT Kalbe Farma Tbk                            | 2.2                  |
| Uni-President Enterprises Corp.               | 2.2                  |
| Fomento Economico Mexicano S.A. ADR           | 2.1                  |
| Fuyao Glass Industry Group Co. Ltd.           | 2.0                  |
| FirstRand Ltd.                                | 1.9                  |
| Clicks Group Ltd.                             | 1.8                  |
| PT Bank Central Asia Tbk                      | 1.8                  |
| Mondi Ltd.                                    | 1.7                  |
| Samsung Fire & Marine Insurance Co. Ltd.      | 1.7                  |
| NCSOFT Corp.                                  | 1.7                  |
| Banco Bradesco S.A.                           | 1.7                  |
| Top 25 Holdings                               | 69.9                 |

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).



INTERNATIONAL EQUITY FUND

**RBC EMERGING MARKETS  
SMALL-CAP EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of small-cap companies located or active in emerging markets.

To achieve the Fund's objectives, the portfolio manager selects equity securities of companies in emerging-market countries, including, but not limited to, China, Brazil, South Korea, Taiwan, India, South Africa, Russia, Mexico, Peru, Malaysia, Indonesia, Turkey, Chile, Thailand and Poland. The Fund's investment process is based primarily on fundamental research, although the portfolio manager will also consider quantitative and technical factors. Stock selection is ultimately based on an understanding of the company, its business and its outlook. The portfolio manager also assesses the economic outlook in each emerging-market region, including expected growth, market valuations and economic trends. The Fund is diversified by sector and emerging market country to help reduce risk.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$576 million as of December 31, 2018, from \$492 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series A units lost 3.2%, which outperformed the 11.3% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets faced a challenging 2018, given U.S.-China trade tensions and a slowing economic expansion, notably in China, which accounts for a significant portion of the world's growth. Emerging markets underperformed developed markets as interest-rate hikes by the U.S. Federal Reserve and U.S. tax reform bolstered the U.S. dollar. This environment created negative sentiment toward emerging markets, which have historically underperformed when the U.S. dollar is rising significantly.

The Fund outperformed its benchmark due mainly to strong stock selection returns. Country and sector allocations also contributed.

Stock selection was strong across most sectors, and particularly in Materials and Information Technology. In the Materials sector, the Brazilian materials company Duratex, a maker of wood products, benefited from a rally in Brazilian equity markets after the October election of business-friendly presidential candidate Bolsonaro. In the Information Technology sector, Cyient performed well on strong revenue and earnings growth. The provider of information-technology services also benefited from weakness in the Indian currency, given that it derives most of its revenue from overseas.

At the country level, stock selection was especially strong in India, China and Thailand. In China, the food and beverage company Vitasoy reported strong sales, particularly of soy milk, as Chinese consumers are gravitating towards healthier foods. In Thailand, the Financials company Aeon Thana extended its streak of strong financial results and market-share gains.

### Recent Developments

The past three years have been challenging for emerging-market small-cap stocks, which had outperformed large-cap stocks for a decade. In 2016 and 2017, the underperformance was attributable to relatively low benchmark weightings in outperforming areas such as the Information Technology sector and China, while in 2018 it was due the impact of India, Brazil and Taiwan, and sectors such as Communication Services, Industrials and Information Technology.

Small-capitalization stocks in two of the markets favoured by the sub-advisor, Brazil and India, underperformed substantially in 2018, and both markets appear to now offer attractive investment opportunities. Small-cap stocks in developed markets consistently outperform larger-cap stocks, and the sub-advisor is now starting to see this trend play out in emerging markets, with emerging-market small-cap stocks outperforming their larger counterparts over longer time periods.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.18                                  | 0.41                                             | (0.31)            | 0.35                          | (0.97)                          | (0.52) | —                                          | (0.05)            | (0.21)                   | —                    | (0.26) | 13.46                               |
| Dec. 31, 2017                 | 12.42                                  | 0.47                                             | (0.32)            | 0.26                          | 1.20                            | 1.61   | —                                          | (0.11)            | (0.09)                   | —                    | (0.20) | 14.18                               |
| Dec. 31, 2016                 | 12.38                                  | 0.30                                             | (0.30)            | 0.15                          | (0.08)                          | 0.07   | —                                          | —                 | (0.09)                   | —                    | (0.09) | 12.42                               |
| Dec. 31, 2015                 | 11.51                                  | 0.33                                             | (0.29)            | 0.31                          | 0.75                            | 1.10   | —                                          | —                 | (0.25)                   | —                    | (0.25) | 12.38                               |
| Dec. 31, 2014                 | 10.14                                  | 0.28                                             | (0.27)            | 0.14                          | 1.10                            | 1.25   | —                                          | —                 | (0.11)                   | —                    | (0.11) | 11.51                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.13                                  | 0.41                                             | (0.31)            | 0.35                          | (0.84)                          | (0.39) | —                                          | (0.04)            | (0.21)                   | —                    | (0.25) | 13.42                               |
| Dec. 31, 2017                 | 12.39                                  | 0.47                                             | (0.33)            | 0.26                          | 1.43                            | 1.83   | —                                          | (0.11)            | (0.09)                   | —                    | (0.20) | 14.13                               |
| Dec. 31, 2016                 | 12.35                                  | 0.30                                             | (0.31)            | 0.15                          | 0.06                            | 0.20   | —                                          | —                 | (0.09)                   | —                    | (0.09) | 12.39                               |
| Dec. 31, 2015                 | 11.50                                  | 0.34                                             | (0.31)            | 0.32                          | 0.78                            | 1.13   | —                                          | —                 | (0.25)                   | —                    | (0.25) | 12.35                               |
| Dec. 31, 2014                 | 10.14                                  | 0.22                                             | (0.29)            | 0.11                          | 0.87                            | 0.91   | —                                          | —                 | (0.11)                   | —                    | (0.11) | 11.50                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.33                                  | 0.41                                             | (0.20)            | 0.36                          | (1.02)                          | (0.45) | —                                          | (0.15)            | (0.22)                   | —                    | (0.37) | 13.61                               |
| Dec. 31, 2017                 | 12.56                                  | 0.48                                             | (0.21)            | 0.26                          | 1.21                            | 1.74   | —                                          | (0.23)            | (0.09)                   | —                    | (0.32) | 14.33                               |
| Dec. 31, 2016                 | 12.50                                  | 0.31                                             | (0.20)            | 0.15                          | (0.28)                          | (0.02) | —                                          | (0.08)            | (0.10)                   | —                    | (0.18) | 12.56                               |
| Dec. 31, 2015                 | 11.60                                  | 0.33                                             | (0.20)            | 0.32                          | 0.76                            | 1.21   | —                                          | (0.07)            | (0.25)                   | —                    | (0.32) | 12.50                               |
| Dec. 31, 2014                 | 10.17                                  | 0.28                                             | (0.18)            | 0.13                          | 1.09                            | 1.32   | —                                          | (0.04)            | (0.11)                   | —                    | (0.15) | 11.60                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.41                                  | 0.41                                             | (0.16)            | 0.36                          | (1.02)                          | (0.41) | —                                          | (0.19)            | (0.22)                   | —                    | (0.41) | 13.68                               |
| Dec. 31, 2017                 | 12.63                                  | 0.48                                             | (0.18)            | 0.27                          | 1.64                            | 2.21   | —                                          | (0.27)            | (0.09)                   | —                    | (0.36) | 14.41                               |
| Dec. 31, 2016                 | 12.57                                  | 0.31                                             | (0.17)            | 0.15                          | (0.23)                          | 0.06   | —                                          | (0.12)            | (0.10)                   | —                    | (0.22) | 12.63                               |
| Dec. 31, 2015                 | 11.67                                  | 0.33                                             | (0.17)            | 0.31                          | 0.76                            | 1.23   | —                                          | (0.11)            | (0.25)                   | —                    | (0.36) | 12.57                               |
| Dec. 31, 2014                 | 10.19                                  | 0.22                                             | (0.15)            | 0.11                          | 0.89                            | 1.07   | —                                          | (0.03)            | (0.11)                   | —                    | (0.14) | 11.67                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.47                                  | 0.42                                             | (0.02)            | 0.36                          | (0.97)                          | (0.21) | —                                          | (0.33)            | (0.22)                   | —                    | (0.55) | 13.73                               |
| Dec. 31, 2017                 | 12.67                                  | 0.48                                             | (0.03)            | 0.27                          | 1.57                            | 2.29   | —                                          | (0.42)            | (0.09)                   | —                    | (0.51) | 14.47                               |
| Dec. 31, 2016                 | 12.62                                  | 0.31                                             | (0.04)            | 0.16                          | 0.03                            | 0.46   | —                                          | (0.26)            | (0.10)                   | —                    | (0.36) | 12.67                               |
| Dec. 31, 2015                 | 11.72                                  | 0.34                                             | (0.03)            | 0.32                          | 0.77                            | 1.40   | —                                          | (0.25)            | (0.25)                   | —                    | (0.50) | 12.62                               |
| Dec. 31, 2014                 | 10.24                                  | 0.28                                             | (0.03)            | 0.13                          | 1.09                            | 1.47   | (0.02)                                     | (0.13)            | (0.11)                   | —                    | (0.26) | 11.72                               |

<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.





**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.46</b>                     | <b>6 055</b>                | <b>450</b>                            | <b>2.20</b>                                  | <b>2.20</b>                               | <b>21.22</b>                                | <b>0.13</b>                               |
| Dec. 31, 2017         | 14.18                            | 6 071                       | 428                                   | 2.35                                         | 2.35                                      | 23.20                                       | 0.15                                      |
| Dec. 31, 2016         | 12.42                            | 3 250                       | 262                                   | 2.41                                         | 2.41                                      | 26.09                                       | 0.17                                      |
| Dec. 31, 2015         | 12.38                            | 2 465                       | 199                                   | 2.38                                         | 2.38                                      | 24.73                                       | 0.22                                      |
| Dec. 31, 2014         | 11.51                            | 1 509                       | 131                                   | 2.42                                         | 2.42                                      | 30.77                                       | 0.36                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.42</b>                     | <b>3 236</b>                | <b>241</b>                            | <b>2.24</b>                                  | <b>2.24</b>                               | <b>21.22</b>                                | <b>0.13</b>                               |
| Dec. 31, 2017         | 14.13                            | 3 434                       | 243                                   | 2.40                                         | 2.40                                      | 23.20                                       | 0.15                                      |
| Dec. 31, 2016         | 12.39                            | 2 453                       | 198                                   | 2.46                                         | 2.46                                      | 26.09                                       | 0.17                                      |
| Dec. 31, 2015         | 12.35                            | 1 749                       | 142                                   | 2.50                                         | 2.50                                      | 24.73                                       | 0.22                                      |
| Dec. 31, 2014         | 11.50                            | 4 402                       | 383                                   | 2.51                                         | 2.51                                      | 30.77                                       | 0.36                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.61</b>                     | <b>4 375</b>                | <b>321</b>                            | <b>1.38</b>                                  | <b>1.38</b>                               | <b>21.22</b>                                | <b>0.13</b>                               |
| Dec. 31, 2017         | 14.33                            | 4 486                       | 313                                   | 1.54                                         | 1.54                                      | 23.20                                       | 0.15                                      |
| Dec. 31, 2016         | 12.56                            | 2 900                       | 231                                   | 1.60                                         | 1.60                                      | 26.09                                       | 0.17                                      |
| Dec. 31, 2015         | 12.50                            | 2 086                       | 167                                   | 1.60                                         | 1.60                                      | 24.73                                       | 0.22                                      |
| Dec. 31, 2014         | 11.60                            | 1 008                       | 87                                    | 1.59                                         | 1.59                                      | 30.77                                       | 0.36                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.68</b>                     | <b>43 506</b>               | <b>3 179</b>                          | <b>1.13</b>                                  | <b>1.13</b>                               | <b>21.22</b>                                | <b>0.13</b>                               |
| Dec. 31, 2017         | 14.41                            | 33 207                      | 2 305                                 | 1.30                                         | 1.30                                      | 23.20                                       | 0.15                                      |
| Dec. 31, 2016         | 12.63                            | 25 466                      | 2 017                                 | 1.36                                         | 1.36                                      | 26.09                                       | 0.17                                      |
| Dec. 31, 2015         | 12.57                            | 14 680                      | 1 168                                 | 1.32                                         | 1.32                                      | 24.73                                       | 0.22                                      |
| Dec. 31, 2014         | 11.67                            | 430                         | 37                                    | 1.27                                         | 1.27                                      | 30.77                                       | 0.36                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>13.73</b>                     | <b>518 807</b>              | <b>37 770</b>                         | <b>0.16</b>                                  | <b>0.16</b>                               | <b>21.22</b>                                | <b>0.13</b>                               |
| Dec. 31, 2017         | 14.47                            | 444 636                     | 30 734                                | 0.24                                         | 0.24                                      | 23.20                                       | 0.15                                      |
| Dec. 31, 2016         | 12.67                            | 348 422                     | 27 500                                | 0.27                                         | 0.27                                      | 26.09                                       | 0.17                                      |
| Dec. 31, 2015         | 12.62                            | 291 706                     | 23 114                                | 0.28                                         | 0.28                                      | 24.73                                       | 0.22                                      |
| Dec. 31, 2014         | 11.72                            | 193 849                     | 16 545                                | 0.28                                         | 0.28                                      | 30.77                                       | 0.36                                      |

<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.

Effective October 2, 2017, the administration fees were changed in respect of Series A, Advisor Series, Series D, Series F and Series O units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 2.19%, Advisor Series – 2.23%, Series D – 1.38%, Series F – 1.13% and Series O – 0.16%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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.

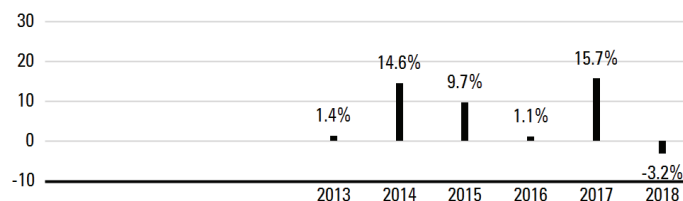
### PAST PERFORMANCE

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.

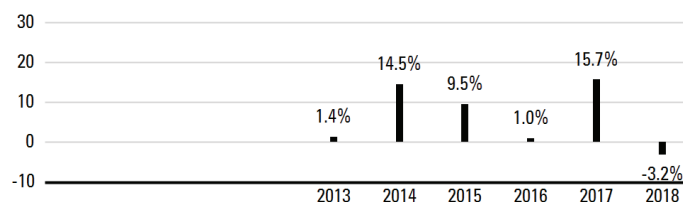
### Year-by-Year Returns (%)

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.

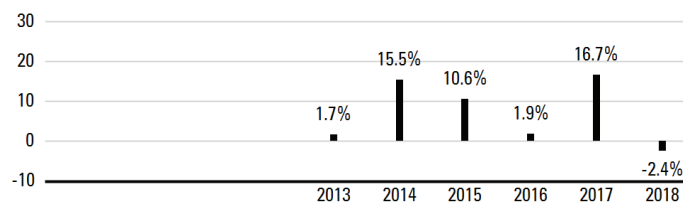
**Series A (%)**



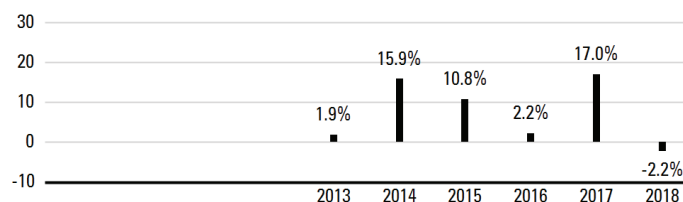
**Advisor Series (%)**



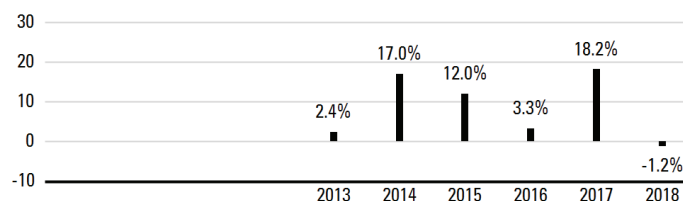
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI Emerging Markets Small-Cap Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -3.2         | 4.2             | 7.3             | —                | 7.0                |
| Benchmark      | -11.3        | 3.1             | 6.2             | —                | 6.8                |
| Advisor Series | -3.2         | 4.2             | 7.2             | —                | 7.0                |
| Benchmark      | -11.3        | 3.1             | 6.2             | —                | 6.8                |
| Series D       | -2.4         | 5.1             | 8.2             | —                | 7.9                |
| Benchmark      | -11.3        | 3.1             | 6.2             | —                | 6.8                |
| Series F       | -2.2         | 5.3             | 8.5             | —                | 8.2                |
| Benchmark      | -11.3        | 3.1             | 6.2             | —                | 6.8                |
| Series O       | -1.2         | 6.4             | 9.6             | —                | 9.0                |
| Benchmark      | -11.3        | 3.1             | 6.2             | —                | 6.1                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since August 12, 2013, and Series O units since June 10, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI Emerging Markets Small-Cap Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of small-capitalization companies in emerging markets. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                      | % of Net Asset Value |
|----------------------|----------------------|
| India                | 18.3                 |
| Taiwan               | 9.9                  |
| South Korea          | 8.4                  |
| Brazil               | 7.8                  |
| China                | 7.7                  |
| South Africa         | 6.3                  |
| Philippines          | 6.0                  |
| Thailand             | 6.0                  |
| Hong Kong            | 5.2                  |
| Chile                | 4.8                  |
| Mexico               | 3.5                  |
| United Arab Emirates | 2.3                  |
| Indonesia            | 2.0                  |
| Other Countries      | 8.3                  |
| Cash/Other           | 3.5                  |

### Top 25 Holdings

|                                                       | % of Net Asset Value |
|-------------------------------------------------------|----------------------|
| AVI Ltd.                                              | 4.2                  |
| Infotech Enterprises Ltd.                             | 4.2                  |
| Century Pacific Food Inc.                             | 4.0                  |
| Marico Ltd.                                           | 3.4                  |
| Bajaj Holdings & Investment Ltd.                      | 3.3                  |
| Cash & Cash Equivalents                               | 3.2                  |
| Duratex S.A.                                          | 3.1                  |
| Delta Electronics Thailand PCL                        | 2.7                  |
| Sundaram Finance Ltd.                                 | 2.5                  |
| Wistron NeWeb Corp.                                   | 2.4                  |
| Aeon Thana Sinsap Thailand PCL, Subscription Receipts | 2.4                  |
| Vitasoy International Holdings Ltd.                   | 2.4                  |
| Inversiones Aguas Metropolitanas S.A.                 | 2.3                  |
| Aramex PJSC, Participation Notes                      | 2.3                  |
| Koh Young Technology Inc.                             | 2.3                  |
| JSE Ltd.                                              | 2.1                  |
| Chroma ATE Inc.                                       | 2.1                  |
| TI Financial Holdings Ltd.                            | 2.1                  |
| Samsonite International S.A.                          | 2.0                  |
| Godrej Industries Ltd.                                | 1.8                  |
| China BlueChemical Ltd.                               | 1.8                  |
| Grendene S.A.                                         | 1.8                  |
| Corp. Inmobiliaria Vesta S.A.B. de C.V.               | 1.8                  |
| Grupo Herdez S.A.B. de C.V.                           | 1.8                  |
| Hatton National Bank Plc.                             | 1.7                  |
| Top 25 Holdings                                       | 63.7                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL DIVIDEND GROWTH FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of a diversified mix of companies operating in various countries around the world across a range of sectors that may grow their dividends over time.

The Fund invests in stocks that have undergone a selection process emphasizing companies with a sustainable competitive advantage, high and sustainable profitability and strong management teams.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$3.0 billion as of December 31, 2018, from \$2.8 billion at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units lost 0.1%, which outperformed the 0.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Top contributors to the Fund's returns included U.S. discount retailer TJX, which had a strong third quarter, as well as the U.S. software company Microsoft and U.S. health-care provider UnitedHealth, both of which posted strong financial growth.

Stocks that had a negative impact on returns included the German package-delivery company Deutsche Post DHL, whose shares declined towards the end of the year on concerns about a slowdown in global trade. Anheuser-Busch InBev, the Belgium-based brewer, hurt relative returns given concerns about volume growth and high exposure to emerging markets. Naspers, the South African media-holdings company, was hurt by emerging-market declines and reaction to the partial sale of its stake in Tencent.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world's second-largest economy and by far the largest emerging market, has high consumer and government debts alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The sub-advisor is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$94,000 (2017 – \$318,000) or 8% (2017 – 10%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.80                                  | 0.34                                             | (0.33)            | 0.50                          | (0.52)                          | (0.01) | —                                          | —                 | (0.39)                   | —                    | (0.39) | 14.40                               |
| Dec. 31, 2017                 | 12.62                                  | 0.33                                             | (0.29)            | 0.58                          | 1.67                            | 2.29   | —                                          | (0.01)            | (0.09)                   | —                    | (0.10) | 14.80                               |
| Dec. 31, 2016                 | 13.34                                  | 0.32                                             | (0.27)            | 0.19                          | (0.86)                          | (0.62) | —                                          | (0.02)            | (0.10)                   | —                    | (0.12) | 12.62                               |
| Dec. 31, 2015                 | 12.23                                  | 0.34                                             | (0.31)            | 1.65                          | 0.55                            | 2.23   | —                                          | (0.02)            | (1.28)                   | —                    | (1.30) | 13.34                               |
| Dec. 31, 2014                 | 11.94                                  | 0.40                                             | (0.28)            | 2.22                          | (0.54)                          | 1.80   | —                                          | (0.13)            | (1.15)                   | —                    | (1.28) | 12.23                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.98                                  | 0.34                                             | (0.33)            | 0.51                          | (0.57)                          | (0.05) | —                                          | —                 | (0.39)                   | —                    | (0.39) | 14.57                               |
| Dec. 31, 2017                 | 12.77                                  | 0.33                                             | (0.29)            | 0.59                          | 1.69                            | 2.32   | —                                          | (0.02)            | (0.09)                   | —                    | (0.11) | 14.98                               |
| Dec. 31, 2016                 | 13.50                                  | 0.32                                             | (0.27)            | 0.20                          | (0.89)                          | (0.64) | —                                          | (0.03)            | (0.10)                   | —                    | (0.13) | 12.77                               |
| Dec. 31, 2015                 | 12.37                                  | 0.34                                             | (0.32)            | 1.65                          | 0.55                            | 2.22   | —                                          | (0.03)            | (1.29)                   | —                    | (1.32) | 13.50                               |
| Dec. 31, 2014                 | 12.06                                  | 0.40                                             | (0.29)            | 2.20                          | (0.53)                          | 1.78   | —                                          | (0.11)            | (1.16)                   | —                    | (1.27) | 12.37                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.57                                  | 0.28                                             | (0.27)            | 0.42                          | (0.55)                          | (0.12) | —                                          | —                 | (0.34)                   | (0.29)               | (0.63) | 11.97                               |
| Dec. 31, 2017                 | 11.14                                  | 0.29                                             | (0.25)            | 0.50                          | 1.45                            | 1.99   | —                                          | (0.05)            | (0.06)                   | (0.45)               | (0.56) | 12.57                               |
| Dec. 31, 2016                 | 12.33                                  | 0.29                                             | (0.24)            | 0.17                          | (0.72)                          | (0.50) | —                                          | (0.04)            | (0.08)                   | (0.50)               | (0.62) | 11.14                               |
| Dec. 31, 2015                 | 11.45                                  | 0.30                                             | (0.28)            | 1.49                          | 0.50                            | 2.01   | —                                          | (0.03)            | (1.35)                   | —                    | (1.38) | 12.33                               |
| Dec. 31, 2014                 | 11.39                                  | 0.37                                             | (0.26)            | 2.06                          | (0.50)                          | 1.67   | —                                          | (0.09)            | (1.33)                   | —                    | (1.42) | 11.45                               |
| Series T8                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 9.14                                   | 0.20                                             | (0.19)            | 0.30                          | (0.44)                          | (0.13) | —                                          | —                 | (0.26)                   | (0.47)               | (0.73) | 8.44                                |
| Dec. 31, 2017                 | 8.34                                   | 0.21                                             | (0.18)            | 0.37                          | 1.05                            | 1.45   | —                                          | (0.04)            | (0.05)                   | (0.58)               | (0.67) | 9.14                                |
| Dec. 31, 2016                 | 9.55                                   | 0.22                                             | (0.18)            | 0.13                          | (0.69)                          | (0.52) | —                                          | (0.03)            | (0.06)                   | (0.67)               | (0.76) | 8.34                                |
| Dec. 31, 2015                 | 8.97                                   | 0.23                                             | (0.22)            | 1.14                          | 0.38                            | 1.53   | —                                          | (0.02)            | (1.14)                   | —                    | (1.16) | 9.55                                |
| Dec. 31, 2014                 | 8.85                                   | 0.29                                             | (0.20)            | 1.58                          | (0.38)                          | 1.29   | —                                          | (0.07)            | (0.94)                   | —                    | (1.01) | 8.97                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.05                                  | 0.34                                             | (0.20)            | 0.51                          | (0.62)                          | 0.03   | —                                          | (0.13)            | (0.40)                   | —                    | (0.53) | 14.63                               |
| Dec. 31, 2017                 | 12.83                                  | 0.34                                             | (0.18)            | 0.60                          | 1.68                            | 2.44   | —                                          | (0.15)            | (0.09)                   | —                    | (0.24) | 15.05                               |
| Dec. 31, 2016                 | 13.57                                  | 0.33                                             | (0.16)            | 0.20                          | (1.03)                          | (0.66) | —                                          | (0.14)            | (0.10)                   | —                    | (0.24) | 12.83                               |
| Dec. 31, 2015                 | 12.45                                  | 0.34                                             | (0.18)            | 1.67                          | 0.56                            | 2.39   | —                                          | (0.17)            | (1.31)                   | —                    | (1.48) | 13.57                               |
| Dec. 31, 2014                 | 12.10                                  | 0.40                                             | (0.16)            | 2.22                          | (0.54)                          | 1.92   | —                                          | (0.20)            | (1.17)                   | —                    | (1.37) | 12.45                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.03                                  | 0.37                                             | (0.17)            | 0.54                          | (0.83)                          | (0.09) | —                                          | (0.17)            | (0.43)                   | —                    | (0.60) | 15.60                               |
| Dec. 31, 2017                 | 13.67                                  | 0.36                                             | (0.15)            | 0.64                          | 1.76                            | 2.61   | —                                          | (0.22)            | (0.09)                   | —                    | (0.31) | 16.03                               |
| Dec. 31, 2016                 | 14.46                                  | 0.35                                             | (0.13)            | 0.21                          | (0.66)                          | (0.23) | —                                          | (0.18)            | (0.11)                   | —                    | (0.29) | 13.67                               |
| Dec. 31, 2015                 | 13.26                                  | 0.36                                             | (0.15)            | 1.75                          | 0.59                            | 2.55   | —                                          | (0.22)            | (1.40)                   | —                    | (1.62) | 14.46                               |
| Dec. 31, 2014                 | 12.89                                  | 0.41                                             | (0.14)            | 2.28                          | (0.55)                          | 2.00   | —                                          | (0.23)            | (1.26)                   | —                    | (1.49) | 13.26                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.20                                  | 0.34                                             | (0.15)            | 0.51                          | (0.74)                          | (0.04) | —                                          | (0.18)            | (0.45)                   | (0.13)               | (0.76) | 14.64                               |
| Dec. 31, 2017                 | 13.32                                  | 0.34                                             | (0.14)            | 0.60                          | 2.41                            | 3.21   | —                                          | (0.20)            | (0.18)                   | (0.29)               | (0.67) | 15.20                               |
| Dec. 31, 2016 <sup>3</sup>    | 13.66 <sup>†</sup>                     | 0.31                                             | (0.12)            | 0.19                          | 0.55                            | 0.93   | —                                          | (0.16)            | (0.25)                   | (0.22)               | (0.63) | 13.32                               |



**FINANCIAL HIGHLIGHTS (cont.)**

**Change in Net Assets Per Unit (\$) (cont.)**

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |             | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total       | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>14.96</b>                           | <b>0.34</b>                                      | —                 | <b>0.51</b>                   | <b>(0.56)</b>                   | <b>0.29</b> | —                                          | <b>(0.32)</b>     | <b>(0.41)</b>            | —                    | <b>(0.73)</b> | <b>14.53</b>                        |
| Dec. 31, 2017                 | 12.76                                  | 0.34                                             | —                 | 0.60                          | 1.71                            | 2.65        | —                                          | (0.35)            | (0.09)                   | —                    | (0.44)        | 14.96                               |
| Dec. 31, 2016                 | 13.50                                  | 0.33                                             | —                 | 0.20                          | (0.76)                          | (0.23)      | —                                          | (0.31)            | (0.10)                   | —                    | (0.41)        | 12.76                               |
| Dec. 31, 2015                 | 12.40                                  | 0.34                                             | —                 | 1.69                          | 0.57                            | 2.60        | —                                          | (0.35)            | (1.33)                   | —                    | (1.68)        | 13.50                               |
| Dec. 31, 2014                 | 12.24                                  | 0.37                                             | —                 | 2.06                          | (0.50)                          | 1.93        | —                                          | (0.56)            | (1.17)                   | —                    | (1.73)        | 12.40                               |

<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 January 25, 2016.

<sup>†</sup> Initial offering net asset value per unit.

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.40</b>                     | <b>355 119</b>              | <b>24 664</b>                         | <b>2.14</b>                                  | <b>2.14</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 14.80                            | 361 740                     | 24 441                                | 2.14                                         | 2.14                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016         | 12.62                            | 344 522                     | 27 306                                | 2.19                                         | 2.19                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015         | 13.34                            | 388 783                     | 29 137                                | 2.25                                         | 2.25                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014         | 12.23                            | 251 698                     | 20 581                                | 2.25                                         | 2.25                                      | 155.90                                      | 0.39                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.57</b>                     | <b>75 374</b>               | <b>5 172</b>                          | <b>2.09</b>                                  | <b>2.09</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 14.98                            | 71 734                      | 4 790                                 | 2.09                                         | 2.09                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016         | 12.77                            | 68 591                      | 5 373                                 | 2.16                                         | 2.16                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015         | 13.50                            | 84 851                      | 6 285                                 | 2.23                                         | 2.23                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014         | 12.37                            | 26 567                      | 2 148                                 | 2.24                                         | 2.24                                      | 155.90                                      | 0.39                                      |
| <b>Series T5</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.97</b>                     | <b>3 057</b>                | <b>255</b>                            | <b>2.09</b>                                  | <b>2.09</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 12.57                            | 2 634                       | 210                                   | 2.08                                         | 2.08                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016         | 11.14                            | 3 515                       | 315                                   | 2.15                                         | 2.15                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015         | 12.33                            | 3 596                       | 292                                   | 2.18                                         | 2.18                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014         | 11.45                            | 1 107                       | 97                                    | 2.18                                         | 2.18                                      | 155.90                                      | 0.39                                      |
| <b>Series T8</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>8.44</b>                      | <b>7 885</b>                | <b>934</b>                            | <b>2.04</b>                                  | <b>2.04</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 9.14                             | 6 207                       | 679                                   | 2.04                                         | 2.04                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016         | 8.34                             | 6 001                       | 720                                   | 2.13                                         | 2.13                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015         | 9.55                             | 7 078                       | 741                                   | 2.21                                         | 2.21                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014         | 8.97                             | 1 664                       | 185                                   | 2.22                                         | 2.22                                      | 155.90                                      | 0.39                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>14.63</b>                     | <b>37 041</b>               | <b>2 532</b>                          | <b>1.26</b>                                  | <b>1.26</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017         | 15.05                            | 32 042                      | 2 130                                 | 1.27                                         | 1.27                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016         | 12.83                            | 29 469                      | 2 297                                 | 1.26                                         | 1.26                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015         | 13.57                            | 37 755                      | 2 783                                 | 1.27                                         | 1.27                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014         | 12.45                            | 12 482                      | 1 003                                 | 1.26                                         | 1.26                                      | 155.90                                      | 0.39                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.60</b>                     | <b>153 084</b>              | <b>9 814</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 16.03                            | 102 878                     | 6 419                                 | 0.99                                         | 0.99                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016              | 13.67                            | 64 757                      | 4 736                                 | 1.00                                         | 1.00                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015              | 14.46                            | 43 949                      | 3 040                                 | 1.00                                         | 1.00                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014              | 13.26                            | 6 324                       | 477                                   | 1.00                                         | 1.00                                      | 155.90                                      | 0.39                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.64</b>                     | <b>794</b>                  | <b>54</b>                             | <b>0.95</b>                                  | <b>0.95</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 15.20                            | 590                         | 39                                    | 0.95                                         | 0.95                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016 <sup>4</sup> | 13.32                            | 171                         | 13                                    | 0.94                                         | 0.94                                      | 152.59                                      | 0.36                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.53</b>                     | <b>2 367 518</b>            | <b>162 983</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>15.92</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 14.96                            | 2 205 862                   | 147 476                               | 0.02                                         | 0.02                                      | 33.21                                       | 0.12                                      |
| Dec. 31, 2016              | 12.76                            | 1 876 674                   | 147 056                               | 0.02                                         | 0.02                                      | 152.59                                      | 0.36                                      |
| Dec. 31, 2015              | 13.50                            | 1 645 546                   | 121 922                               | 0.02                                         | 0.02                                      | 130.01                                      | 0.32                                      |
| Dec. 31, 2014              | 12.40                            | 1 248 577                   | 100 686                               | 0.02                                         | 0.02                                      | 155.90                                      | 0.39                                      |

<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 January 25, 2016.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series T5 and Series T8 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.14%, Advisor Series – 2.10%, Series T5 – 2.09% and Series T8 – 2.07%.

## 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series T8      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

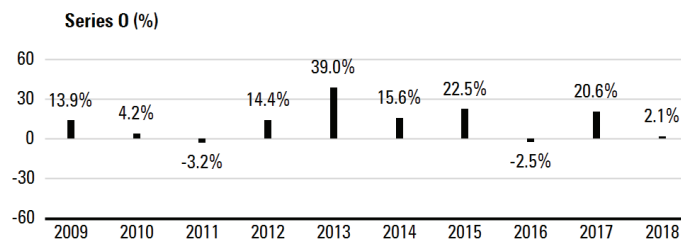
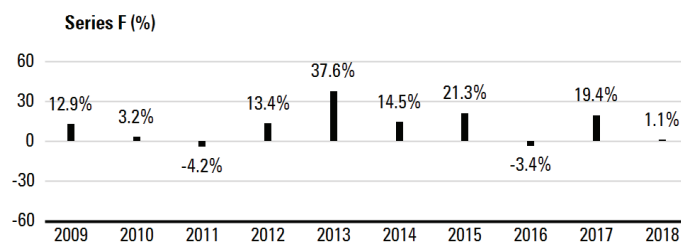
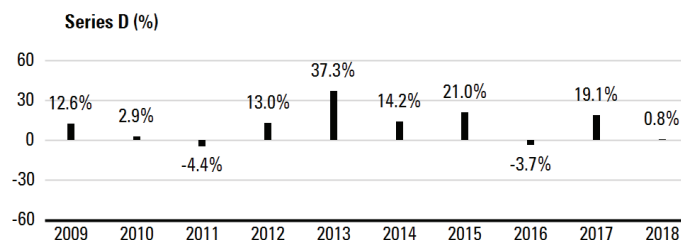
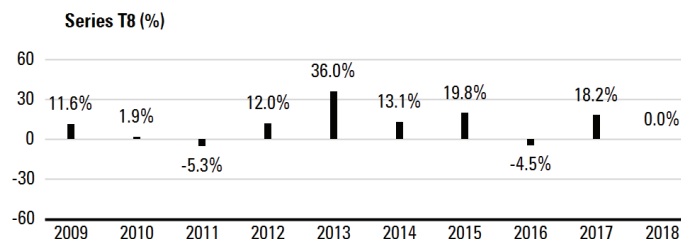
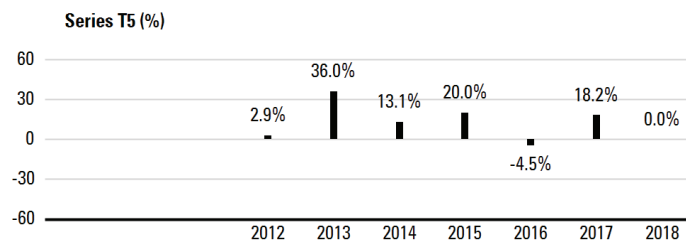
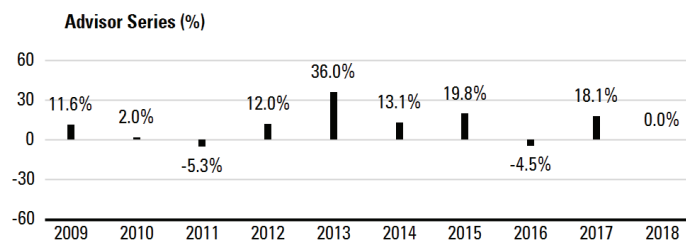
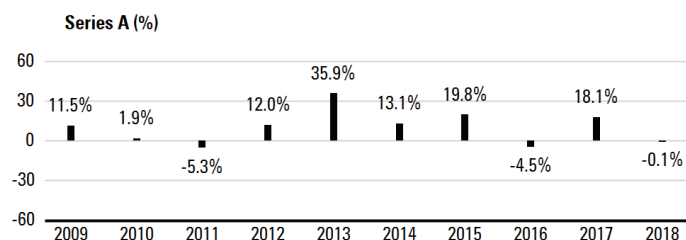


## PAST PERFORMANCE

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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -0.1         | 4.1             | 8.8             | 9.6              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Advisor Series | 0.0          | 4.1             | 8.9             | 9.6              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series T5      | 0.0          | 4.1             | 8.9             | —                | 12.9               |
| Benchmark      | -0.5         | 5.7             | 9.9             | —                | 13.7               |
| Series T8      | 0.0          | 4.1             | 8.9             | 9.6              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series D       | 0.8          | 5.0             | 9.8             | 10.6             | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series F       | 1.1          | 5.3             | 10.1            | 10.9             | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series FT5     | 1.1          | —               | —               | —                | 7.5                |
| Benchmark      | -0.5         | —               | —               | —                | 8.2                |
| Series O       | 2.1          | 6.3             | 11.2            | 12.0             | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series FT5 units have been available for sale to unitholders since January 25, 2016, and Series T5 units since September 24, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 56.4                 |
| United Kingdom | 10.8                 |
| Switzerland    | 5.0                  |
| Japan          | 4.6                  |
| Taiwan         | 4.6                  |
| Netherlands    | 3.4                  |
| Germany        | 3.1                  |
| India          | 2.5                  |
| Belgium        | 2.4                  |
| Hong Kong      | 2.4                  |
| Denmark        | 1.6                  |
| South Africa   | 1.5                  |
| Ireland        | 1.3                  |
| Cash/Other     | 0.4                  |

### Top 25 Holdings

|                                                 | % of Net Asset Value |
|-------------------------------------------------|----------------------|
| Microsoft Corp.                                 | 6.3                  |
| UnitedHealth Group Incorporated                 | 5.0                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. ADR | 4.6                  |
| TJX Companies Inc.                              | 4.6                  |
| Roche Holdings AG Genusscheine                  | 4.3                  |
| Estée Lauder Companies Inc., Class A            | 4.3                  |
| Blackstone Group LP                             | 4.1                  |
| JPMorgan Chase & Co.                            | 3.5                  |
| InterContinental Hotels Group Plc.              | 3.5                  |
| Unilever N.V.                                   | 3.4                  |
| First Republic Bank                             | 3.1                  |
| Deutsche Post AG                                | 3.1                  |
| EOG Resources Inc.                              | 3.0                  |
| Danaher Corp.                                   | 2.7                  |
| HDFC Bank Ltd. ADR                              | 2.5                  |
| AIA Group Ltd.                                  | 2.4                  |
| Anheuser-Busch InBev S.A./N.V.                  | 2.4                  |
| Fortive Corp.                                   | 2.3                  |
| Croda International Plc.                        | 2.2                  |
| Citigroup Inc.                                  | 2.2                  |
| Royal Dutch Shell Plc., B Shares                | 2.2                  |
| Sempra Energy                                   | 1.9                  |
| Broadcom Inc.                                   | 1.9                  |
| MarketAxess Holdings Inc.                       | 1.9                  |
| Occidental Petroleum Corp.                      | 1.8                  |
| Top 25 Holdings                                 | 79.2                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL DIVIDEND GROWTH  
CURRENCY NEUTRAL FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of a diversified mix of companies operating in various countries around the world across a range of sectors that may grow their dividends over time, while minimizing the exposure to currency fluctuations between foreign currencies and the Canadian dollar. The Fund may also invest in other mutual funds managed by RBC GAM or an affiliate.

The Fund invests in stocks that have undergone a selection process emphasizing companies with a sustainable competitive advantage, high and sustainable profitability and strong management teams. The Fund uses currency hedges to minimize the impact of fluctuations in foreign currencies versus the Canadian dollar.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value fell to \$21 million as of December 31, 2018, from \$26 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 6.9%, which outperformed the 7.8% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Top contributors to the Fund's returns included U.S. discount retailer TJX, which had a strong third-quarter; as well as the U.S. software company Microsoft and U.S. health-care provider UnitedHealth, both of which posted strong financial growth.

Stocks that had a negative impact on returns included the German package-delivery company Deutsche Post DHL, whose shares declined towards the end of the year on concerns about a slowdown in global trade. Anheuser-Busch InBev, the Belgium-based brewer, hurt relative returns given concerns about volume growth and high exposure to emerging markets. Naspers, the South African media-holdings company, was hurt by emerging-market declines and reaction to the partial sale of its stake in Tencent.

The Fund's currency-hedging strategy had a negative impact on returns as unitholders did not benefit from the overall rise in global currencies versus the Canadian dollar during 2018.

### **Recent Developments**

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world's second-largest economy and by far the largest emerging market, has high consumer and government debts alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The sub-advisor is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### **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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2017 – \$2,000) or 5% (2017 – 5%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.49</b>                           | <b>0.28</b>                                      | <b>(0.26)</b>     | <b>0.31</b>                   | <b>(1.36)</b>                   | <b>(1.03)</b> | —                                          | <b>(0.05)</b>     | <b>(0.21)</b>            | —                    | <b>(0.26)</b> | <b>11.37</b>                        |
| Dec. 31, 2017                 | 10.36                                  | 0.23                                             | (0.24)            | 0.41                          | 1.80                            | 2.20          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 12.49                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.14)            | (0.03)                        | 0.32                            | 0.28          | —                                          | —                 | (0.03)                   | —                    | (0.03)        | 10.36                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.47</b>                           | <b>0.28</b>                                      | <b>(0.27)</b>     | <b>0.31</b>                   | <b>(1.04)</b>                   | <b>(0.72)</b> | —                                          | <b>(0.05)</b>     | <b>(0.21)</b>            | —                    | <b>(0.26)</b> | <b>11.35</b>                        |
| Dec. 31, 2017                 | 10.36                                  | 0.26                                             | (0.26)            | 0.47                          | 1.83                            | 2.30          | —                                          | —                 | (0.11)                   | —                    | (0.11)        | 12.47                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.14)            | (0.03)                        | 0.24                            | 0.20          | —                                          | —                 | (0.03)                   | —                    | (0.03)        | 10.36                               |
| <b>Series T5</b>              |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.68</b>                           | <b>0.26</b>                                      | <b>(0.25)</b>     | <b>0.28</b>                   | <b>(1.43)</b>                   | <b>(1.14)</b> | —                                          | —                 | <b>(0.18)</b>            | <b>(0.40)</b>        | <b>(0.58)</b> | <b>10.34</b>                        |
| Dec. 31, 2017                 | 10.05                                  | 0.35                                             | (0.23)            | 0.64                          | 3.48                            | 4.24          | —                                          | (0.29)            | (0.16)                   | (0.05)               | (0.50)        | 11.68                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.07                                             | (0.14)            | (0.02)                        | (0.82)                          | (0.91)        | —                                          | —                 | (0.13)                   | (0.20)               | (0.33)        | 10.05                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.60</b>                           | <b>0.29</b>                                      | <b>(0.16)</b>     | <b>0.31</b>                   | <b>(1.44)</b>                   | <b>(1.00)</b> | —                                          | <b>(0.16)</b>     | <b>(0.21)</b>            | —                    | <b>(0.37)</b> | <b>11.47</b>                        |
| Dec. 31, 2017                 | 10.41                                  | 0.21                                             | (0.16)            | 0.38                          | 2.14                            | 2.57          | —                                          | (0.05)            | (0.10)                   | —                    | (0.15)        | 12.60                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.13                                             | (0.09)            | (0.03)                        | 0.11                            | 0.12          | —                                          | —                 | (0.03)                   | —                    | (0.03)        | 10.41                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.60</b>                           | <b>0.28</b>                                      | <b>(0.12)</b>     | <b>0.31</b>                   | <b>(0.87)</b>                   | <b>(0.40)</b> | —                                          | <b>(0.20)</b>     | <b>(0.21)</b>            | —                    | <b>(0.41)</b> | <b>11.46</b>                        |
| Dec. 31, 2017                 | 10.42                                  | 0.25                                             | (0.11)            | 0.46                          | 1.77                            | 2.37          | —                                          | (0.09)            | (0.11)                   | —                    | (0.20)        | 12.60                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.09                                             | (0.06)            | (0.02)                        | 0.99                            | 1.00          | —                                          | (0.01)            | (0.03)                   | —                    | (0.04)        | 10.42                               |
| <b>Series FT5</b>             |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>11.91</b>                           | <b>0.27</b>                                      | <b>(0.11)</b>     | <b>0.30</b>                   | <b>(1.68)</b>                   | <b>(1.22)</b> | —                                          | <b>(0.13)</b>     | <b>(0.41)</b>            | <b>(0.05)</b>        | <b>(0.59)</b> | <b>10.68</b>                        |
| Dec. 31, 2017                 | 10.13                                  | 0.19                                             | (0.11)            | 0.34                          | 2.57                            | 2.99          | —                                          | (0.11)            | (0.22)                   | (0.17)               | (0.50)        | 11.91                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.05)            | (0.04)                        | 0.45                            | 0.50          | —                                          | (0.07)            | (0.02)                   | (0.24)               | (0.33)        | 10.13                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.58</b>                           | <b>0.28</b>                                      | —                 | <b>0.31</b>                   | <b>(0.87)</b>                   | <b>(0.28)</b> | —                                          | <b>(0.32)</b>     | <b>(0.21)</b>            | —                    | <b>(0.53)</b> | <b>11.43</b>                        |
| Dec. 31, 2017                 | 10.40                                  | 0.28                                             | —                 | 0.51                          | 1.71                            | 2.50          | —                                          | (0.20)            | (0.11)                   | —                    | (0.31)        | 12.58                               |
| Dec. 31, 2016 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | —                 | (0.03)                        | 0.45                            | 0.56          | —                                          | (0.10)            | (0.03)                   | —                    | (0.13)        | 10.40                               |

<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 May 4, 2016.

<sup>†</sup> Initial offering net asset value per unit.

## Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.37</b>                     | <b>7 300</b>                | <b>642</b>                            | <b>2.07</b>                                  | <b>2.08</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 12.49                            | 4 306                       | 345                                   | 2.02                                         | 2.04                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.36                            | 153                         | 15                                    | 2.00                                         | 2.03                                      | 74.57                                       | 0.45                                      |





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.35</b>                     | <b>380</b>                  | <b>34</b>                             | <b>2.15</b>                                  | <b>2.16</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 12.47                            | 210                         | 17                                    | 2.18                                         | 2.20                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.36                            | 53                          | 5                                     | 2.17                                         | 2.19                                      | 74.57                                       | 0.45                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.34</b>                     | <b>82</b>                   | <b>8</b>                              | <b>2.14</b>                                  | <b>2.15</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 11.68                            | 20                          | 2                                     | 2.05                                         | 2.07                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.05                            | 376                         | 37                                    | 2.05                                         | 2.07                                      | 74.57                                       | 0.45                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.47</b>                     | <b>2 173</b>                | <b>189</b>                            | <b>1.25</b>                                  | <b>1.26</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 12.60                            | 1 766                       | 140                                   | 1.29                                         | 1.31                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.41                            | 105                         | 10                                    | 1.28                                         | 1.31                                      | 74.57                                       | 0.45                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.46</b>                     | <b>6 731</b>                | <b>587</b>                            | <b>0.95</b>                                  | <b>0.96</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 12.60                            | 13 198                      | 1 047                                 | 0.95                                         | 0.97                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.42                            | 2 529                       | 243                                   | 0.95                                         | 0.97                                      | 74.57                                       | 0.45                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.68</b>                     | <b>108</b>                  | <b>10</b>                             | <b>0.95</b>                                  | <b>0.96</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 11.91                            | 45                          | 4                                     | 0.95                                         | 0.97                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.13                            | 1                           | —                                     | 0.95                                         | 0.97                                      | 74.57                                       | 0.45                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.43</b>                     | <b>4 135</b>                | <b>362</b>                            | <b>0.02</b>                                  | <b>0.03</b>                               | <b>41.76</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 12.58                            | 6 329                       | 503                                   | 0.02                                         | 0.04                                      | 34.09                                       | 0.28                                      |
| Dec. 31, 2016 <sup>4</sup> | 10.40                            | 4 550                       | 438                                   | 0.02                                         | 0.05                                      | 74.57                                       | 0.45                                      |

<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 May 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 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.



**Series D (%)**



**Series F (%)**



**Series FT5 (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI World Total Return Net Index (hedged to CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -6.9         | —               | —               | —                | 6.4                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |
| Advisor Series | -6.9         | —               | —               | —                | 6.3                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |
| Series T5      | -6.9         | —               | —               | —                | 6.4                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |
| Series D       | -6.1         | —               | —               | —                | 7.2                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |
| Series F       | -5.8         | —               | —               | —                | 7.6                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |
| Series FT5     | -5.8         | —               | —               | —                | 7.7                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |
| Series O       | -4.9         | —               | —               | —                | 8.6                |
| Benchmark      | -7.8         | —               | —               | —                | 7.6                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series T5, Series D, Series F, Series FT5 and Series O units have been available for sale to unitholders since May 16, 2016.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (hedged to CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 58.7                 |
| United Kingdom | 11.1                 |
| Switzerland    | 5.2                  |
| Japan          | 4.8                  |
| Taiwan         | 4.8                  |
| Netherlands    | 3.5                  |
| Germany        | 3.2                  |
| Belgium        | 2.5                  |
| Hong Kong      | 2.5                  |
| India          | 2.5                  |
| Denmark        | 1.7                  |
| South Africa   | 1.6                  |
| Ireland        | 1.4                  |
| Cash/Other     | (3.5)                |

### Top 25 Holdings

|                                                 | % of Net Asset Value |
|-------------------------------------------------|----------------------|
| Microsoft Corp.                                 | 6.6                  |
| UnitedHealth Group Incorporated                 | 5.1                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. ADR | 4.8                  |
| TJX Companies Inc.                              | 4.8                  |
| Roche Holdings AG Genusscheine                  | 4.5                  |
| Estée Lauder Companies Inc., Class A            | 4.4                  |
| Blackstone Group LP                             | 4.2                  |
| InterContinental Hotels Group Plc.              | 3.6                  |
| JPMorgan Chase & Co.                            | 3.6                  |
| Unilever N.V.                                   | 3.5                  |
| First Republic Bank                             | 3.3                  |
| Deutsche Post AG                                | 3.2                  |
| EOG Resources Inc.                              | 3.0                  |
| Danaher Corp.                                   | 2.7                  |
| HDFC Bank Ltd. ADR                              | 2.5                  |
| Anheuser-Busch InBev S.A./N.V.                  | 2.5                  |
| AIA Group Ltd.                                  | 2.5                  |
| Croda International Plc.                        | 2.3                  |
| Fortive Corp.                                   | 2.3                  |
| Royal Dutch Shell Plc., B Shares                | 2.3                  |
| Citigroup Inc.                                  | 2.3                  |
| MarketAxess Holdings Inc.                       | 2.1                  |
| Broadcom Inc.                                   | 2.0                  |
| Sempra Energy                                   | 1.9                  |
| MISUMI Group Inc.                               | 1.8                  |
| Top 25 Holdings                                 | 81.8                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of a diversified mix of companies operating around the world and across a range of sectors.

To achieve the Fund's objectives, the portfolio manager uses primarily fundamental research to assess the economic outlook for regions around the world, including expected growth, market valuations and economic trends. The Fund may invest in American Depositary Receipts and may invest as much as 10% of its assets in units of other mutual funds managed by RBC GAM or an affiliate.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$916 million as of December 31, 2018, from \$922 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series A units gained 0.1%, which outperformed the 0.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Top contributors to the Fund's returns included U.S. discount retailer TJX, which had a strong third quarter; U.S. health-care provider UnitedHealth, which posted strong financial results; and U.S. medical equipment and services company Danaher.

Stocks that had a negative impact on returns included the German package-delivery company Deutsche Post DHL, whose shares declined towards the end of the year on concerns about a slowdown in global trade. Shares of U.S. flooring manufacturer Mohawk declined amid higher costs, and the position was eliminated from the portfolio. Anheuser-Busch InBev, the Belgium-based brewer, hurt relative returns given concerns about volume growth and high exposure to emerging markets.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world's second-largest economy and by far the largest emerging market, has high consumer and government debts alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The sub-advisor is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$5,000 (2017 – \$24,000) or 1% (2017 – 2%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |  |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|--|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |  |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.40                                  | 0.26                                             | (0.34)            | 1.43                          | (2.23)                          | (0.88) | —                                          | —                 | (0.90)                   | —                    | (0.90) | 14.50                               |  |
| Dec. 31, 2017                 | 12.73                                  | 0.23                                             | (0.30)            | 1.16                          | 2.01                            | 3.10   | —                                          | —                 | (0.46)                   | —                    | (0.46) | 15.40                               |  |
| Dec. 31, 2016                 | 12.98                                  | 0.25                                             | (0.26)            | 0.14                          | (0.22)                          | (0.09) | —                                          | —                 | —                        | —                    | —      | 12.73                               |  |
| Dec. 31, 2015                 | 10.68                                  | 0.22                                             | (0.26)            | 0.31                          | 2.26                            | 2.53   | —                                          | (0.01)            | (0.12)                   | —                    | (0.13) | 12.98                               |  |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.18)            | (0.03)                        | 0.84                            | 0.77   | —                                          | —                 | —                        | —                    | —      | 10.68                               |  |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.35                                  | 0.25                                             | (0.35)            | 1.43                          | (2.19)                          | (0.86) | —                                          | —                 | (0.90)                   | —                    | (0.90) | 14.45                               |  |
| Dec. 31, 2017                 | 12.71                                  | 0.23                                             | (0.31)            | 1.16                          | 1.92                            | 3.00   | —                                          | —                 | (0.46)                   | —                    | (0.46) | 15.35                               |  |
| Dec. 31, 2016                 | 12.96                                  | 0.25                                             | (0.26)            | 0.14                          | (0.22)                          | (0.09) | —                                          | —                 | —                        | —                    | —      | 12.71                               |  |
| Dec. 31, 2015                 | 10.68                                  | 0.21                                             | (0.28)            | 0.30                          | 2.17                            | 2.40   | —                                          | (0.01)            | (0.12)                   | —                    | (0.13) | 12.96                               |  |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.19)            | (0.03)                        | 0.85                            | 0.77   | —                                          | —                 | —                        | —                    | —      | 10.68                               |  |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.21                                  | 0.24                                             | (0.31)            | 1.36                          | (4.80)                          | (3.51) | —                                          | —                 | (1.24)                   | —                    | (1.24) | 14.04                               |  |
| Dec. 31, 2017 <sup>4</sup>    | 13.26 <sup>†</sup>                     | 0.19                                             | (0.24)            | 0.97                          | 2.11                            | 3.03   | —                                          | —                 | (0.61)                   | —                    | (0.61) | 15.21                               |  |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.68                                  | 0.26                                             | (0.21)            | 1.47                          | (1.48)                          | 0.04   | —                                          | (0.06)            | (0.92)                   | —                    | (0.98) | 14.83                               |  |
| Dec. 31, 2017                 | 12.91                                  | 0.23                                             | (0.19)            | 1.19                          | 2.01                            | 3.24   | —                                          | (0.05)            | (0.47)                   | —                    | (0.52) | 15.68                               |  |
| Dec. 31, 2016                 | 13.13                                  | 0.26                                             | (0.17)            | 0.14                          | (0.65)                          | (0.42) | —                                          | (0.07)            | —                        | —                    | (0.07) | 12.91                               |  |
| Dec. 31, 2015                 | 10.73                                  | 0.21                                             | (0.18)            | 0.30                          | 2.20                            | 2.53   | —                                          | (0.01)            | (0.12)                   | —                    | (0.13) | 13.13                               |  |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.12)            | (0.03)                        | 0.86                            | 0.85   | —                                          | (0.03)            | —                        | —                    | (0.03) | 10.73                               |  |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.74                                  | 0.26                                             | (0.16)            | 1.47                          | (2.94)                          | (1.37) | —                                          | (0.11)            | (0.93)                   | —                    | (1.04) | 14.88                               |  |
| Dec. 31, 2017                 | 12.96                                  | 0.23                                             | (0.15)            | 1.19                          | 2.06                            | 3.33   | —                                          | (0.09)            | (0.47)                   | —                    | (0.56) | 15.74                               |  |
| Dec. 31, 2016                 | 13.18                                  | 0.26                                             | (0.13)            | 0.14                          | (0.11)                          | 0.16   | —                                          | (0.11)            | —                        | —                    | (0.11) | 12.96                               |  |
| Dec. 31, 2015                 | 10.74                                  | 0.19                                             | (0.14)            | 0.28                          | 2.04                            | 2.37   | —                                          | (0.01)            | (0.12)                   | —                    | (0.13) | 13.18                               |  |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | (0.09)            | (0.03)                        | 0.87                            | 0.89   | —                                          | (0.04)            | —                        | —                    | (0.04) | 10.74                               |  |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.35                                  | 0.25                                             | (0.15)            | 1.39                          | (4.25)                          | (2.76) | —                                          | (0.08)            | (1.18)                   | —                    | (1.26) | 14.31                               |  |
| Dec. 31, 2017 <sup>4</sup>    | 13.52 <sup>†</sup>                     | 0.20                                             | (0.13)            | 1.00                          | 0.22                            | 1.29   | (0.01)                                     | (0.07)            | (0.84)                   | —                    | (0.92) | 15.35                               |  |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |  |
| Dec. 31, 2018                 | 15.76                                  | 0.26                                             | —                 | 1.48                          | (1.20)                          | 0.54   | —                                          | (0.26)            | (0.94)                   | —                    | (1.20) | 14.89                               |  |
| Dec. 31, 2017                 | 12.98                                  | 0.23                                             | —                 | 1.19                          | 2.09                            | 3.51   | —                                          | (0.25)            | (0.47)                   | —                    | (0.72) | 15.76                               |  |
| Dec. 31, 2016                 | 13.19                                  | 0.26                                             | —                 | 0.15                          | (0.31)                          | 0.10   | —                                          | (0.24)            | —                        | —                    | (0.24) | 12.98                               |  |
| Dec. 31, 2015                 | 10.75                                  | 0.22                                             | —                 | 0.31                          | 2.27                            | 2.80   | —                                          | (0.15)            | (0.12)                   | —                    | (0.27) | 13.19                               |  |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.14                                             | —                 | (0.03)                        | 0.88                            | 0.99   | —                                          | (0.13)            | —                        | —                    | (0.13) | 10.75                               |  |

<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 reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From March 10, 2014.

<sup>4</sup> From February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.50</b>                     | <b>61 974</b>               | <b>4 274</b>                          | <b>2.06</b>                                  | <b>2.06</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 15.40                            | 24 807                      | 1 611                                 | 2.05                                         | 2.05                                      | 30.41                                       | 0.13                                      |
| Dec. 31, 2016              | 12.73                            | 14 580                      | 1 145                                 | 2.09                                         | 2.09                                      | 40.76                                       | 0.20                                      |
| Dec. 31, 2015              | 12.98                            | 12 690                      | 978                                   | 2.15                                         | 2.15                                      | 31.76                                       | 0.25                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.68                            | 3 325                       | 311                                   | 2.21                                         | 2.21                                      | 52.06                                       | 0.24                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.45</b>                     | <b>3 273</b>                | <b>227</b>                            | <b>2.13</b>                                  | <b>2.13</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 15.35                            | 782                         | 51                                    | 2.11                                         | 2.11                                      | 30.41                                       | 0.13                                      |
| Dec. 31, 2016              | 12.71                            | 300                         | 24                                    | 2.13                                         | 2.13                                      | 40.76                                       | 0.20                                      |
| Dec. 31, 2015              | 12.96                            | 257                         | 20                                    | 2.28                                         | 2.28                                      | 31.76                                       | 0.25                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.68                            | 44                          | 4                                     | 2.28                                         | 2.28                                      | 52.06                                       | 0.24                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.04</b>                     | <b>176</b>                  | <b>13</b>                             | <b>2.03</b>                                  | <b>2.03</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017 <sup>5</sup> | 15.21                            | 8                           | 1                                     | 2.00                                         | 2.00                                      | 30.41                                       | 0.13                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.83</b>                     | <b>11 918</b>               | <b>804</b>                            | <b>1.26</b>                                  | <b>1.26</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 15.68                            | 8 432                       | 538                                   | 1.26                                         | 1.26                                      | 30.41                                       | 0.13                                      |
| Dec. 31, 2016              | 12.91                            | 1 925                       | 149                                   | 1.33                                         | 1.33                                      | 40.76                                       | 0.20                                      |
| Dec. 31, 2015              | 13.13                            | 2 206                       | 168                                   | 1.42                                         | 1.42                                      | 31.76                                       | 0.25                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.73                            | 167                         | 16                                    | 1.41                                         | 1.41                                      | 52.06                                       | 0.24                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.88</b>                     | <b>59 526</b>               | <b>4 000</b>                          | <b>0.98</b>                                  | <b>0.98</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 15.74                            | 15 016                      | 954                                   | 0.98                                         | 0.98                                      | 30.41                                       | 0.13                                      |
| Dec. 31, 2016              | 12.96                            | 6 318                       | 488                                   | 1.00                                         | 1.00                                      | 40.76                                       | 0.20                                      |
| Dec. 31, 2015              | 13.18                            | 2 748                       | 209                                   | 1.13                                         | 1.13                                      | 31.76                                       | 0.25                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.74                            | 359                         | 33                                    | 1.13                                         | 1.13                                      | 52.06                                       | 0.24                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.31</b>                     | <b>637</b>                  | <b>44</b>                             | <b>0.95</b>                                  | <b>0.95</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017 <sup>5</sup> | 15.35                            | 62                          | 4                                     | 0.96                                         | 0.96                                      | 30.41                                       | 0.13                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.89</b>                     | <b>778 472</b>              | <b>52 271</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>39.05</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 15.76                            | 872 787                     | 55 365                                | 0.02                                         | 0.02                                      | 30.41                                       | 0.13                                      |
| Dec. 31, 2016              | 12.98                            | 778 868                     | 60 027                                | 0.02                                         | 0.02                                      | 40.76                                       | 0.20                                      |
| Dec. 31, 2015              | 13.19                            | 654 821                     | 49 646                                | 0.02                                         | 0.02                                      | 31.76                                       | 0.25                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.75                            | 311 664                     | 29 004                                | 0.02                                         | 0.02                                      | 52.06                                       | 0.24                                      |

<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 March 10, 2014.

<sup>5</sup> From February 15, 2017.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.04%, Advisor Series – 2.08%, Series D – 1.28% and Series F – 0.95%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

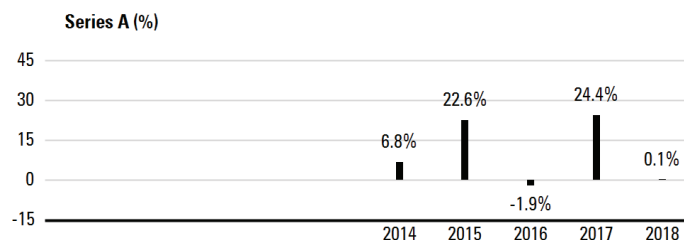
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

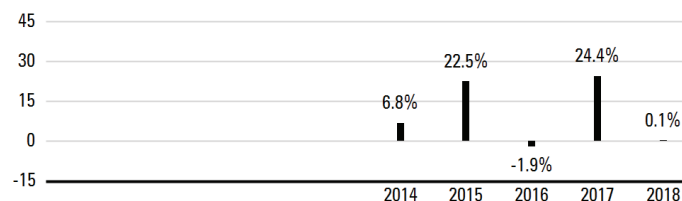
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



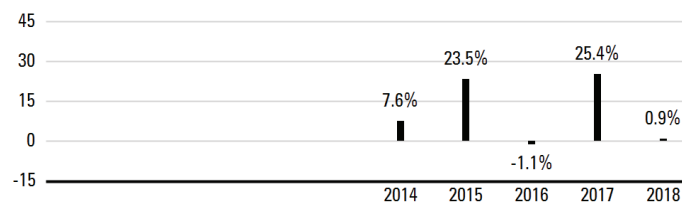
**Advisor Series (%)**



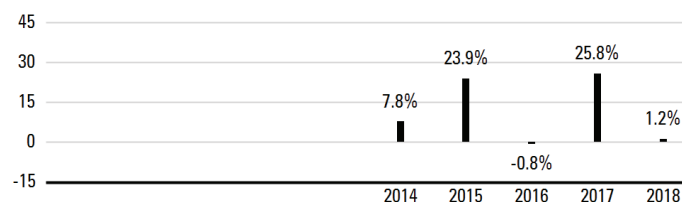
**Series T5 (%)**



**Series D (%)**



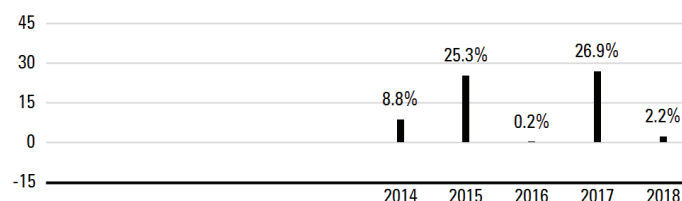
**Series F (%)**



**Series FT5 (%)**



**Series O (%)**







## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 0.1          | 6.9             | —               | —                | 10.3               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.1                |
| Advisor Series | 0.1          | 6.9             | —               | —                | 10.2               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.1                |
| Series T5      | 0.2          | —               | —               | —                | 10.3               |
| Benchmark      | -0.5         | —               | —               | —                | 5.6                |
| Series D       | 0.9          | 7.8             | —               | —                | 11.2               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.1                |
| Series F       | 1.2          | 8.1             | —               | —                | 11.5               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.1                |
| Series FT5     | 1.3          | —               | —               | —                | 11.5               |
| Benchmark      | -0.5         | —               | —               | —                | 5.6                |
| Series O       | 2.2          | 9.1             | —               | —                | 12.6               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.1                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017, and Series A, Advisor Series, Series D, Series F and Series O units since March 10, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 56.7                 |
| United Kingdom | 6.1                  |
| Switzerland    | 5.7                  |
| Japan          | 5.3                  |
| Netherlands    | 4.6                  |
| Germany        | 3.2                  |
| India          | 3.1                  |
| Belgium        | 2.7                  |
| Taiwan         | 2.2                  |
| Denmark        | 1.9                  |
| Hong Kong      | 1.9                  |
| South Africa   | 1.8                  |
| Ireland        | 1.6                  |
| Australia      | 1.1                  |
| France         | 1.0                  |
| Cash/Other     | 1.1                  |

### Top 25 Holdings

|                                                 | % of Net Asset Value |
|-------------------------------------------------|----------------------|
| Danaher Corp.                                   | 4.8                  |
| Roche Holdings AG Genusscheine                  | 4.4                  |
| UnitedHealth Group Incorporated                 | 4.1                  |
| Microsoft Corp.                                 | 3.6                  |
| Unilever N.V.                                   | 3.6                  |
| First Republic Bank                             | 3.5                  |
| Fortive Corp.                                   | 3.5                  |
| TJX Companies Inc.                              | 3.4                  |
| Amazon.com, Inc.                                | 3.4                  |
| Deutsche Post AG                                | 3.2                  |
| EOG Resources Inc.                              | 3.0                  |
| Estée Lauder Companies Inc., Class A            | 2.8                  |
| Anheuser-Busch InBev S.A./N.V.                  | 2.7                  |
| Gartner Inc.                                    | 2.5                  |
| American Water Works Co. Inc.                   | 2.4                  |
| JPMorgan Chase & Co.                            | 2.4                  |
| Alphabet Inc., Class A                          | 2.4                  |
| Blackstone Group LP                             | 2.3                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. ADR | 2.2                  |
| Nidec Corp.                                     | 2.2                  |
| Croda International Plc.                        | 2.2                  |
| InterContinental Hotels Group Plc.              | 2.2                  |
| MarketAxess Holdings Inc.                       | 2.1                  |
| AIA Group Ltd.                                  | 1.9                  |
| Naspers Ltd.                                    | 1.8                  |
| Top 25 Holdings                                 | 72.6                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL EQUITY FOCUS FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of a diversified mix of companies operating around the world and across a range of sectors. The Fund generally invests in fewer companies and has a more concentrated portfolio than other global equity funds.

To achieve the Fund's objectives, the portfolio manager uses primarily fundamental research to assess the economic outlook for regions around the world, including expected growth, market valuations and economic trends. The Fund may invest in American Depositary Receipts and may invest as much as 10% of its assets in units of other mutual funds managed by RBC GAM or an affiliate.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$3.4 billion as of December 31, 2018, from \$2.9 billion at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units were unchanged, which outperformed the 0.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Top contributors to the Fund's returns included U.S. discount retailer TJX, which had a strong third quarter; U.S. health-care provider UnitedHealth, which posted strong financial results; and U.S. medical equipment and services company Danaher.

Stocks that had a negative impact on returns included the German package-delivery company Deutsche Post DHL, whose shares declined towards the end of the year on concerns about a slowdown in global trade. Shares of U.S. flooring manufacturer Mohawk declined amid higher costs, and the position was eliminated from the portfolio. Anheuser-Busch InBev, the Belgium-based brewer, hurt relative returns given concerns about volume growth and high exposure to emerging markets.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world's second-largest economy and by far the largest emerging market, has high consumer and government debts alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The sub-advisor is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$6,000) or 0% (2017 – 0%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.70                                  | 0.24                                             | (0.35)            | 0.98                          | (1.80)                          | (0.93) | —                                          | —                 | (0.67)                   | —                    | (0.67) | 15.02                               |
| Dec. 31, 2017                 | 13.01                                  | 0.23                                             | (0.31)            | 1.04                          | 2.16                            | 3.12   | —                                          | —                 | (0.46)                   | —                    | (0.46) | 15.70                               |
| Dec. 31, 2016                 | 13.37                                  | 0.25                                             | (0.27)            | 0.38                          | (0.43)                          | (0.07) | —                                          | —                 | (0.22)                   | —                    | (0.22) | 13.01                               |
| Dec. 31, 2015                 | 11.17                                  | 0.21                                             | (0.29)            | 0.62                          | 1.87                            | 2.41   | —                                          | (0.01)            | (0.26)                   | —                    | (0.27) | 13.37                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.16)            | (0.15)                        | 1.17                            | 0.97   | —                                          | —                 | —                        | —                    | —      | 11.17                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.69                                  | 0.24                                             | (0.35)            | 0.97                          | (2.00)                          | (1.14) | —                                          | —                 | (0.67)                   | —                    | (0.67) | 15.00                               |
| Dec. 31, 2017                 | 13.01                                  | 0.23                                             | (0.32)            | 1.03                          | 2.24                            | 3.18   | —                                          | —                 | (0.47)                   | —                    | (0.47) | 15.69                               |
| Dec. 31, 2016                 | 13.37                                  | 0.25                                             | (0.27)            | 0.38                          | (0.47)                          | (0.11) | —                                          | —                 | (0.22)                   | —                    | (0.22) | 13.01                               |
| Dec. 31, 2015                 | 11.17                                  | 0.22                                             | (0.29)            | 0.64                          | 1.91                            | 2.48   | —                                          | (0.01)            | (0.26)                   | —                    | (0.27) | 13.37                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | (0.16)            | (0.15)                        | 1.13                            | 0.92   | —                                          | —                 | —                        | —                    | —      | 11.17                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.31                                  | 0.23                                             | (0.32)            | 0.93                          | 0.64                            | 1.48   | —                                          | —                 | (0.61)                   | (0.16)               | (0.77) | 14.60                               |
| Dec. 31, 2017 <sup>4</sup>    | 13.58 <sup>†</sup>                     | 0.19                                             | (0.26)            | 0.85                          | 2.87                            | 3.65   | —                                          | —                 | (0.83)                   | —                    | (0.83) | 15.31                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.06                                  | 0.25                                             | (0.22)            | 1.02                          | (1.08)                          | (0.03) | —                                          | (0.03)            | (0.69)                   | —                    | (0.72) | 15.47                               |
| Dec. 31, 2017                 | 13.22                                  | 0.23                                             | (0.20)            | 1.06                          | 1.79                            | 2.88   | —                                          | (0.03)            | (0.47)                   | —                    | (0.50) | 16.06                               |
| Dec. 31, 2016                 | 13.53                                  | 0.25                                             | (0.17)            | 0.38                          | (0.61)                          | (0.15) | —                                          | (0.06)            | (0.22)                   | —                    | (0.28) | 13.22                               |
| Dec. 31, 2015                 | 11.20                                  | 0.21                                             | (0.17)            | 0.63                          | 1.89                            | 2.56   | —                                          | (0.01)            | (0.26)                   | —                    | (0.27) | 13.53                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | (0.10)            | (0.16)                        | 1.20                            | 1.05   | —                                          | (0.03)            | —                        | —                    | (0.03) | 11.20                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.09                                  | 0.24                                             | (0.17)            | 1.00                          | (1.97)                          | (0.90) | —                                          | (0.05)            | (0.69)                   | —                    | (0.74) | 15.50                               |
| Dec. 31, 2017                 | 13.24                                  | 0.23                                             | (0.15)            | 1.06                          | 2.18                            | 3.32   | —                                          | (0.06)            | (0.48)                   | —                    | (0.54) | 16.09                               |
| Dec. 31, 2016                 | 13.56                                  | 0.25                                             | (0.14)            | 0.38                          | (0.10)                          | 0.39   | —                                          | (0.10)            | (0.22)                   | —                    | (0.32) | 13.24                               |
| Dec. 31, 2015                 | 11.21                                  | 0.21                                             | (0.15)            | 0.61                          | 1.82                            | 2.49   | —                                          | (0.03)            | (0.26)                   | —                    | (0.29) | 13.56                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.10                                             | (0.08)            | (0.14)                        | 1.07                            | 0.95   | —                                          | (0.05)            | —                        | —                    | (0.05) | 11.21                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.74                                  | 0.23                                             | (0.16)            | 0.93                          | (3.25)                          | (2.25) | —                                          | (0.08)            | (0.92)                   | —                    | (1.00) | 14.96                               |
| Dec. 31, 2017 <sup>4</sup>    | 13.85 <sup>†</sup>                     | 0.19                                             | (0.13)            | 0.87                          | 2.77                            | 3.70   | (0.02)                                     | (0.06)            | (0.78)                   | —                    | (0.86) | 15.74                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 16.25                                  | 0.25                                             | —                 | 1.03                          | (1.08)                          | 0.20   | —                                          | (0.23)            | (0.72)                   | —                    | (0.95) | 15.62                               |
| Dec. 31, 2017                 | 13.38                                  | 0.24                                             | —                 | 1.08                          | 2.22                            | 3.54   | —                                          | (0.23)            | (0.48)                   | —                    | (0.71) | 16.25                               |
| Dec. 31, 2016                 | 13.70                                  | 0.26                                             | —                 | 0.39                          | (0.40)                          | 0.25   | —                                          | (0.24)            | (0.23)                   | —                    | (0.47) | 13.38                               |
| Dec. 31, 2015                 | 11.34                                  | 0.22                                             | —                 | 0.66                          | 1.97                            | 2.85   | —                                          | (0.18)            | (0.27)                   | —                    | (0.45) | 13.70                               |
| Dec. 31, 2014                 | 9.95                                   | 0.24                                             | —                 | (0.34)                        | 2.63                            | 2.53   | —                                          | (0.11)            | —                        | —                    | (0.11) | 11.34                               |

<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 April 28, 2014.

<sup>4</sup> From February 15, 2017.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.02</b>                     | <b>56 218</b>               | <b>3 744</b>                          | <b>2.10</b>                                  | <b>2.10</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 15.70                            | 19 719                      | 1 256                                 | 2.08                                         | 2.08                                      | 35.16                                       | 0.16                                      |
| Dec. 31, 2016              | 13.01                            | 7 843                       | 603                                   | 2.14                                         | 2.14                                      | 37.71                                       | 0.19                                      |
| Dec. 31, 2015              | 13.37                            | 7 424                       | 555                                   | 2.25                                         | 2.25                                      | 40.84                                       | 0.22                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.17                            | 964                         | 86                                    | 2.23                                         | 2.23                                      | 54.23                                       | 0.38                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.00</b>                     | <b>9 322</b>                | <b>621</b>                            | <b>2.09</b>                                  | <b>2.09</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 15.69                            | 2 578                       | 164                                   | 2.14                                         | 2.14                                      | 35.16                                       | 0.16                                      |
| Dec. 31, 2016              | 13.01                            | 365                         | 28                                    | 2.13                                         | 2.13                                      | 37.71                                       | 0.19                                      |
| Dec. 31, 2015              | 13.37                            | 324                         | 24                                    | 2.23                                         | 2.23                                      | 40.84                                       | 0.22                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.17                            | 152                         | 14                                    | 2.27                                         | 2.27                                      | 54.23                                       | 0.38                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.60</b>                     | <b>1 276</b>                | <b>87</b>                             | <b>2.00</b>                                  | <b>2.00</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017 <sup>5</sup> | 15.31                            | 126                         | 8                                     | 2.00                                         | 2.00                                      | 35.16                                       | 0.16                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.47</b>                     | <b>15 838</b>               | <b>1 024</b>                          | <b>1.26</b>                                  | <b>1.26</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 16.06                            | 15 243                      | 949                                   | 1.27                                         | 1.27                                      | 35.16                                       | 0.16                                      |
| Dec. 31, 2016              | 13.22                            | 2 415                       | 183                                   | 1.31                                         | 1.31                                      | 37.71                                       | 0.19                                      |
| Dec. 31, 2015              | 13.53                            | 2 590                       | 191                                   | 1.35                                         | 1.35                                      | 40.84                                       | 0.22                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.20                            | 338                         | 30                                    | 1.38                                         | 1.38                                      | 54.23                                       | 0.38                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.50</b>                     | <b>86 870</b>               | <b>5 603</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 16.09                            | 29 915                      | 1 860                                 | 1.00                                         | 1.00                                      | 35.16                                       | 0.16                                      |
| Dec. 31, 2016              | 13.24                            | 6 632                       | 501                                   | 1.05                                         | 1.05                                      | 37.71                                       | 0.19                                      |
| Dec. 31, 2015              | 13.56                            | 2 641                       | 195                                   | 1.11                                         | 1.11                                      | 40.84                                       | 0.22                                      |
| Dec. 31, 2014 <sup>4</sup> | 11.21                            | 426                         | 38                                    | 1.13                                         | 1.13                                      | 54.23                                       | 0.38                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>14.96</b>                     | <b>8 544</b>                | <b>571</b>                            | <b>0.95</b>                                  | <b>0.95</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017 <sup>5</sup> | 15.74                            | 684                         | 43                                    | 0.95                                         | 0.95                                      | 35.16                                       | 0.16                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>15.62</b>                     | <b>3 267 669</b>            | <b>209 223</b>                        | <b>0.02</b>                                  | <b>0.02</b>                               | <b>31.00</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017              | 16.25                            | 2 874 663                   | 176 926                               | 0.02                                         | 0.02                                      | 35.16                                       | 0.16                                      |
| Dec. 31, 2016              | 13.38                            | 2 137 571                   | 159 795                               | 0.02                                         | 0.02                                      | 37.71                                       | 0.19                                      |
| Dec. 31, 2015              | 13.70                            | 1 766 859                   | 128 980                               | 0.02                                         | 0.02                                      | 40.84                                       | 0.22                                      |
| Dec. 31, 2014              | 11.34                            | 1 050 728                   | 92 674                                | 0.02                                         | 0.02                                      | n/a                                         | 0.38                                      |

<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 April 28, 2014.

<sup>5</sup> From February 15, 2017.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.09%, Advisor Series – 2.08%, Series D – 1.25% and Series F – 1.00%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

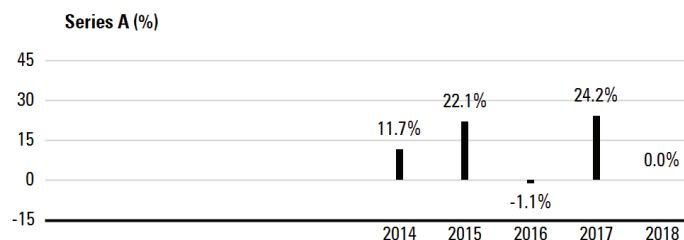
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

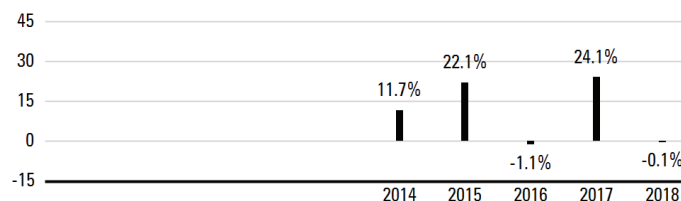
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



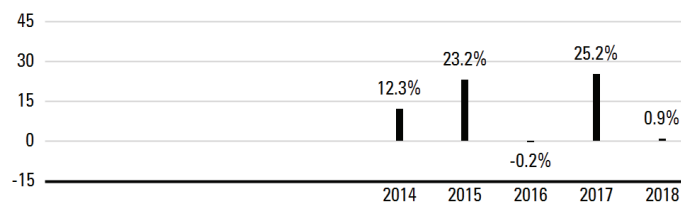
**Advisor Series (%)**



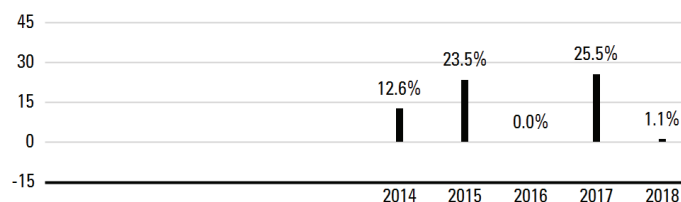
**Series T5 (%)**



**Series D (%)**



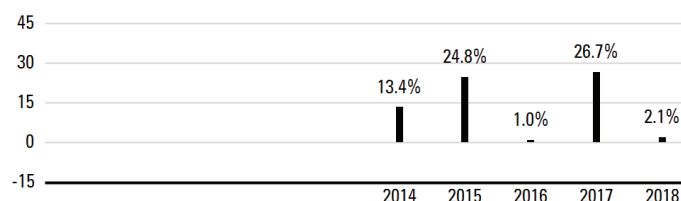
**Series F (%)**



**Series FT5 (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 0.0          | 7.1             | —               | —                | 11.7               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.5                |
| Advisor Series | -0.1         | 7.1             | —               | —                | 11.7               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.5                |
| Series T5      | 0.1          | —               | —               | —                | 10.1               |
| Benchmark      | -0.5         | —               | —               | —                | 5.6                |
| Series D       | 0.9          | 8.0             | —               | —                | 12.6               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.5                |
| Series F       | 1.1          | 8.3             | —               | —                | 12.9               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.5                |
| Series FT5     | 1.1          | —               | —               | —                | 11.2               |
| Benchmark      | -0.5         | —               | —               | —                | 5.6                |
| Series O       | 2.1          | 9.3             | —               | —                | 14.1               |
| Benchmark      | -0.5         | 5.7             | —               | —                | 9.5                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since February 15, 2017, and Series A, Advisor Series, Series D and Series F units since April 28, 2014.

Although Series O units of the Fund were created in December 2013, units were not offered for sale under a simplified prospectus until April 28, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 59.9                 |
| United Kingdom | 6.0                  |
| Switzerland    | 5.8                  |
| Netherlands    | 5.2                  |
| Japan          | 4.7                  |
| Germany        | 3.9                  |
| India          | 3.2                  |
| Belgium        | 2.9                  |
| Hong Kong      | 2.2                  |
| South Africa   | 2.2                  |
| Taiwan         | 2.1                  |
| Ireland        | 1.7                  |
| Cash/Other     | 0.2                  |

### Top 25 Holdings

|                                      | % of Net Asset Value |
|--------------------------------------|----------------------|
| Danaher Corp.                        | 6.2                  |
| Roche Holdings AG Genusscheine       | 5.8                  |
| UnitedHealth Group Incorporated      | 5.7                  |
| Unilever N.V.                        | 5.2                  |
| First Republic Bank                  | 5.0                  |
| Fortive Corp.                        | 4.4                  |
| EOG Resources Inc.                   | 4.2                  |
| TJX Companies Inc.                   | 4.1                  |
| Deutsche Post AG                     | 3.9                  |
| Microsoft Corp.                      | 3.6                  |
| Alphabet Inc., Class A               | 3.5                  |
| Estée Lauder Companies Inc., Class A | 3.4                  |
| Gartner Inc.                         | 3.3                  |
| American Water Works Co. Inc.        | 3.2                  |
| Amazon.com, Inc.                     | 3.1                  |
| Nidec Corp.                          | 3.0                  |
| Anheuser-Busch InBev S.A./N.V.       | 2.9                  |
| MarketAxess Holdings Inc.            | 2.7                  |
| Blackstone Group LP                  | 2.7                  |
| HDFC Bank Ltd.                       | 2.5                  |
| SVB Financial Group                  | 2.5                  |
| Croda International Plc.             | 2.3                  |
| InterContinental Hotels Group Plc.   | 2.2                  |
| Naspers Ltd.                         | 2.2                  |
| AIA Group Ltd.                       | 2.2                  |
| Top 25 Holdings                      | 89.8                 |

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).





GLOBAL EQUITY FUND

**RBC GLOBAL EQUITY FOCUS  
CURRENCY NEUTRAL FUND**

*December 31, 2018*

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

Sub-Advisor (for the underlying fund): RBC Global Asset Management (UK) Limited,  
London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in equity securities of a diversified mix of companies operating in various countries around the world across a range of sectors, while minimizing the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The Fund invests its assets primarily in units of the RBC Global Equity Focus Fund, which is sub-advised by RBC Global Asset Management (UK) Limited, or underlying funds managed by RBC GAM or an affiliate of RBC GAM. Each underlying fund’s investment process is primarily based on fundamental research, although the sub-advisor will also consider quantitative and technical factors. Stock selection decisions are ultimately based on an understanding of the company, its business and its outlook.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund was launched on January 29, 2018, and its net asset value was \$5 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### **Recent Developments**

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world’s second-largest economy and by far the largest emerging market, has high consumer and government debt levels alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The portfolio manager is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### **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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended    | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|----------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                                  |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.42</b>                                      | <b>(0.20)</b>     | <b>(0.81)</b>                 | <b>(0.94)</b>                   | <b>(1.53)</b> | —                                          | —                 | <b>(0.38)</b>            | —                    | <b>(0.38)</b> | <b>8.61</b>                         |
| <b>Advisor Series</b>            |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.22</b>                                      | <b>(0.18)</b>     | <b>(0.41)</b>                 | <b>(3.28)</b>                   | <b>(3.65)</b> | —                                          | —                 | <b>(0.38)</b>            | —                    | <b>(0.38)</b> | <b>8.62</b>                         |
| <b>Series D</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.36</b>                                      | <b>(0.12)</b>     | <b>(0.69)</b>                 | <b>(0.64)</b>                   | <b>(1.09)</b> | —                                          | <b>(0.06)</b>     | <b>(0.38)</b>            | —                    | <b>(0.44)</b> | <b>8.61</b>                         |
| <b>Series F</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.21</b>                                      | <b>(0.09)</b>     | <b>(0.40)</b>                 | <b>(3.33)</b>                   | <b>(3.61)</b> | —                                          | <b>(0.08)</b>     | <b>(0.38)</b>            | —                    | <b>(0.46)</b> | <b>8.62</b>                         |
| <b>Series O</b>                  |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018<sup>3</sup></b> | <b>10.00<sup>†</sup></b>               | <b>0.29</b>                                      | <b>(0.01)</b>     | <b>(0.57)</b>                 | <b>(1.76)</b>                   | <b>(2.05)</b> | —                                          | <b>(0.17)</b>     | <b>(0.38)</b>            | —                    | <b>(0.55)</b> | <b>8.61</b>                         |

<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 January 17, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.61</b>                      | <b>946</b>                  | <b>110</b>                            | <b>2.13</b>                                  | <b>2.19</b>                               | <b>109.36</b>                               | <b>0.07</b>                               |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.62</b>                      | <b>42</b>                   | <b>5</b>                              | <b>2.02</b>                                  | <b>2.08</b>                               | <b>109.36</b>                               | <b>0.07</b>                               |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.61</b>                      | <b>461</b>                  | <b>54</b>                             | <b>1.29</b>                                  | <b>1.35</b>                               | <b>109.36</b>                               | <b>0.07</b>                               |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.62</b>                      | <b>1 439</b>                | <b>167</b>                            | <b>1.03</b>                                  | <b>1.09</b>                               | <b>109.36</b>                               | <b>0.07</b>                               |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>8.61</b>                      | <b>2 334</b>                | <b>271</b>                            | <b>0.04</b>                                  | <b>0.10</b>                               | <b>109.36</b>                               | <b>0.07</b>                               |

<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 January 17, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A, Advisor Series, Series D, Series F and Series O units of this Fund were launched on January 29, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 59.9                 |
| United Kingdom | 6.0                  |
| Switzerland    | 5.8                  |
| Netherlands    | 5.2                  |
| Japan          | 4.7                  |
| Germany        | 3.9                  |
| India          | 3.2                  |
| Belgium        | 2.9                  |
| Hong Kong      | 2.2                  |
| South Africa   | 2.2                  |
| Taiwan         | 2.1                  |
| Ireland        | 1.7                  |
| Cash/Other     | 0.2                  |

### Top 25 Holdings\*

|                                      | % of Net Asset Value |
|--------------------------------------|----------------------|
| Danaher Corp.                        | 6.2                  |
| Roche Holdings AG Genusscheine       | 5.8                  |
| UnitedHealth Group Incorporated      | 5.7                  |
| Unilever N.V.                        | 5.2                  |
| First Republic Bank                  | 5.0                  |
| Fortive Corp.                        | 4.4                  |
| EOG Resources Inc.                   | 4.2                  |
| TJX Companies Inc.                   | 4.1                  |
| Deutsche Post AG                     | 3.9                  |
| Microsoft Corp.                      | 3.6                  |
| Alphabet Inc., Class A               | 3.5                  |
| Estée Lauder Companies Inc., Class A | 3.4                  |
| Gartner Inc.                         | 3.3                  |
| American Water Works Co. Inc.        | 3.2                  |
| Amazon.com, Inc.                     | 3.1                  |
| Nidec Corp.                          | 3.0                  |
| Anheuser-Busch InBev S.A./N.V.       | 2.9                  |
| MarketAxess Holdings Inc.            | 2.7                  |
| Blackstone Group LP                  | 2.7                  |
| HDFC Bank Ltd.                       | 2.5                  |
| SVB Financial Group                  | 2.5                  |
| Croda International Plc.             | 2.3                  |
| InterContinental Hotels Group Plc.   | 2.2                  |
| Naspers Ltd.                         | 2.2                  |
| AIA Group Ltd.                       | 2.2                  |
| Top 25 Holdings                      | 89.8                 |

\* The Fund invests substantially all of its assets directly in the RBC Global Equity Focus Fund. The above are the Top 25 holdings of the RBC Global Equity Focus Fund.

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).



GLOBAL EQUITY FUND

**RBC QUBE GLOBAL EQUITY FUND**

*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 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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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Fund seeks to provide long-term capital growth by investing primarily in equity securities of companies throughout the world using a quantitative investment approach.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager will diversify across industries within the global market.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$295 million as of December 31, 2018, from \$294 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series O units lost 3.6%, which underperformed the 0.5% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

A holding in Citigroup hurt performance during the period. Positions in the Consumer Staples sector also had a negative impact on performance. Nestlé detracted from returns for the year.

In the Industrials sector, the Fund's position in Boeing added significantly to returns. The Information Technology sector also performed well during the year, with big contributions from Intuit and Mastercard.

Portfolio turnover was high for the Fund given the portfolio manager's model-driven investment process.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$3,000) or 0% (2017 – 1%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.45                                  | 0.35                                             | —                 | 0.65                          | (1.51)                          | (0.51) | (0.01)                                     | (0.33)            | (0.59)                   | —                    | (0.93) | 10.12                               |
| Dec. 31, 2017                 | 11.78                                  | 0.38                                             | —                 | 1.88                          | 0.21                            | 2.47   | —                                          | (0.47)            | (2.35)                   | —                    | (2.82) | 11.45                               |
| Dec. 31, 2016                 | 12.98                                  | 0.33                                             | —                 | 0.67                          | (1.04)                          | (0.04) | —                                          | (0.40)            | (0.85)                   | —                    | (1.25) | 11.78                               |
| Dec. 31, 2015                 | 12.56                                  | 0.52                                             | —                 | 1.63                          | 0.45                            | 2.60   | —                                          | (0.53)            | (1.64)                   | —                    | (2.17) | 12.98                               |
| Dec. 31, 2014                 | 11.68                                  | 0.43                                             | —                 | 0.91                          | 0.67                            | 2.01   | —                                          | (0.36)            | (0.80)                   | —                    | (1.16) | 12.56                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.12</b>                     | <b>294 828</b>              | <b>29 142</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>192.16</b>                               | <b>0.12</b>                               |
| Dec. 31, 2017        | 11.45                            | 293 868                     | 25 664                                | 0.02                                         | 0.02                                      | 205.91                                      | 0.17                                      |
| Dec. 31, 2016        | 11.78                            | 352 109                     | 29 881                                | 0.02                                         | 0.02                                      | 171.32                                      | 0.14                                      |
| Dec. 31, 2015        | 12.98                            | 440 187                     | 33 921                                | 0.02                                         | 0.02                                      | 95.03                                       | 0.08                                      |
| Dec. 31, 2014        | 12.56                            | 365 354                     | 29 083                                | 0.02                                         | 0.02                                      | 110.16                                      | 0.11                                      |

<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.

### Management Fees

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

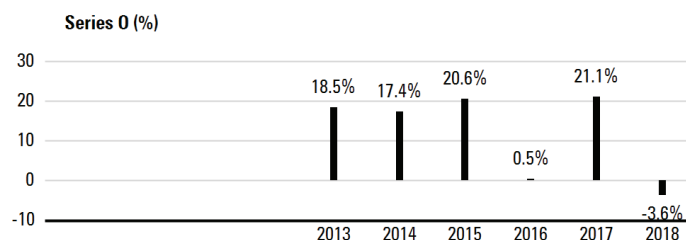


## PAST PERFORMANCE

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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series 0  | -3.6         | 5.5             | 10.7            | —                | 13.1               |
| Benchmark | -0.5         | 5.7             | 9.9             | —                | 12.3               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series 0 units have been available for sale to unitholders since June 28, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 63.7                 |
| Australia       | 6.7                  |
| Japan           | 5.4                  |
| Denmark         | 5.2                  |
| Switzerland     | 3.3                  |
| United Kingdom  | 2.2                  |
| Netherlands     | 0.7                  |
| Canada          | 0.6                  |
| Spain           | 0.6                  |
| France          | 0.2                  |
| Other Countries | 11.2                 |
| Cash/Other      | 0.2                  |

### Top 25 Holdings

|                                              | % of Net Asset Value |
|----------------------------------------------|----------------------|
| Microsoft Corp.                              | 3.8                  |
| Roche Holdings AG Genusscheine               | 3.1                  |
| Amgen Inc.                                   | 2.7                  |
| Citigroup Inc.                               | 2.6                  |
| Equinor ASA                                  | 2.6                  |
| Mastercard Inc.                              | 2.5                  |
| Merck & Co. Inc.                             | 2.3                  |
| Simon Property Group Inc.                    | 2.3                  |
| Phillips 66 Company                          | 2.3                  |
| Boeing Co.                                   | 2.2                  |
| Novo Nordisk A/S                             | 2.0                  |
| Ameriprise Financial Inc.                    | 2.0                  |
| LyondellBasell Industries N.V.               | 1.9                  |
| TJX Companies Inc.                           | 1.9                  |
| Wesfarmers Ltd.                              | 1.9                  |
| Nike Inc.                                    | 1.7                  |
| Intuit Inc.                                  | 1.6                  |
| Booking Holdings Inc.                        | 1.6                  |
| Intel Corp.                                  | 1.6                  |
| Amazon.com, Inc.                             | 1.6                  |
| Estée Lauder Companies Inc., Class A         | 1.5                  |
| Expeditors International of Washington, Inc. | 1.5                  |
| Fortinet Inc.                                | 1.4                  |
| Telenor ASA                                  | 1.4                  |
| United Continental Holdings Inc.             | 1.4                  |
| Top 25 Holdings                              | 51.4                 |

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



GLOBAL EQUITY FUND

**RBC QUBE LOW VOLATILITY  
GLOBAL EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of global companies using a quantitative approach. The Fund seeks to achieve a reduced level of volatility of returns compared with the broader global equity market.

The Fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors. The portfolio manager will diversify across industries within the global market.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$1.2 billion as of December 31, 2018, from \$1.0 billion at the end of 2017. The increase was due to a combination of net inflows and investment returns.

Over the past year, the Fund's Series A units gained 4.4%, which outperformed the 0.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

A holding in Magna International hurt performance during the period. Positions in the Consumer Staples sector also held back returns. A position in Pepsico had a negative impact on performance during the year.

In the Utilities sector, the Fund's position in CLP Holdings added significantly to returns. The Health Care sector also performed well during the year, with big contributions from Roche and United Health.

### **Recent Developments**

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### **Related-Party Transactions**

#### ***Manager, Trustee and Portfolio Manager***

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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.

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***Custodian***

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***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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$5,000 (2017 – \$5,000) or 1% (2017 – 1%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.01                                  | 0.47                                             | (0.39)            | 0.66                          | 0.07                            | 0.81  | —                                          | (0.04)            | (0.38)                   | —                    | (0.42) | 18.38                               |
| Dec. 31, 2017                 | 17.12                                  | 0.46                                             | (0.38)            | 1.05                          | 0.38                            | 1.51  | —                                          | (0.07)            | (0.63)                   | —                    | (0.70) | 18.01                               |
| Dec. 31, 2016                 | 17.01                                  | 0.45                                             | (0.36)            | 0.64                          | (0.17)                          | 0.56  | —                                          | —                 | (0.39)                   | —                    | (0.39) | 17.12                               |
| Dec. 31, 2015                 | 14.48                                  | 0.44                                             | (0.35)            | 0.70                          | 1.90                            | 2.69  | —                                          | —                 | (0.27)                   | —                    | (0.27) | 17.01                               |
| Dec. 31, 2014                 | 12.32                                  | 0.34                                             | (0.30)            | 0.86                          | 1.63                            | 2.53  | —                                          | (0.02)            | (0.28)                   | —                    | (0.30) | 14.48                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.99                                  | 0.47                                             | (0.39)            | 0.66                          | 0.03                            | 0.77  | —                                          | (0.04)            | (0.38)                   | —                    | (0.42) | 18.36                               |
| Dec. 31, 2017                 | 17.10                                  | 0.46                                             | (0.38)            | 1.05                          | 0.40                            | 1.53  | —                                          | (0.06)            | (0.63)                   | —                    | (0.69) | 17.99                               |
| Dec. 31, 2016                 | 17.00                                  | 0.44                                             | (0.37)            | 0.64                          | (0.15)                          | 0.56  | —                                          | —                 | (0.39)                   | —                    | (0.39) | 17.10                               |
| Dec. 31, 2015                 | 14.48                                  | 0.43                                             | (0.36)            | 0.69                          | 1.87                            | 2.63  | —                                          | —                 | (0.27)                   | —                    | (0.27) | 17.00                               |
| Dec. 31, 2014                 | 12.32                                  | 0.35                                             | (0.29)            | 0.88                          | 1.66                            | 2.60  | —                                          | (0.03)            | (0.28)                   | —                    | (0.31) | 14.48                               |
| Series T5                     |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.38                                  | 0.45                                             | (0.36)            | 0.62                          | 0.03                            | 0.74  | —                                          | (0.06)            | (0.36)                   | (0.45)               | (0.87) | 17.27                               |
| Dec. 31, 2017                 | 16.70                                  | 0.44                                             | (0.36)            | 1.00                          | 0.46                            | 1.54  | —                                          | (0.08)            | (0.69)                   | (0.06)               | (0.83) | 17.38                               |
| Dec. 31, 2016 <sup>3</sup>    | 16.71 <sup>†</sup>                     | 0.38                                             | (0.33)            | 0.55                          | 0.17                            | 0.77  | —                                          | (0.05)            | (0.46)                   | (0.27)               | (0.78) | 16.70                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.21                                  | 0.48                                             | (0.23)            | 0.67                          | 0.04                            | 0.96  | —                                          | (0.20)            | (0.40)                   | —                    | (0.60) | 18.58                               |
| Dec. 31, 2017                 | 17.32                                  | 0.47                                             | (0.23)            | 1.07                          | 0.38                            | 1.69  | —                                          | (0.22)            | (0.65)                   | —                    | (0.87) | 18.21                               |
| Dec. 31, 2016                 | 17.20                                  | 0.45                                             | (0.22)            | 0.65                          | (0.20)                          | 0.68  | —                                          | (0.14)            | (0.39)                   | —                    | (0.53) | 17.32                               |
| Dec. 31, 2015                 | 14.62                                  | 0.45                                             | (0.22)            | 0.72                          | 1.95                            | 2.90  | —                                          | (0.12)            | (0.27)                   | —                    | (0.39) | 17.20                               |
| Dec. 31, 2014                 | 12.38                                  | 0.34                                             | (0.18)            | 0.87                          | 1.64                            | 2.67  | —                                          | (0.09)            | (0.28)                   | —                    | (0.37) | 14.62                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.18                                  | 0.48                                             | (0.19)            | 0.67                          | (0.02)                          | 0.94  | —                                          | (0.25)            | (0.40)                   | —                    | (0.65) | 18.53                               |
| Dec. 31, 2017                 | 17.29                                  | 0.47                                             | (0.18)            | 1.07                          | 0.21                            | 1.57  | —                                          | (0.27)            | (0.66)                   | —                    | (0.93) | 18.18                               |
| Dec. 31, 2016                 | 17.19                                  | 0.43                                             | (0.18)            | 0.62                          | (0.21)                          | 0.66  | —                                          | (0.19)            | (0.39)                   | —                    | (0.58) | 17.29                               |
| Dec. 31, 2015                 | 14.60                                  | 0.45                                             | (0.17)            | 0.72                          | 1.95                            | 2.95  | —                                          | (0.16)            | (0.27)                   | —                    | (0.43) | 17.19                               |
| Dec. 31, 2014                 | 12.42                                  | 0.36                                             | (0.15)            | 0.90                          | 1.71                            | 2.82  | —                                          | (0.19)            | (0.28)                   | —                    | (0.47) | 14.60                               |
| Series FT5                    |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 17.65                                  | 0.46                                             | (0.17)            | 0.64                          | (0.28)                          | 0.65  | —                                          | (0.25)            | (0.45)                   | (0.18)               | (0.88) | 17.74                               |
| Dec. 31, 2017                 | 17.04                                  | 0.44                                             | (0.17)            | 1.01                          | 0.01                            | 1.29  | —                                          | (0.26)            | (0.89)                   | —                    | (1.15) | 17.65                               |
| Dec. 31, 2016 <sup>3</sup>    | 16.90 <sup>†</sup>                     | 0.37                                             | (0.16)            | 0.53                          | 0.25                            | 0.99  | —                                          | (0.20)            | (0.61)                   | —                    | (0.81) | 17.04                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.24                                  | 0.48                                             | —                 | 0.68                          | 0.03                            | 1.19  | —                                          | (0.44)            | (0.40)                   | —                    | (0.84) | 18.60                               |
| Dec. 31, 2017                 | 17.36                                  | 0.47                                             | —                 | 1.08                          | 0.42                            | 1.97  | —                                          | (0.46)            | (0.66)                   | —                    | (1.12) | 18.24                               |
| Dec. 31, 2016                 | 17.25                                  | 0.45                                             | —                 | 0.65                          | (0.13)                          | 0.97  | —                                          | (0.36)            | (0.40)                   | —                    | (0.76) | 17.36                               |
| Dec. 31, 2015                 | 14.66                                  | 0.46                                             | —                 | 0.73                          | 1.97                            | 3.16  | —                                          | (0.34)            | (0.28)                   | —                    | (0.62) | 17.25                               |
| Dec. 31, 2014                 | 12.42                                  | 0.35                                             | —                 | 0.89                          | 1.69                            | 2.93  | —                                          | (0.28)            | (0.29)                   | —                    | (0.57) | 14.66                               |

<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 January 25, 2016.

<sup>†</sup> Initial offering net asset value per unit.



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.38</b>                     | <b>179 811</b>              | <b>9 785</b>                          | <b>2.08</b>                                  | <b>2.08</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 18.01                            | 181 355                     | 10 070                                | 2.08                                         | 2.08                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016              | 17.12                            | 144 389                     | 8 435                                 | 2.11                                         | 2.11                                      | 77.01                                       | 0.07                                      |
| Dec. 31, 2015              | 17.01                            | 88 701                      | 5 213                                 | 2.20                                         | 2.20                                      | 35.60                                       | 0.08                                      |
| Dec. 31, 2014              | 14.48                            | 24 317                      | 1 679                                 | 2.21                                         | 2.21                                      | 60.53                                       | 0.07                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.36</b>                     | <b>45 623</b>               | <b>2 486</b>                          | <b>2.10</b>                                  | <b>2.10</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 17.99                            | 38 985                      | 2 167                                 | 2.11                                         | 2.11                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016              | 17.10                            | 32 556                      | 1 904                                 | 2.16                                         | 2.16                                      | 77.01                                       | 0.07                                      |
| Dec. 31, 2015              | 17.00                            | 17 809                      | 1 047                                 | 2.23                                         | 2.23                                      | 35.60                                       | 0.08                                      |
| Dec. 31, 2014              | 14.48                            | 3 409                       | 235                                   | 2.20                                         | 2.20                                      | 60.53                                       | 0.07                                      |
| <b>Series T5</b>           |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>17.27</b>                     | <b>1 535</b>                | <b>89</b>                             | <b>2.07</b>                                  | <b>2.07</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 17.38                            | 1 472                       | 85                                    | 2.08                                         | 2.08                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 16.70                            | 640                         | 38                                    | 2.11                                         | 2.11                                      | 77.01                                       | 0.07                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.58</b>                     | <b>76 491</b>               | <b>4 117</b>                          | <b>1.24</b>                                  | <b>1.24</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 18.21                            | 73 515                      | 4 036                                 | 1.24                                         | 1.24                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016              | 17.32                            | 56 186                      | 3 245                                 | 1.28                                         | 1.28                                      | 77.01                                       | 0.07                                      |
| Dec. 31, 2015              | 17.20                            | 38 261                      | 2 224                                 | 1.35                                         | 1.35                                      | 35.60                                       | 0.08                                      |
| Dec. 31, 2014              | 14.62                            | 14 227                      | 973                                   | 1.34                                         | 1.34                                      | 60.53                                       | 0.07                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.53</b>                     | <b>125 901</b>              | <b>6 793</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 18.18                            | 88 370                      | 4 861                                 | 1.00                                         | 1.00                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016              | 17.29                            | 59 170                      | 3 422                                 | 1.04                                         | 1.04                                      | 77.01                                       | 0.07                                      |
| Dec. 31, 2015              | 17.19                            | 11 507                      | 669                                   | 1.07                                         | 1.07                                      | 35.60                                       | 0.08                                      |
| Dec. 31, 2014              | 14.60                            | 3 751                       | 257                                   | 1.11                                         | 1.11                                      | 60.53                                       | 0.07                                      |
| <b>Series FT5</b>          |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>17.74</b>                     | <b>1 314</b>                | <b>74</b>                             | <b>0.96</b>                                  | <b>0.96</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 17.65                            | 826                         | 47                                    | 0.97                                         | 0.97                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016 <sup>4</sup> | 17.04                            | 241                         | 14                                    | 1.03                                         | 1.03                                      | 77.01                                       | 0.07                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>18.60</b>                     | <b>777 875</b>              | <b>41 824</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>50.85</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 18.24                            | 630 805                     | 34 576                                | 0.02                                         | 0.02                                      | 70.35                                       | 0.06                                      |
| Dec. 31, 2016              | 17.36                            | 477 605                     | 27 519                                | 0.02                                         | 0.02                                      | 77.01                                       | 0.07                                      |
| Dec. 31, 2015              | 17.25                            | 279 059                     | 16 177                                | 0.02                                         | 0.02                                      | 35.60                                       | 0.08                                      |
| Dec. 31, 2014              | 14.66                            | 112 300                     | 7 659                                 | 0.02                                         | 0.02                                      | 60.53                                       | 0.07                                      |

<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 January 25, 2016.

Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series T5, Series D, Series F and Series FT5 units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.06%, Advisor Series – 2.11%, Series T5 – 2.15%, Series D – 1.24%, Series F – 1.00% and Series FT5 – 1.02%.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series T5      | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |
| Series FT5     | 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.

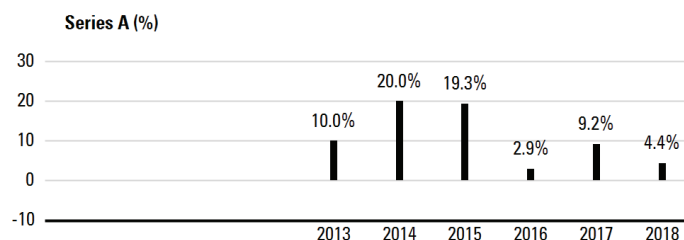
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## PAST PERFORMANCE

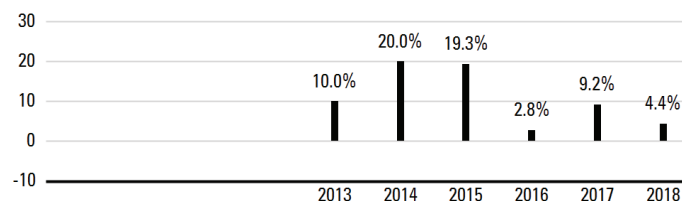
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



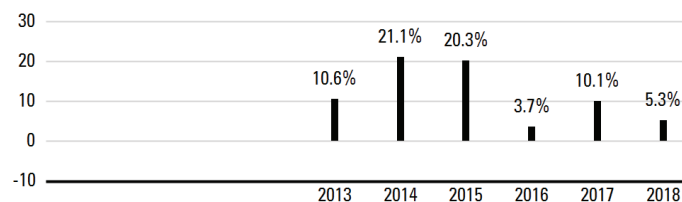
**Advisor Series (%)**



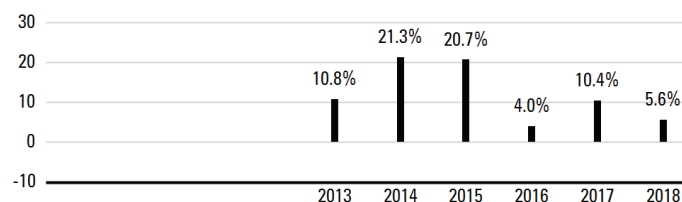
**Series T5 (%)**



**Series D (%)**



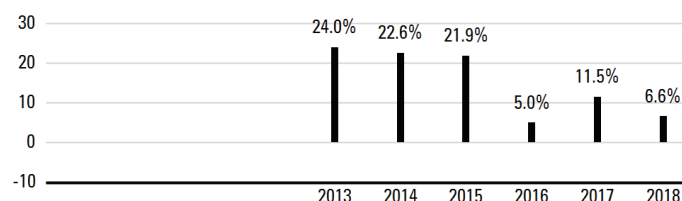
**Series F (%)**



**Series FT5 (%)**



**Series O (%)**







## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | 4.4          | 5.5             | 10.9            | —                | 11.3               |
| Benchmark      | -0.5         | 5.7             | 9.9             | —                | 12.7               |
| Advisor Series | 4.4          | 5.4             | 10.9            | —                | 11.3               |
| Benchmark      | -0.5         | 5.7             | 9.9             | —                | 12.7               |
| Series T5      | 4.4          | —               | —               | —                | 6.2                |
| Benchmark      | -0.5         | —               | —               | —                | 8.2                |
| Series D       | 5.3          | 6.4             | 11.9            | —                | 12.2               |
| Benchmark      | -0.5         | 5.7             | 9.9             | —                | 12.7               |
| Series F       | 5.6          | 6.6             | 12.1            | —                | 12.5               |
| Benchmark      | -0.5         | 5.7             | 9.9             | —                | 12.7               |
| Series FT5     | 5.6          | —               | —               | —                | 7.4                |
| Benchmark      | -0.5         | —               | —               | —                | 8.2                |
| Series O       | 6.6          | 7.7             | 13.3            | —                | 15.1               |
| Benchmark      | -0.5         | 5.7             | 9.9             | —                | 14.0               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series T5 and Series FT5 units have been available for sale to unitholders since January 25, 2016, Series A, Advisor Series, Series D and Series F units since April 8, 2013, and Series O units since January 18, 2013.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 55.4                 |
| Japan           | 13.2                 |
| Canada          | 8.0                  |
| Switzerland     | 5.2                  |
| Hong Kong       | 4.7                  |
| Belgium         | 2.9                  |
| Israel          | 2.4                  |
| United Kingdom  | 1.0                  |
| Singapore       | 0.9                  |
| Other Countries | 5.9                  |
| Cash/Other      | 0.4                  |

### Top 25 Holdings

|                                | % of Net Asset Value |
|--------------------------------|----------------------|
| Royal Bank of Canada           | 2.9                  |
| Duke Energy Corp.              | 2.8                  |
| Roche Holdings AG Genusscheine | 2.8                  |
| Exelon Corp.                   | 2.7                  |
| Colruyt S.A.                   | 2.7                  |
| Consolidated Edison Inc.       | 2.7                  |
| The Coca-Cola Co.              | 2.6                  |
| BCE Inc.                       | 2.2                  |
| NTT DoCoMo Inc.                | 2.2                  |
| CLP Holdings Ltd.              | 2.0                  |
| Loews Corp.                    | 1.7                  |
| Pfizer Inc.                    | 1.7                  |
| Xcel Energy Inc.               | 1.7                  |
| Johnson & Johnson              | 1.6                  |
| Bank of Montreal               | 1.6                  |
| Yum! Brands, Inc.              | 1.6                  |
| Amgen Inc.                     | 1.6                  |
| The Procter & Gamble Co.       | 1.6                  |
| Mastercard Inc.                | 1.4                  |
| Intuit Inc.                    | 1.4                  |
| Colgate-Palmolive Company      | 1.3                  |
| Garmin Ltd.                    | 1.3                  |
| Astellas Pharma Inc.           | 1.2                  |
| Novo Nordisk A/S               | 1.2                  |
| Accenture Plc., Class A        | 1.1                  |
| Top 25 Holdings                | 47.6                 |

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).



GLOBAL EQUITY FUND

**RBC QUBE LOW VOLATILITY GLOBAL  
EQUITY CURRENCY NEUTRAL FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in units of other mutual funds managed by RBC GAM or an affiliate of RBC GAM (called the “underlying funds”), emphasizing mutual funds that invest in equity securities of companies throughout the world using a quantitative investment approach. The Fund seeks to achieve a reduced level of volatility of returns as compared to the broader global equity market while minimizing the exposure to currency fluctuations between foreign currencies and the Canadian dollar.

The Fund invests its assets primarily in units of the RBC QUBE Low Volatility Global Equity Fund or underlying funds managed by RBC GAM or an affiliate of RBC GAM. Each underlying fund is managed using a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance while controlling exposure to risk factors.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying funds. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate low-to-medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund was launched on January 29, 2018, and its net asset value was \$6 million as of December 31, 2018. Investment performance is not provided for a fund that has been available for less than one year.

### **Recent Developments**

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world’s second-largest economy and by far the largest emerging market, has high consumer and government debt levels alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

### **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., 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 Investor Services Trust (“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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.45                                             | (0.20)            | 0.42                          | (1.15)                          | (0.48) | —                                          | (0.06)            | (0.20)                   | —                    | (0.26) | 9.35                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.36                                             | (0.19)            | 0.33                          | (2.41)                          | (1.91) | —                                          | (0.08)            | (0.26)                   | —                    | (0.34) | 9.29                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.45                                             | (0.12)            | 0.42                          | (0.84)                          | (0.09) | —                                          | (0.15)            | (0.20)                   | —                    | (0.35) | 9.34                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.36                                             | (0.10)            | 0.33                          | (1.15)                          | (0.56) | —                                          | (0.18)            | (0.20)                   | —                    | (0.38) | 9.34                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.36                                             | (0.01)            | 0.34                          | (1.67)                          | (0.98) | —                                          | (0.24)            | (0.16)                   | —                    | (0.40) | 9.40                                |

<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 January 17, 2018.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                            | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.35</b>                      | <b>1 852</b>                | <b>198</b>                            | <b>2.11</b>                                  | <b>2.18</b>                               | <b>44.68</b>                                | <b>0.04</b>                               |
| <b>Advisor Series</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.29</b>                      | <b>60</b>                   | <b>6</b>                              | <b>2.02</b>                                  | <b>2.09</b>                               | <b>44.68</b>                                | <b>0.04</b>                               |
| <b>Series D</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.34</b>                      | <b>579</b>                  | <b>62</b>                             | <b>1.28</b>                                  | <b>1.35</b>                               | <b>44.68</b>                                | <b>0.04</b>                               |
| <b>Series F</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.34</b>                      | <b>1 944</b>                | <b>208</b>                            | <b>1.02</b>                                  | <b>1.09</b>                               | <b>44.68</b>                                | <b>0.04</b>                               |
| <b>Series O</b>                  |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018<sup>4</sup></b> | <b>9.40</b>                      | <b>1 813</b>                | <b>193</b>                            | <b>0.04</b>                                  | <b>0.11</b>                               | <b>44.68</b>                                | <b>0.04</b>                               |

<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 January 17, 2018.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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

Investment performance in respect of a fund that has been available for less than one year is not provided. Series A, Advisor Series, Series D, Series F and Series O units of this Fund were launched on January 29, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 55.4                 |
| Japan           | 13.2                 |
| Canada          | 8.0                  |
| Switzerland     | 5.2                  |
| Hong Kong       | 4.7                  |
| Belgium         | 2.9                  |
| Israel          | 2.4                  |
| United Kingdom  | 1.0                  |
| Singapore       | 0.9                  |
| Other Countries | 5.9                  |
| Cash/Other      | 0.4                  |

### Top 25 Holdings\*

|                                | % of Net Asset Value |
|--------------------------------|----------------------|
| Royal Bank of Canada           | 2.9                  |
| Duke Energy Corp.              | 2.8                  |
| Roche Holdings AG Genusscheine | 2.8                  |
| Exelon Corp.                   | 2.7                  |
| Colruyt S.A.                   | 2.7                  |
| Consolidated Edison Inc.       | 2.7                  |
| The Coca-Cola Co.              | 2.6                  |
| BCE Inc.                       | 2.2                  |
| NTT DoCoMo Inc.                | 2.2                  |
| CLP Holdings Ltd.              | 2.0                  |
| Loews Corp.                    | 1.7                  |
| Pfizer Inc.                    | 1.7                  |
| Xcel Energy Inc.               | 1.7                  |
| Johnson & Johnson              | 1.6                  |
| Bank of Montreal               | 1.6                  |
| Yum! Brands, Inc.              | 1.6                  |
| Amgen Inc.                     | 1.6                  |
| The Procter & Gamble Co.       | 1.6                  |
| Mastercard Inc.                | 1.4                  |
| Intuit Inc.                    | 1.4                  |
| Colgate-Palmolive Company      | 1.3                  |
| Garmin Ltd.                    | 1.3                  |
| Astellas Pharma Inc.           | 1.2                  |
| Novo Nordisk A/S               | 1.2                  |
| Accenture Plc., Class A        | 1.1                  |
| Top 25 Holdings                | 47.6                 |

\* The Fund invests substantially all of its assets directly in the RBC QUBE Low Volatility Global Equity Fund. The above are the Top 25 holdings of the RBC QUBE Low Volatility Global Equity Fund.

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).



GLOBAL EQUITY FUND

**RBC VISION GLOBAL EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 provides the potential for long-term capital growth by investing primarily in equity securities of companies throughout the world and follows a socially responsible approach to investing. Investments that qualify for inclusion in the Fund must possess strong environmental, social and governance practices relative to industry peers, as defined by Sustainalytics Best-of-Sector™ methodology. The Fund may also use derivatives to hedge against the fluctuations in the value of foreign currencies relative to the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$348 million as of December 31, 2018, from \$380 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series A units gained 1.5%, which outperformed the 0.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Top contributors to the Fund's returns included U.S. discount retailer TJX, which had a strong third quarter; U.S. health-care provider UnitedHealth, which posted strong financial results; and U.S. medical equipment and services company Danaher.

Stocks that had a negative impact on returns included the German package-delivery company Deutsche Post DHL, whose shares declined towards the end of the year on concerns about a slowdown in global trade. Shares of U.S. flooring manufacturer Mohawk declined amid higher costs, and the position was eliminated from the portfolio. Naspers, the South African media-holdings company, was hurt by emerging-market declines and reaction to the partial sale of its stake in Tencent.

Sustainalytics conducted one review covering the Fund's holdings in 2018. Eligibility was determined in relation to the Environmental, Social and Governance ("ESG") criteria developed by RBC GAM in consultation with Sustainalytics. In the opinion of Sustainalytics, all holdings in the Fund were eligible in the latest review, based on the above criteria. However, during the year, four companies were removed from the Fund as they no longer met certain ESG criteria.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world's second-largest economy and by far the largest emerging market, has high consumer and government debts alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The sub-advisor is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### 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.

™ Best-of-Sector is a trademark of Sustainalytics. Used under licence.





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***

RBC Global Asset Management (UK) Limited 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***

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#### ***Other Related-Party Transactions***

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##### ***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

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### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.31                                  | 0.22                                             | (0.29)            | 1.04                          | (0.83)                          | 0.14   | —                                          | —                 | (0.73)                   | —                    | (0.73) | 12.77                               |
| Dec. 31, 2017                 | 11.67                                  | 0.36                                             | (0.27)            | 2.24                          | (0.33)                          | 2.00   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 13.31                               |
| Dec. 31, 2016                 | 11.79                                  | 0.24                                             | (0.25)            | (0.22)                        | 0.12                            | (0.11) | —                                          | —                 | —                        | —                    | —      | 11.67                               |
| Dec. 31, 2015                 | 10.98                                  | 0.27                                             | (0.27)            | 0.99                          | 0.50                            | 1.49   | —                                          | —                 | (0.87)                   | —                    | (0.87) | 11.79                               |
| Dec. 31, 2014                 | 10.67                                  | 0.21                                             | (0.25)            | 2.18                          | (0.84)                          | 1.30   | —                                          | —                 | (0.99)                   | —                    | (0.99) | 10.98                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 13.37                                  | 0.22                                             | (0.30)            | 1.04                          | (0.83)                          | 0.13   | —                                          | —                 | (0.73)                   | —                    | (0.73) | 12.83                               |
| Dec. 31, 2017                 | 11.73                                  | 0.28                                             | (0.27)            | 1.77                          | 0.40                            | 2.18   | —                                          | —                 | (0.31)                   | —                    | (0.31) | 13.37                               |
| Dec. 31, 2016                 | 11.84                                  | 0.24                                             | (0.25)            | (0.22)                        | 0.12                            | (0.11) | —                                          | —                 | —                        | —                    | —      | 11.73                               |
| Dec. 31, 2015                 | 11.02                                  | 0.27                                             | (0.28)            | 0.99                          | 0.50                            | 1.48   | —                                          | —                 | (0.88)                   | —                    | (0.88) | 11.84                               |
| Dec. 31, 2014                 | 10.70                                  | 0.21                                             | (0.25)            | 2.18                          | (0.84)                          | 1.30   | —                                          | —                 | (0.97)                   | —                    | (0.97) | 11.02                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.14                                  | 0.23                                             | (0.19)            | 1.11                          | (0.83)                          | 0.32   | —                                          | (0.06)            | (0.78)                   | —                    | (0.84) | 13.63                               |
| Dec. 31, 2017                 | 12.33                                  | 0.23                                             | (0.17)            | 1.41                          | 1.10                            | 2.57   | —                                          | (0.03)            | (0.32)                   | —                    | (0.35) | 14.14                               |
| Dec. 31, 2016                 | 12.44                                  | 0.25                                             | (0.15)            | (0.24)                        | 0.13                            | (0.01) | —                                          | (0.10)            | —                        | —                    | (0.10) | 12.33                               |
| Dec. 31, 2015                 | 11.55                                  | 0.28                                             | (0.17)            | 1.03                          | 0.52                            | 1.66   | —                                          | (0.07)            | (0.93)                   | —                    | (1.00) | 12.44                               |
| Dec. 31, 2014                 | 11.11                                  | 0.22                                             | (0.15)            | 2.29                          | (0.88)                          | 1.48   | —                                          | —                 | (1.03)                   | —                    | (1.03) | 11.55                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.51                                  | 0.24                                             | (0.15)            | 1.14                          | (1.13)                          | 0.10   | —                                          | (0.10)            | (0.80)                   | —                    | (0.90) | 13.98                               |
| Dec. 31, 2017                 | 12.62                                  | 0.28                                             | (0.14)            | 1.75                          | 0.68                            | 2.57   | —                                          | (0.04)            | (0.33)                   | —                    | (0.37) | 14.51                               |
| Dec. 31, 2016                 | 12.72                                  | 0.26                                             | (0.12)            | (0.24)                        | 0.40                            | 0.30   | —                                          | (0.12)            | —                        | —                    | (0.12) | 12.62                               |
| Dec. 31, 2015                 | 11.84                                  | 0.29                                             | (0.13)            | 1.06                          | 0.53                            | 1.75   | —                                          | (0.07)            | (1.03)                   | —                    | (1.10) | 12.72                               |
| Dec. 31, 2014                 | 11.36                                  | 0.22                                             | (0.12)            | 2.31                          | (0.89)                          | 1.52   | —                                          | —                 | (1.05)                   | —                    | (1.05) | 11.84                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.63                                  | 0.17                                             | —                 | 0.84                          | (0.51)                          | 0.50   | —                                          | (0.18)            | (0.59)                   | —                    | (0.77) | 10.24                               |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.04                                             | —                 | 0.26                          | 1.30                            | 1.60   | (0.01)                                     | (0.09)            | (0.24)                   | —                    | (0.34) | 10.63                               |

<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 May 19, 2017.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>12.77</b>                     | <b>31 282</b>               | <b>2 447</b>                          | <b>2.09</b>                                  | <b>2.09</b>                               | <b>36.57</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017        | 13.31                            | 29 012                      | 2 180                                 | 2.12                                         | 2.12                                      | 27.38                                       | 0.11                                      |
| Dec. 31, 2016        | 11.67                            | 21 430                      | 1 836                                 | 2.18                                         | 2.19                                      | 93.61                                       | 0.11                                      |
| Dec. 31, 2015        | 11.79                            | 22 404                      | 1 900                                 | 2.24                                         | 2.25                                      | 436.89                                      | 0.17                                      |
| Dec. 31, 2014        | 10.98                            | 16 994                      | 1 548                                 | 2.24                                         | 2.25                                      | 379.51                                      | 0.27                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.83</b>                     | <b>13 938</b>               | <b>1 085</b>                          | <b>2.10</b>                                  | <b>2.10</b>                               | <b>36.57</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 13.37                            | 12 106                      | 906                                   | 2.11                                         | 2.11                                      | 27.38                                       | 0.11                                      |
| Dec. 31, 2016              | 11.73                            | 5 369                       | 458                                   | 2.17                                         | 2.18                                      | 93.61                                       | 0.11                                      |
| Dec. 31, 2015              | 11.84                            | 5 685                       | 480                                   | 2.24                                         | 2.25                                      | 436.89                                      | 0.17                                      |
| Dec. 31, 2014              | 11.02                            | 3 534                       | 321                                   | 2.26                                         | 2.27                                      | 379.51                                      | 0.27                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>13.63</b>                     | <b>22 177</b>               | <b>1 626</b>                          | <b>1.25</b>                                  | <b>1.25</b>                               | <b>36.57</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 14.14                            | 21 631                      | 1 529                                 | 1.27                                         | 1.27                                      | 27.38                                       | 0.11                                      |
| Dec. 31, 2016              | 12.33                            | 5 012                       | 406                                   | 1.27                                         | 1.28                                      | 93.61                                       | 0.11                                      |
| Dec. 31, 2015              | 12.44                            | 5 273                       | 424                                   | 1.28                                         | 1.29                                      | 436.89                                      | 0.17                                      |
| Dec. 31, 2014              | 11.55                            | 2 723                       | 236                                   | 1.29                                         | 1.30                                      | 379.51                                      | 0.27                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>13.98</b>                     | <b>21 099</b>               | <b>1 508</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>36.57</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017              | 14.51                            | 15 738                      | 1 084                                 | 1.00                                         | 1.00                                      | 27.38                                       | 0.11                                      |
| Dec. 31, 2016              | 12.62                            | 4 634                       | 367                                   | 1.00                                         | 1.01                                      | 93.61                                       | 0.11                                      |
| Dec. 31, 2015              | 12.72                            | 2 949                       | 232                                   | 0.98                                         | 0.99                                      | 436.89                                      | 0.17                                      |
| Dec. 31, 2014              | 11.84                            | 1 444                       | 122                                   | 1.01                                         | 1.02                                      | 379.51                                      | 0.27                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.24</b>                     | <b>260 031</b>              | <b>25 388</b>                         | <b>0.02</b>                                  | <b>0.02</b>                               | <b>36.57</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.63                            | 301 173                     | 28 334                                | 0.02                                         | 0.02                                      | 27.38                                       | 0.11                                      |

<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 May 19, 2017.

Effective June 30, 2017, the administration fees were changed in respect of Series A units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series A – 2.09%.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.13% and Advisor Series – 2.12%.

## 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

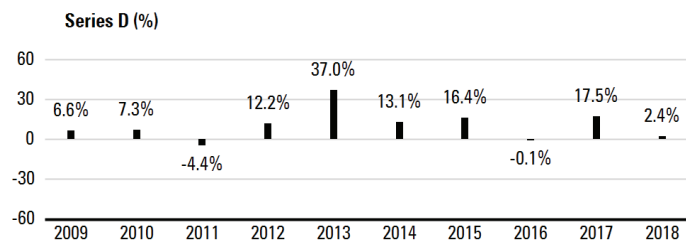
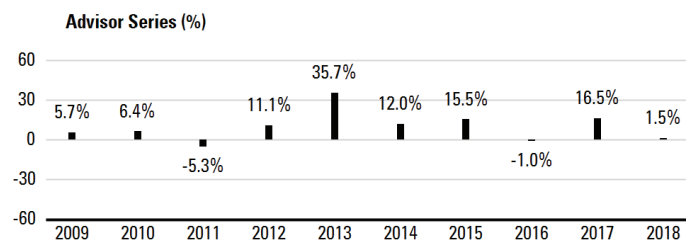
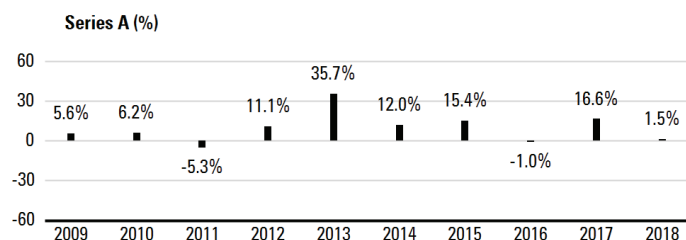


## PAST PERFORMANCE

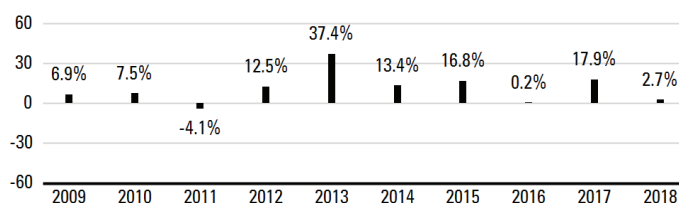
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



**Series F (%)**



**Series O (%)**



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

MSCI World Total Return Net Index (CAD)

|                | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|----------------|-----------|--------------|--------------|---------------|-----------------|
| Series A       | 1.5       | 5.4          | 8.7          | 9.3           | —               |
| Benchmark      | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Advisor Series | 1.5       | 5.4          | 8.7          | 9.3           | —               |
| Benchmark      | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Series D       | 2.4       | 6.3          | 9.6          | 10.3          | —               |
| Benchmark      | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Series F       | 2.7       | 6.6          | 9.9          | 10.6          | —               |
| Benchmark      | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Series O       | 3.7       | —            | —            | —             | 8.3             |
| Benchmark      | -0.5      | —            | —            | —             | 2.0             |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series O units have been available for sale to unitholders since May 19, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 59.0                 |
| United Kingdom  | 8.5                  |
| Japan           | 6.4                  |
| Switzerland     | 5.6                  |
| Germany         | 4.0                  |
| Other Countries | 15.6                 |
| Cash/Other      | 0.9                  |

### Top 25 Holdings

|                                                 | % of Net Asset Value |
|-------------------------------------------------|----------------------|
| Roche Holdings AG Genusscheine                  | 5.6                  |
| UnitedHealth Group Incorporated                 | 5.2                  |
| Danaher Corp.                                   | 5.2                  |
| Unilever N.V.                                   | 5.0                  |
| Alphabet Inc., Class A                          | 4.8                  |
| First Republic Bank                             | 4.7                  |
| TJX Companies Inc.                              | 4.6                  |
| Fortive Corp.                                   | 4.3                  |
| Estée Lauder Companies Inc., Class A            | 4.2                  |
| EOG Resources Inc.                              | 4.1                  |
| Deutsche Post AG                                | 4.0                  |
| Microsoft Corp.                                 | 3.8                  |
| AIA Group Ltd.                                  | 3.5                  |
| Nidec Corp.                                     | 3.5                  |
| Gartner Inc.                                    | 3.4                  |
| InterContinental Hotels Group Plc.              | 3.4                  |
| MarketAxess Holdings Inc.                       | 2.9                  |
| Ecolab Inc.                                     | 2.9                  |
| Blackstone Group LP                             | 2.7                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. ADR | 2.6                  |
| American Water Works Co. Inc.                   | 2.6                  |
| SVB Financial Group                             | 2.4                  |
| Croda International Plc.                        | 2.4                  |
| Naspers Ltd.                                    | 2.2                  |
| HDFC Bank Ltd. ADR                              | 2.2                  |
| Top 25 Holdings                                 | 92.2                 |

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).



GLOBAL EQUITY FUND

**RBC VISION FOSSIL FUEL FREE  
GLOBAL EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: RBC Global Asset Management (UK) Limited, London, England

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 provides the potential for long-term capital growth by investing primarily in a diversified mix of companies operating in various countries around the world across a range of sectors, with the exception of issuers directly engaged in the extraction, processing and transportation of fossil fuels such as coal, oil and natural gas. The Fund may also use derivatives to hedge against the fluctuations in the value of foreign currencies relative to the Canadian dollar.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$123 million as of December 31, 2018, from \$116 million at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units gained 0.2%, which outperformed the 0.7% decline in the benchmark. The broad-based index declined 1.3%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

Top contributors to the Fund's returns included U.S. discount retailer TJX, which had a strong third quarter; U.S. health-care provider UnitedHealth, which posted strong financial results; and U.S. medical equipment and services company Danaher.

Stocks that had a negative impact on returns included the German package-delivery company Deutsche Post DHL, whose shares declined towards the end of the year on concerns about a slowdown in global trade. Shares of U.S. flooring manufacturer Mohawk declined amid higher costs, and the position was eliminated from the portfolio. Anheuser-Busch InBev, the Belgium-based brewer, hurt relative returns given concerns about volume growth and high exposure to emerging markets.

During 2018, the sub-advisor continued to monitor the Fund to ensure that it did not hold investments in entities involved in extracting, processing or transporting coal, oil or natural gas.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

The U.S.-China trade dispute is contributing to the uncertainty, and emerging markets, which have performed poorly since the financial crisis, do not necessarily offer a safe haven. China, the world's second-largest economy and by far the largest emerging market, has high consumer and government debts alongside a slowing economy, and other emerging markets are under pressure from a stronger U.S. dollar and rising U.S. interest rates.

The sub-advisor is committed to minimizing the impact of the weakening macroeconomic environment on the Fund. Picking companies with consistent earnings and strong balance sheets diversified across regions and industries should drive returns.

### 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***

RBC Global Asset Management (UK) Limited 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.62</b>                           | <b>0.15</b>                                      | <b>(0.23)</b>     | <b>0.68</b>                   | <b>(1.05)</b>                   | <b>(0.45)</b> | —                                          | —                 | <b>(0.46)</b>            | —                    | <b>(0.46)</b> | <b>10.17</b>                        |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.05                                             | (0.08)            | 0.22                          | 0.77                            | 0.96          | —                                          | —                 | (0.54)                   | —                    | (0.54)        | 10.62                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.62</b>                           | <b>0.15</b>                                      | <b>(0.25)</b>     | <b>0.68</b>                   | <b>(1.17)</b>                   | <b>(0.59)</b> | —                                          | —                 | <b>(0.46)</b>            | —                    | <b>(0.46)</b> | <b>10.16</b>                        |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.05                                             | (0.08)            | 0.21                          | 0.54                            | 0.72          | —                                          | —                 | (0.54)                   | —                    | (0.54)        | 10.62                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.65</b>                           | <b>0.16</b>                                      | <b>(0.14)</b>     | <b>0.68</b>                   | <b>(1.02)</b>                   | <b>(0.32)</b> | —                                          | <b>(0.04)</b>     | <b>(0.47)</b>            | —                    | <b>(0.51)</b> | <b>10.25</b>                        |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.05                                             | (0.05)            | 0.22                          | 0.86                            | 1.08          | —                                          | —                 | (0.54)                   | —                    | (0.54)        | 10.65                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>10.63</b>                           | <b>0.16</b>                                      | <b>(0.11)</b>     | <b>0.68</b>                   | <b>(1.55)</b>                   | <b>(0.82)</b> | —                                          | <b>(0.06)</b>     | <b>(0.53)</b>            | —                    | <b>(0.59)</b> | <b>10.16</b>                        |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.05                                             | (0.04)            | 0.22                          | 0.63                            | 0.86          | —                                          | (0.04)            | (0.54)                   | —                    | (0.58)        | 10.63                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>12.32</b>                           | <b>0.18</b>                                      | —                 | <b>0.79</b>                   | <b>(0.78)</b>                   | <b>0.19</b>   | —                                          | <b>(0.19)</b>     | <b>(0.54)</b>            | —                    | <b>(0.73)</b> | <b>11.85</b>                        |
| Dec. 31, 2017                 | 10.10                                  | 0.17                                             | —                 | 0.82                          | 2.07                            | 3.06          | —                                          | (0.16)            | (0.63)                   | —                    | (0.79)        | 12.32                               |
| Dec. 31, 2016 <sup>4</sup>    | 10.00 <sup>†</sup>                     | 0.01                                             | —                 | 0.01                          | 0.15                            | 0.17          | —                                          | (0.01)            | (0.02)                   | —                    | (0.03)        | 10.10                               |

<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 August 28, 2017.

<sup>4</sup> From November 21, 2016.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.17</b>                     | <b>6 791</b>                | <b>668</b>                            | <b>2.08</b>                                  | <b>2.08</b>                               | <b>51.47</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.62                            | 2 219                       | 209                                   | 2.15                                         | 2.15                                      | 42.55                                       | 0.16                                      |
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.16</b>                     | <b>1 200</b>                | <b>118</b>                            | <b>2.18</b>                                  | <b>2.18</b>                               | <b>51.47</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.62                            | 404                         | 38                                    | 2.20                                         | 2.20                                      | 42.55                                       | 0.16                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.25</b>                     | <b>2 015</b>                | <b>197</b>                            | <b>1.21</b>                                  | <b>1.21</b>                               | <b>51.47</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.65                            | 854                         | 80                                    | 1.30                                         | 1.30                                      | 42.55                                       | 0.16                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>10.16</b>                     | <b>5 786</b>                | <b>570</b>                            | <b>0.99</b>                                  | <b>0.99</b>                               | <b>51.47</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 10.63                            | 783                         | 74                                    | 1.02                                         | 1.02                                      | 42.55                                       | 0.16                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>11.85</b>                     | <b>106 903</b>              | <b>9 019</b>                          | <b>0.02</b>                                  | <b>0.02</b>                               | <b>51.47</b>                                | <b>0.08</b>                               |
| Dec. 31, 2017              | 12.32                            | 111 373                     | 9 040                                 | 0.03                                         | 0.03                                      | 42.55                                       | 0.16                                      |
| Dec. 31, 2016 <sup>5</sup> | 10.10                            | 82 505                      | 8 168                                 | 0.04                                         | 0.04                                      | 24.78                                       | 0.15                                      |

<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 August 28, 2017.

<sup>5</sup> From November 21, 2016.

Effective June 30, 2017, the administration fees were changed in respect of Series O units of the Fund. If the changes to the administration fees would have been in effect throughout 2017, the adjusted MER for each series of the Fund would be: Series O – 0.02%.

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.



## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

MSCI All Country World ex-Fossil Fuel Total Return Net Index (CAD)

The broad-based index is the MSCI All Country World Total Return Net Index (CAD).

|                   | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A          | 0.2       | —            | —            | —             | 8.6             |
| Benchmark         | -0.7      | —            | —            | —             | 5.8             |
| Broad-based index | -1.3      | —            | —            | —             | 5.6             |
| Advisor Series    | 0.1       | —            | —            | —             | 8.5             |
| Benchmark         | -0.7      | —            | —            | —             | 5.8             |
| Broad-based index | -1.3      | —            | —            | —             | 5.6             |
| Series D          | 1.0       | —            | —            | —             | 9.5             |
| Benchmark         | -0.7      | —            | —            | —             | 5.8             |
| Broad-based index | -1.3      | —            | —            | —             | 5.6             |
| Series F          | 1.3       | —            | —            | —             | 9.8             |
| Benchmark         | -0.7      | —            | —            | —             | 5.8             |
| Broad-based index | -1.3      | —            | —            | —             | 5.6             |
| Series O          | 2.3       | —            | —            | —             | 10.0            |
| Benchmark         | -0.7      | —            | —            | —             | 8.5             |
| Broad-based index | -1.3      | —            | —            | —             | 7.6             |

The returns of each series may vary because of differences in management fees and expenses. 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 index.

Series A, Advisor Series, Series D and Series F units have been available for sale to unitholders since August 28, 2017.

Although Series O units of the Fund were created in November 2016, units were not offered for sale under a simplified prospectus until June 30, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**MSCI All Country World ex-Fossil Fuel Total Return Net Index (CAD)** This index represents the Canadian-dollar performance of large- and mid-cap stocks in 23 developed markets while excluding companies that own oil, gas and coal reserves. It is a benchmark for investors who aim to eliminate fossil-fuel exposure from their investments.

**MSCI All Country World Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of large and mid-cap stocks across developed and emerging markets. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 57.5                 |
| United Kingdom | 7.3                  |
| Japan          | 5.1                  |
| Switzerland    | 4.7                  |
| Netherlands    | 4.5                  |
| Germany        | 4.4                  |
| India          | 3.6                  |
| Hong Kong      | 3.0                  |
| South Africa   | 2.7                  |
| Taiwan         | 2.7                  |
| Belgium        | 1.8                  |
| Ireland        | 1.8                  |
| Cash/Other     | 0.9                  |

### Top 25 Holdings

|                                                 | % of Net Asset Value |
|-------------------------------------------------|----------------------|
| UnitedHealth Group Incorporated                 | 5.5                  |
| Microsoft Corp.                                 | 5.2                  |
| Danaher Corp.                                   | 5.0                  |
| Roche Holdings AG Genusscheine                  | 4.7                  |
| Unilever N.V.                                   | 4.5                  |
| Fortive Corp.                                   | 4.5                  |
| TJX Companies Inc.                              | 4.4                  |
| Deutsche Post AG                                | 4.4                  |
| Amazon.com, Inc.                                | 3.8                  |
| Alphabet Inc., Class A                          | 3.7                  |
| Gartner Inc.                                    | 3.6                  |
| HDFC Bank Ltd. ADR                              | 3.6                  |
| Estée Lauder Companies Inc., Class A            | 3.6                  |
| First Republic Bank                             | 3.5                  |
| Blackstone Group LP                             | 3.1                  |
| American Water Works Co. Inc.                   | 3.1                  |
| AIA Group Ltd.                                  | 3.0                  |
| Nidec Corp.                                     | 3.0                  |
| InterContinental Hotels Group Plc.              | 3.0                  |
| SVB Financial Group                             | 2.7                  |
| Naspers Ltd.                                    | 2.7                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. ADR | 2.7                  |
| MarketAxess Holdings Inc.                       | 2.4                  |
| Croda International Plc.                        | 2.3                  |
| Citigroup Inc.                                  | 2.1                  |
| Top 25 Holdings                                 | 90.1                 |

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).



GLOBAL EQUITY FUND

**RBC O'SHAUGHNESSY  
GLOBAL EQUITY FUND**

*December 31, 2018*

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

Sub-Advisor: O'Shaughnessy Asset Management, L.L.C., Stamford, Connecticut

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting of capital growth and current income by investing primarily in equity securities of companies throughout the world based on Strategy Indexing®, an investment portfolio management model developed in 1995 by Jim O'Shaughnessy.

To achieve its objective, the Fund selects securities on the basis of several factors, including valuation, momentum and return of capital to shareholders. Valuation is based on a variety of measures, including a company's market capitalization ratios and financial statement metrics. The Fund also selects securities based on momentum which may include six-month total return and nine-month total return. Return of capital to shareholders may include dividends and buybacks. The Fund does not hedge currency exposure back to Canadian dollars.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$83 million as of December 31, 2018, from \$99 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 7.7%, which underperformed the 0.5% decline in the benchmark. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Equity markets declined across the board amid global trade tensions and an environment of rising interest rates for much of the year. North American markets, buoyed by relatively strong U.S. economic growth, fell less than most other developed markets in Europe and Asia. The Canadian dollar depreciated in 2018 against most major currencies in developed and emerging markets.

Overweight exposure to smaller-capitalization stocks held back relative returns the most, as the largest global stocks outperformed. Exposure to momentum and shareholder yield, key strategy-selection factors, aided returns. Meanwhile, exposure to stocks with discounted valuation was a detractor, as cheap stocks underperformed. Quality exposures had mixed performance but were a marginal detractor in aggregate.

Security selection had an overall negative impact on returns. An underweight allocation to the Health Care sector and an overweight in the Materials sector held back performance. An overweight allocation to the Utilities sector and an underweight in Financials aided performance. Security selection in the Consumer Staples, Health Care and Financials sectors contributed to performance, while security selection in Information Technology, Consumer Discretionary and Industrials hurt performance. Medifast, Plus500 and Intuitive Surgical were the largest contributors to returns. A lack of exposure to Microsoft and Amazon held back returns, and a position in Seagate Technology also had a negative effect on performance.

Country allocations and security selection both had an overall negative impact on performance. Overweight allocations to South Africa and South Korea and an underweight allocation to the U.S. hurt returns, and security selection in the U.S. and Japan also hurt performance. Underweight allocations to France and Germany aided returns, and so did security selection in Spain and Australia.

Due to the Fund's investment process and market conditions over the course of 2018, the sub-advisor decreased allocations to the Financials sector and increased allocations to the Communication Services sector.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.78                                  | 0.31                                             | (0.25)            | 1.02                          | (1.82)                          | (0.74) | —                                          | (0.05)            | —                        | —                    | (0.05) | 9.90                                |
| Dec. 31, 2017                 | 9.59                                   | 0.26                                             | (0.23)            | 1.18                          | 0.01                            | 1.22   | —                                          | (0.05)            | —                        | —                    | (0.05) | 10.78                               |
| Dec. 31, 2016                 | 9.35                                   | 0.26                                             | (0.20)            | 0.19                          | (0.05)                          | 0.20   | —                                          | (0.07)            | —                        | —                    | (0.07) | 9.59                                |
| Dec. 31, 2015                 | 7.94                                   | 0.34                                             | (0.20)            | 0.85                          | 0.61                            | 1.60   | —                                          | (0.14)            | —                        | —                    | (0.14) | 9.35                                |
| Dec. 31, 2014                 | 7.77                                   | 0.25                                             | (0.18)            | 1.33                          | (1.16)                          | 0.24   | —                                          | (0.06)            | —                        | —                    | (0.06) | 7.94                                |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.77                                  | 0.31                                             | (0.24)            | 1.03                          | (1.91)                          | (0.81) | —                                          | (0.05)            | —                        | —                    | (0.05) | 9.89                                |
| Dec. 31, 2017                 | 9.59                                   | 0.26                                             | (0.22)            | 1.18                          | 0.03                            | 1.25   | —                                          | (0.06)            | —                        | —                    | (0.06) | 10.77                               |
| Dec. 31, 2016                 | 9.34                                   | 0.26                                             | (0.19)            | 0.19                          | (0.07)                          | 0.19   | —                                          | (0.07)            | —                        | —                    | (0.07) | 9.59                                |
| Dec. 31, 2015                 | 7.94                                   | 0.34                                             | (0.20)            | 0.85                          | 0.61                            | 1.60   | —                                          | (0.14)            | —                        | —                    | (0.14) | 9.34                                |
| Dec. 31, 2014                 | 7.77                                   | 0.25                                             | (0.18)            | 1.33                          | (1.16)                          | 0.24   | —                                          | (0.07)            | —                        | —                    | (0.07) | 7.94                                |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.83                                  | 0.31                                             | (0.15)            | 1.03                          | (1.90)                          | (0.71) | —                                          | (0.14)            | —                        | —                    | (0.14) | 9.94                                |
| Dec. 31, 2017                 | 9.64                                   | 0.27                                             | (0.14)            | 1.19                          | 0.02                            | 1.34   | —                                          | (0.15)            | —                        | —                    | (0.15) | 10.83                               |
| Dec. 31, 2016                 | 9.39                                   | 0.27                                             | (0.12)            | 0.19                          | (0.05)                          | 0.29   | —                                          | (0.15)            | —                        | —                    | (0.15) | 9.64                                |
| Dec. 31, 2015                 | 7.98                                   | 0.34                                             | (0.12)            | 0.86                          | 0.62                            | 1.70   | —                                          | (0.22)            | —                        | —                    | (0.22) | 9.39                                |
| Dec. 31, 2014                 | 7.82                                   | 0.25                                             | (0.11)            | 1.34                          | (1.17)                          | 0.31   | —                                          | (0.14)            | —                        | —                    | (0.14) | 7.98                                |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.84                                  | 0.31                                             | (0.12)            | 1.04                          | (2.00)                          | (0.77) | —                                          | (0.17)            | —                        | —                    | (0.17) | 9.95                                |
| Dec. 31, 2017                 | 9.64                                   | 0.27                                             | (0.11)            | 1.19                          | 0.04                            | 1.39   | (0.01)                                     | (0.17)            | —                        | —                    | (0.18) | 10.84                               |
| Dec. 31, 2016                 | 9.40                                   | 0.27                                             | (0.10)            | 0.19                          | 0.24                            | 0.60   | —                                          | (0.18)            | —                        | —                    | (0.18) | 9.64                                |
| Dec. 31, 2015                 | 7.99                                   | 0.34                                             | (0.10)            | 0.85                          | 0.62                            | 1.71   | —                                          | (0.25)            | —                        | —                    | (0.25) | 9.40                                |
| Dec. 31, 2014                 | 7.84                                   | 0.25                                             | (0.09)            | 1.35                          | (1.18)                          | 0.33   | —                                          | (0.17)            | —                        | —                    | (0.17) | 7.99                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.15                                  | 0.35                                             | —                 | 1.17                          | (2.24)                          | (0.72) | (0.01)                                     | (0.30)            | —                        | —                    | (0.31) | 11.16                               |
| Dec. 31, 2017                 | 10.82                                  | 0.30                                             | —                 | 1.35                          | 0.55                            | 2.20   | (0.01)                                     | (0.33)            | —                        | —                    | (0.34) | 12.15                               |
| Dec. 31, 2016                 | 10.55                                  | 0.30                                             | —                 | 0.22                          | 0.05                            | 0.57   | —                                          | (0.32)            | —                        | —                    | (0.32) | 10.82                               |
| Dec. 31, 2015                 | 8.97                                   | 0.39                                             | —                 | 0.99                          | 0.71                            | 2.09   | —                                          | (0.40)            | —                        | —                    | (0.40) | 10.55                               |
| Dec. 31, 2014                 | 8.78                                   | 0.28                                             | —                 | 1.52                          | (1.33)                          | 0.47   | —                                          | (0.28)            | —                        | —                    | (0.28) | 8.97                                |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.90</b>                      | <b>54 977</b>               | <b>5 553</b>                          | <b>2.25</b>                                  | <b>2.25</b>                               | <b>77.79</b>                                | <b>0.11</b>                               |
| Dec. 31, 2017         | 10.78                            | 68 844                      | 6 387                                 | 2.25                                         | 2.25                                      | 84.30                                       | 0.12                                      |
| Dec. 31, 2016         | 9.59                             | 70 610                      | 7 363                                 | 2.25                                         | 2.25                                      | 72.78                                       | 0.11                                      |
| Dec. 31, 2015         | 9.35                             | 81 469                      | 8 716                                 | 2.25                                         | 2.25                                      | 78.52                                       | 0.13                                      |
| Dec. 31, 2014         | 7.94                             | 77 293                      | 9 730                                 | 2.25                                         | 2.25                                      | 89.77                                       | 0.13                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.89</b>                      | <b>5 631</b>                | <b>569</b>                            | <b>2.18</b>                                  | <b>2.18</b>                               | <b>77.79</b>                                | <b>0.11</b>                               |
| Dec. 31, 2017         | 10.77                            | 6 147                       | 571                                   | 2.19                                         | 2.19                                      | 84.30                                       | 0.12                                      |
| Dec. 31, 2016         | 9.59                             | 5 589                       | 583                                   | 2.20                                         | 2.20                                      | 72.78                                       | 0.11                                      |
| Dec. 31, 2015         | 9.34                             | 6 451                       | 690                                   | 2.19                                         | 2.19                                      | 78.52                                       | 0.13                                      |
| Dec. 31, 2014         | 7.94                             | 6 039                       | 761                                   | 2.19                                         | 2.19                                      | 89.77                                       | 0.13                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.94</b>                      | <b>9 922</b>                | <b>998</b>                            | <b>1.37</b>                                  | <b>1.37</b>                               | <b>77.79</b>                                | <b>0.11</b>                               |
| Dec. 31, 2017         | 10.83                            | 11 529                      | 1 065                                 | 1.37                                         | 1.37                                      | 84.30                                       | 0.12                                      |
| Dec. 31, 2016         | 9.64                             | 10 018                      | 1 040                                 | 1.37                                         | 1.37                                      | 72.78                                       | 0.11                                      |
| Dec. 31, 2015         | 9.39                             | 11 021                      | 1 174                                 | 1.37                                         | 1.37                                      | 78.52                                       | 0.13                                      |
| Dec. 31, 2014         | 7.98                             | 9 057                       | 1 135                                 | 1.37                                         | 1.37                                      | 89.77                                       | 0.13                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>9.95</b>                      | <b>12 544</b>               | <b>1 260</b>                          | <b>1.07</b>                                  | <b>1.07</b>                               | <b>77.79</b>                                | <b>0.11</b>                               |
| Dec. 31, 2017         | 10.84                            | 12 073                      | 1 114                                 | 1.09                                         | 1.09                                      | 84.30                                       | 0.12                                      |
| Dec. 31, 2016         | 9.64                             | 6 531                       | 677                                   | 1.09                                         | 1.09                                      | 72.78                                       | 0.11                                      |
| Dec. 31, 2015         | 9.40                             | 4 385                       | 466                                   | 1.11                                         | 1.11                                      | 78.52                                       | 0.13                                      |
| Dec. 31, 2014         | 7.99                             | 6 503                       | 814                                   | 1.11                                         | 1.11                                      | 89.77                                       | 0.13                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>11.16</b>                     | <b>348</b>                  | <b>31</b>                             | <b>0.02</b>                                  | <b>0.02</b>                               | <b>77.79</b>                                | <b>0.11</b>                               |
| Dec. 31, 2017         | 12.15                            | 300                         | 25                                    | 0.02                                         | 0.02                                      | 84.30                                       | 0.12                                      |
| Dec. 31, 2016         | 10.82                            | 144                         | 13                                    | 0.03                                         | 0.03                                      | 72.78                                       | 0.11                                      |
| Dec. 31, 2015         | 10.55                            | 144                         | 14                                    | 0.02                                         | 0.02                                      | 78.52                                       | 0.13                                      |
| Dec. 31, 2014         | 8.97                             | 1                           | —                                     | 0.02                                         | 0.02                                      | 89.77                                       | 0.13                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.85%           | 54%                   | 46%    |
| Advisor Series | 1.85%           | 54%                   | 46%    |
| Series D       | 1.10%           | 23%                   | 77%    |
| Series F       | 0.85%           | —                     | 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.

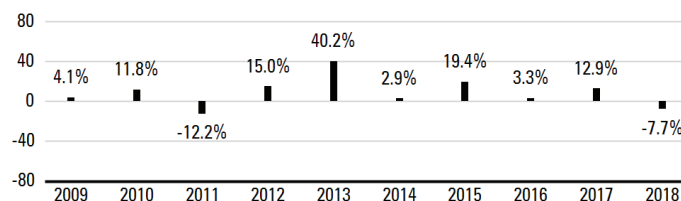
## PAST PERFORMANCE

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.

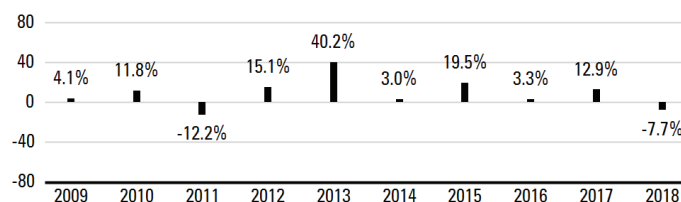
### Year-by-Year Returns (%)

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.

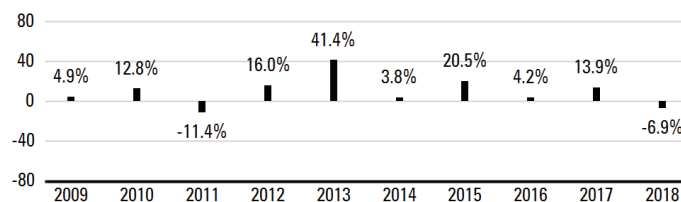
**Series A (%)**



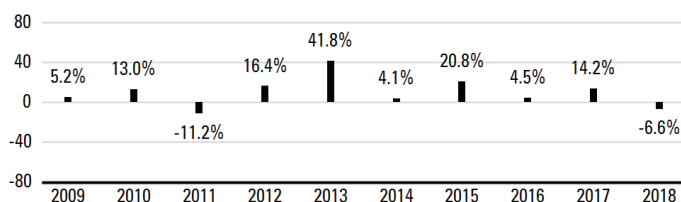
**Advisor Series (%)**



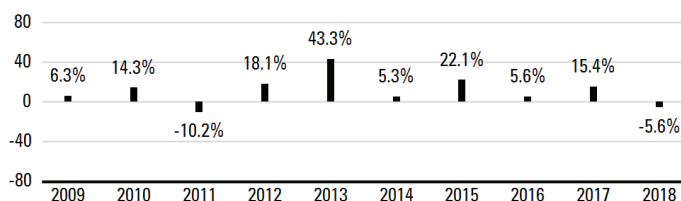
**Series D (%)**



**Series F (%)**



**Series O (%)**





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|                | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|----------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A       | -7.7         | 2.5             | 5.7             | 8.1              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Advisor Series | -7.7         | 2.5             | 5.8             | 8.1              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series D       | -6.9         | 3.4             | 6.7             | 9.0              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series F       | -6.6         | 3.7             | 7.0             | 9.3              | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series O       | -5.6         | 4.8             | 8.1             | 10.6             | —                  |
| Benchmark      | -0.5         | 5.7             | 9.9             | 10.8             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 49.1                 |
| Japan           | 8.0                  |
| Australia       | 4.3                  |
| Russia          | 3.7                  |
| United Kingdom  | 3.7                  |
| Canada          | 3.4                  |
| South Korea     | 2.9                  |
| Brazil          | 2.5                  |
| Germany         | 2.5                  |
| Norway          | 1.8                  |
| France          | 1.2                  |
| South Africa    | 1.2                  |
| Hong Kong       | 0.6                  |
| Switzerland     | 0.3                  |
| Other Countries | 12.7                 |
| Cash/Other      | 2.1                  |

### Top 25 Holdings

|                                   | % of Net Asset Value |
|-----------------------------------|----------------------|
| Lukoil PJSC                       | 2.3                  |
| Seagate Technology                | 2.1                  |
| Cash & Cash Equivalents           | 2.1                  |
| Amgen Inc.                        | 2.0                  |
| Fifth Third Bancorp               | 1.8                  |
| Micron Technology Inc.            | 1.7                  |
| LyondellBasell Industries N.V.    | 1.6                  |
| Ameriprise Financial Inc.         | 1.6                  |
| Endesa S.A.                       | 1.5                  |
| Regions Financial Corp.           | 1.5                  |
| Best Buy Co. Inc.                 | 1.5                  |
| Apple Inc.                        | 1.4                  |
| ASR Nederland N.V.                | 1.3                  |
| TUI AG                            | 1.3                  |
| F5 Networks Inc.                  | 1.3                  |
| Grainger (W.W.) Inc.              | 1.3                  |
| Tekfen Holding A.S.               | 1.3                  |
| Telefonica Brasil S.A. Preference | 1.3                  |
| Fortinet Inc.                     | 1.2                  |
| HCA Healthcare Inc.               | 1.2                  |
| Insurance Australia Group Ltd.    | 1.1                  |
| Boeing Co.                        | 1.1                  |
| Fiat Chrysler Automobiles N.V.    | 1.1                  |
| Target Corporation                | 1.1                  |
| Astellas Pharma Inc.              | 1.0                  |
| Top 25 Holdings                   | 36.7                 |

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).



GLOBAL EQUITY FUND

**RBC QUBE ALL COUNTRY  
WORLD EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of companies around the world, including companies located or active in emerging markets, using a quantitative investment approach.

To achieve the Fund's objective, the portfolio manager uses a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$9 million as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series O units lost 2.5%, which underperformed the 1.3% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

A holding in Danske Bank hurt relative performance over the period. Positions in the Consumer Staples sector also held back performance. A position in Phillip Morris International had a negative impact on returns for the year.

In the Industrials sector, the Fund's position in Boeing added significantly to returns. The Information Technology sector also performed well during the year, with big contributions from Intuit and Mastercard.

Portfolio turnover was high for the Fund given the portfolio manager's model-driven investment process.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Dec. 31, 2018</b>          | <b>4.76</b>                            | <b>0.20</b>                                      | —                 | <b>0.13</b>                   | <b>(0.45)</b>                   | <b>(0.12)</b> | —                                          | —                 | —                        | —                    | —      | <b>4.64</b>                         |
| Dec. 31, 2017                 | 9.34                                   | 0.25                                             | —                 | 2.14                          | (0.29)                          | 2.10          | (2.66)                                     | (0.13)            | —                        | (3.61)               | (6.40) | 4.76                                |
| Dec. 31, 2016                 | 10.73                                  | 0.28                                             | —                 | 0.31                          | (0.57)                          | 0.02          | —                                          | (0.31)            | (1.19)                   | —                    | (1.50) | 9.34                                |
| Dec. 31, 2015                 | 10.32                                  | 0.45                                             | —                 | 0.89                          | 0.41                            | 1.75          | —                                          | (0.45)            | (0.90)                   | —                    | (1.35) | 10.73                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.21                                             | —                 | 0.33                          | 0.42                            | 0.96          | —                                          | (0.16)            | (0.29)                   | —                    | (0.45) | 10.32                               |

<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 March 10, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>4.64</b>                      | <b>8 558</b>                | <b>1 844</b>                          | <b>0.02</b>                                  | <b>0.04</b>                               | <b>142.55</b>                               | <b>0.08</b>                               |
| Dec. 31, 2017              | 4.76                             | 8 877                       | 1 865                                 | 0.02                                         | 0.04                                      | 146.30                                      | 0.21                                      |
| Dec. 31, 2016              | 9.34                             | 27 376                      | 2 930                                 | 0.02                                         | 0.02                                      | 174.39                                      | 0.17                                      |
| Dec. 31, 2015              | 10.73                            | 109 744                     | 10 227                                | 0.02                                         | 0.02                                      | 130.68                                      | 0.11                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.32                            | 93 610                      | 9 067                                 | 0.03                                         | 0.03                                      | 94.00                                       | 0.18                                      |

<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 March 10, 2014.

### Management Fees

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

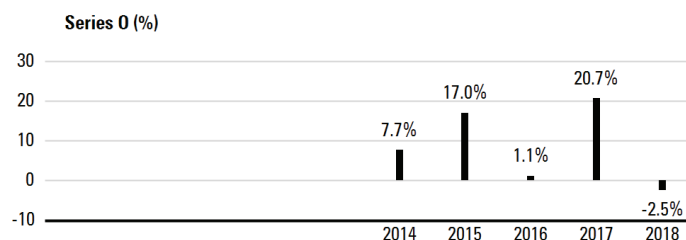


## PAST PERFORMANCE

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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI All Country World Total Return Net Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series 0  | -2.5         | 6.0             | —               | —                | 8.8                |
| Benchmark | -1.3         | 6.0             | —               | —                | 8.9                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series 0 units have been available for sale to unitholders since March 10, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI All Country World Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of large and mid-cap stocks across developed and emerging markets. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                      | % of Net Asset Value |
|----------------------|----------------------|
| United States        | 54.7                 |
| China                | 5.8                  |
| Australia            | 5.7                  |
| Denmark              | 5.0                  |
| Norway               | 4.3                  |
| Germany              | 3.8                  |
| South Korea          | 3.4                  |
| Switzerland          | 3.1                  |
| Japan                | 2.4                  |
| United Kingdom       | 2.0                  |
| Hong Kong            | 1.6                  |
| Canada               | 1.0                  |
| Netherlands          | 1.0                  |
| United Arab Emirates | 1.0                  |
| Turkey               | 0.9                  |
| Other Countries      | 3.7                  |
| Cash/Other           | 0.6                  |

### Top 25 Holdings

|                                              | % of Net Asset Value |
|----------------------------------------------|----------------------|
| Mastercard Inc.                              | 3.3                  |
| Microsoft Corp.                              | 3.2                  |
| Phillips 66 Company                          | 2.9                  |
| Roche Holdings AG Genusscheine               | 2.7                  |
| Boeing Co.                                   | 2.6                  |
| Novo Nordisk A/S                             | 2.5                  |
| Telenor ASA                                  | 2.4                  |
| Amgen Inc.                                   | 2.2                  |
| Alphabet Inc., Class C                       | 2.2                  |
| Simon Property Group Inc.                    | 2.2                  |
| LyondellBasell Industries N.V.               | 2.2                  |
| Merck & Co. Inc.                             | 2.2                  |
| China Construction Bank Corp.                | 2.1                  |
| 3i Group Plc.                                | 2.0                  |
| Estée Lauder Companies Inc., Class A         | 2.0                  |
| Wesfarmers Ltd.                              | 1.9                  |
| Expeditors International of Washington, Inc. | 1.9                  |
| Equinor ASA                                  | 1.8                  |
| Nike Inc.                                    | 1.7                  |
| Ameriprise Financial Inc.                    | 1.7                  |
| Covestro AG                                  | 1.6                  |
| Samsung Electronics Co. Ltd.                 | 1.6                  |
| Danske Bank A/S                              | 1.4                  |
| China Petroleum & Chemical Corp.             | 1.4                  |
| Robert Half International Inc.               | 1.4                  |
| Top 25 Holdings                              | 53.1                 |

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).





GLOBAL EQUITY FUND

**RBC QUBE LOW VOLATILITY ALL  
COUNTRY WORLD EQUITY FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of companies around the world, including companies located or active in emerging markets, using a quantitative investment approach. The Fund seeks to achieve a reduced level of volatility of returns compared to the broader global equity market.

To achieve the Fund's objective, the portfolio manager uses a quantitative investment model designed to select individual stocks while controlling portfolio-level risk. This involves building a portfolio that maximizes exposure to factors associated with outperformance, while controlling for exposure to risk factors.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$123 million as of December 31, 2018, from \$130 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series O units gained 8.9%, which outperformed the 1.3% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

A decade-long period of investor-friendly monetary stimulus and ultralow interest rates appeared to start receding in 2018, leading to concern about the outlook for earnings and borrowing. The U.S. Federal Reserve, in particular, was clear about its plan to raise interest rates steadily and it followed through, fearful that the relatively strong U.S. economy would experience uncomfortably high inflation if rates did not increase.

Escalating trade conflicts, especially between the U.S. and China, and geopolitical uncertainty helped trigger global stock-market declines, with emerging markets underperforming developed markets. In Europe, U.K. politicians failed to agree on terms by which the U.K. would leave the European Union (the "EU"), while in Italy the formation of a coalition government committed to higher spending led to bond- and equity-market volatility, as well as friction with the EU.

A holding in Walmart hurt performance during the period. Positions in the Consumer Staples sector also held back performance. A position in PepsiCo had a negative impact on returns for the year.

In the Utilities sector, the Fund's position in CLP Holdings added significantly to returns. The Health Care sector also performed well during the year, with big contributions from Intuitive Surgical and UnitedHealth.

### Recent Developments

A slowdown in the global economic expansion is among the variables that will influence equity and other financial markets in 2019. Growth has been kept afloat by the U.S. in recent quarters, but stock declines have many investors questioning whether a global recession might soon unfold.

### Related-Party Transactions

#### *Manager, Trustee and Portfolio Manager*

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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:

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- (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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 12.35                                  | 0.34                                             | —                 | 0.68                          | 0.08                            | 1.10  | —                                          | (0.37)            | (0.75)                   | —                    | (1.12) | 12.33                               |
| Dec. 31, 2017                 | 11.88                                  | 0.32                                             | —                 | 0.89                          | 0.34                            | 1.55  | —                                          | (0.25)            | (0.70)                   | —                    | (0.95) | 12.35                               |
| Dec. 31, 2016                 | 12.60                                  | 0.35                                             | —                 | 0.81                          | (0.69)                          | 0.47  | —                                          | (0.33)            | (0.83)                   | —                    | (1.16) | 11.88                               |
| Dec. 31, 2015                 | 10.99                                  | 0.35                                             | —                 | 0.58                          | 1.53                            | 2.46  | —                                          | (0.26)            | (0.48)                   | —                    | (0.74) | 12.60                               |
| Dec. 31, 2014 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.20                                             | —                 | 0.10                          | 0.97                            | 1.27  | —                                          | (0.18)            | (0.11)                   | —                    | (0.29) | 10.99                               |

<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 April 24, 2014.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>12.33</b>                     | <b>123 051</b>              | <b>9 983</b>                          | <b>0.02</b>                                  | <b>0.02</b>                               | <b>63.70</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017              | 12.35                            | 130 072                     | 10 535                                | 0.02                                         | 0.02                                      | 87.85                                       | 0.08                                      |
| Dec. 31, 2016              | 11.88                            | 70 562                      | 5 938                                 | 0.02                                         | 0.02                                      | 89.89                                       | 0.07                                      |
| Dec. 31, 2015              | 12.60                            | 62 713                      | 4 979                                 | 0.02                                         | 0.03                                      | 46.05                                       | 0.06                                      |
| Dec. 31, 2014 <sup>4</sup> | 10.99                            | 32 640                      | 2 970                                 | 0.02                                         | 0.03                                      | 23.50                                       | 0.07                                      |

<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.

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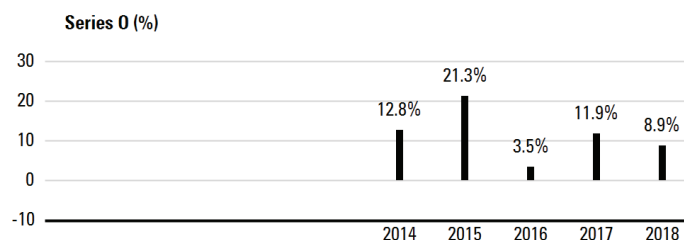


## PAST PERFORMANCE

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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI All Country World Total Return Net Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series 0  | 8.9          | 8.1             | —               | —                | 12.4               |
| Benchmark | -1.3         | 6.0             | —               | —                | 9.0                |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series 0 units have been available for sale to unitholders since April 24, 2014.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI All Country World Total Return Net Index (CAD)** This index is a broad measure of the Canadian-dollar performance of large and mid-cap stocks across developed and emerging markets. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 49.4                 |
| Japan           | 12.5                 |
| Canada          | 7.8                  |
| Switzerland     | 5.1                  |
| Belgium         | 4.2                  |
| Hong Kong       | 3.7                  |
| Taiwan          | 3.2                  |
| Malaysia        | 3.0                  |
| China           | 2.5                  |
| Israel          | 2.2                  |
| Other Countries | 6.3                  |
| Cash/Other      | 0.1                  |

### Top 25 Holdings

|                                            | % of Net Asset Value |
|--------------------------------------------|----------------------|
| Colruyt S.A.                               | 3.3                  |
| Royal Bank of Canada                       | 3.0                  |
| Exelon Corp.                               | 3.0                  |
| Bank of Montreal                           | 3.0                  |
| Consolidated Edison Inc.                   | 2.8                  |
| Rollins Inc.                               | 2.8                  |
| NTT DoCoMo Inc.                            | 2.7                  |
| Roche Holdings AG Genusscheine             | 2.6                  |
| Xcel Energy Inc.                           | 2.5                  |
| Sysco Corp.                                | 2.3                  |
| Chunghwa Telecom Co. Ltd.                  | 2.2                  |
| CLP Holdings Ltd.                          | 2.0                  |
| TJX Companies Inc.                         | 2.0                  |
| Duke Energy Corp.                          | 1.7                  |
| Pfizer Inc.                                | 1.7                  |
| The Coca-Cola Co.                          | 1.7                  |
| Loews Corp.                                | 1.7                  |
| Yum! Brands, Inc.                          | 1.6                  |
| Swisscom AG                                | 1.5                  |
| Amgen Inc.                                 | 1.5                  |
| Simon Property Group Inc.                  | 1.5                  |
| Emirates Telecommunications Group Co. PJSC | 1.5                  |
| Intuit Inc.                                | 1.4                  |
| Accenture Plc., Class A                    | 1.4                  |
| UnitedHealth Group Incorporated            | 1.4                  |
| Top 25 Holdings                            | 52.8                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL ENERGY FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues long-term capital growth by investing in equity securities of companies throughout the world that are involved directly or indirectly in the exploration, development, production or distribution of energy and energy-related products, or activities in the Energy sector.

To achieve its goal, the Fund invests in oil and gas companies with proven management, low-cost operations, strong balance sheets, high-quality reserves and consistent growth in the production of crude oil and natural gas. The Fund diversifies holdings among large, mid-size and small oil and gas producers and providers. The Fund may also invest in income trusts.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$191 million as of December 31, 2018, from \$248 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 14.1%, which underperformed the 8.3% decline in the benchmark. The broad-based index declined 0.5%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Energy equities finished 2018 with losses after a fourth-quarter collapse in crude-oil prices, with most oil and gas shares ending the year near 52-week lows. The plunge in prices was precipitated by President Trump's unexpected decision to allow countries to import oil from Iran, partially lifting sanctions in place against the world's sixth-largest oil producer. As a result, extra Saudi Arabian production designed to make up for lost Iranian output created excess supply. The price for benchmark West Texas Intermediate crude oil declined 25% for the year to US\$45 per barrel. U.S. natural-gas prices were essentially unchanged from the start of the year, hovering around US\$3 per million per British thermal unit.

The Fund's relative performance versus the benchmark in 2018 was held back by a large overweight position in Concho Resources, which underperformed following the company's US\$9.5 billion agreement

to acquire RSP Permian, which investors judged to be too expensive given the potential benefits. As well, an overweight position in Neo Lithium, which explores for and produces lithium, a metal used to manufacture batteries for electric vehicles, hurt the Fund's relative performance. These negatives were somewhat offset by the positive impact of overweight positions in ConocoPhillips and Total.

### Recent Developments

President Trump's move on Iranian oil exports has temporarily disrupted the supply/demand balance in global crude-oil markets. However, OPEC's decision to cut daily production by 1.2 million barrels (about 1.2% of daily global production) for six months beginning in January 2019 should, in the view of the portfolio manager, lead to a better balance between supply and demand in the first half of 2019, assuming robust demand remains.

The portfolio manager believes that investors continue to underappreciate risks to supply that could lead to sharp price increases. These include the continued decline of Venezuela's crude output; capacity constraints limiting production growth in the southwestern U.S.; and Middle Eastern tensions involving Saudi Arabia and Iran. On the other hand, the portfolio manager believes that the biggest risk to higher prices in 2019 is the possibility of lower demand in the event that trade tensions curtail global economic growth.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$20,000 (2017 – \$23,000) or 6% (2017 – 3%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Dec. 31, 2018</b>          | <b>38.29</b>                           | <b>0.83</b>                                      | <b>(0.83)</b>     | <b>1.43</b>                   | <b>(6.40)</b>                   | <b>(4.97)</b> | —                                          | —                 | —                        | —                    | —      | <b>32.89</b>                        |
| Dec. 31, 2017                 | 44.87                                  | 0.54                                             | (0.81)            | (2.78)                        | (3.99)                          | (7.04)        | —                                          | —                 | —                        | —                    | —      | 38.29                               |
| Dec. 31, 2016                 | 34.87                                  | 0.54                                             | (0.84)            | (0.39)                        | 10.73                           | 10.04         | —                                          | —                 | —                        | —                    | —      | 44.87                               |
| Dec. 31, 2015                 | 38.52                                  | 0.85                                             | (0.84)            | (3.09)                        | (0.50)                          | (3.58)        | —                                          | —                 | —                        | —                    | —      | 34.87                               |
| Dec. 31, 2014                 | 46.34                                  | 0.71                                             | (1.08)            | 5.19                          | (8.71)                          | (3.89)        | —                                          | —                 | (3.29)                   | —                    | (3.29) | 38.52                               |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Dec. 31, 2018</b>          | <b>38.61</b>                           | <b>0.84</b>                                      | <b>(0.81)</b>     | <b>1.44</b>                   | <b>(6.48)</b>                   | <b>(5.01)</b> | —                                          | —                 | —                        | —                    | —      | <b>33.19</b>                        |
| Dec. 31, 2017                 | 45.15                                  | 0.54                                             | (0.79)            | (2.80)                        | (4.09)                          | (7.14)        | —                                          | —                 | —                        | —                    | —      | 38.61                               |
| Dec. 31, 2016                 | 35.07                                  | 0.55                                             | (0.83)            | (0.39)                        | 11.52                           | 10.85         | —                                          | —                 | —                        | —                    | —      | 45.15                               |
| Dec. 31, 2015                 | 38.72                                  | 0.85                                             | (0.83)            | (3.11)                        | (0.50)                          | (3.59)        | —                                          | —                 | —                        | —                    | —      | 35.07                               |
| Dec. 31, 2014                 | 46.55                                  | 0.71                                             | (1.06)            | 5.22                          | (8.76)                          | (3.89)        | —                                          | —                 | (3.29)                   | —                    | (3.29) | 38.72                               |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Dec. 31, 2018</b>          | <b>41.99</b>                           | <b>0.91</b>                                      | <b>(0.54)</b>     | <b>1.57</b>                   | <b>(6.95)</b>                   | <b>(5.01)</b> | —                                          | —                 | —                        | —                    | —      | <b>36.39</b>                        |
| Dec. 31, 2017                 | 48.78                                  | 0.59                                             | (0.52)            | (3.04)                        | (3.67)                          | (6.64)        | —                                          | —                 | —                        | —                    | —      | 41.99                               |
| Dec. 31, 2016                 | 37.59                                  | 0.59                                             | (0.54)            | (0.42)                        | 11.77                           | 11.40         | —                                          | —                 | —                        | —                    | —      | 48.78                               |
| Dec. 31, 2015                 | 41.15                                  | 0.91                                             | (0.53)            | (3.31)                        | (0.53)                          | (3.46)        | —                                          | —                 | —                        | —                    | —      | 37.59                               |
| Dec. 31, 2014                 | 49.00                                  | 0.75                                             | (0.67)            | 5.52                          | (9.25)                          | (3.65)        | —                                          | —                 | (3.45)                   | —                    | (3.45) | 41.15                               |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Dec. 31, 2018</b>          | <b>45.58</b>                           | <b>1.00</b>                                      | <b>(0.46)</b>     | <b>1.72</b>                   | <b>(9.43)</b>                   | <b>(7.17)</b> | —                                          | —                 | —                        | —                    | —      | <b>39.61</b>                        |
| Dec. 31, 2017                 | 52.84                                  | 0.64                                             | (0.44)            | (3.30)                        | (2.96)                          | (6.06)        | —                                          | —                 | —                        | —                    | —      | 45.58                               |
| Dec. 31, 2016                 | 40.65                                  | 0.64                                             | (0.47)            | (0.45)                        | 13.00                           | 12.72         | —                                          | —                 | —                        | —                    | —      | 52.84                               |
| Dec. 31, 2015                 | 44.40                                  | 0.98                                             | (0.45)            | (3.58)                        | (0.58)                          | (3.63)        | —                                          | —                 | —                        | —                    | —      | 40.65                               |
| Dec. 31, 2014                 | 52.75                                  | 0.81                                             | (0.57)            | 5.95                          | (9.98)                          | (3.79)        | —                                          | —                 | (3.75)                   | —                    | (3.75) | 44.40                               |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |        |                                     |
| <b>Dec. 31, 2018</b>          | <b>9.53</b>                            | <b>0.21</b>                                      | —                 | <b>0.36</b>                   | <b>(4.35)</b>                   | <b>(3.78)</b> | —                                          | —                 | —                        | —                    | —      | <b>8.36</b>                         |
| Dec. 31, 2017 <sup>3</sup>    | 10.00 <sup>†</sup>                     | 0.11                                             | —                 | (0.58)                        | (0.83)                          | (1.30)        | —                                          | —                 | —                        | —                    | —      | 9.53                                |

<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 February 27, 2017.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>32.89</b>                     | <b>137 133</b>              | <b>4 169</b>                          | <b>2.13</b>                                  | <b>2.13</b>                               | <b>49.96</b>                                | <b>0.14</b>                               |
| Dec. 31, 2017        | 38.29                            | 184 851                     | 4 828                                 | 2.13                                         | 2.13                                      | 99.18                                       | 0.31                                      |
| Dec. 31, 2016        | 44.87                            | 249 695                     | 5 565                                 | 2.13                                         | 2.13                                      | 103.45                                      | 0.24                                      |
| Dec. 31, 2015        | 34.87                            | 213 215                     | 6 114                                 | 2.13                                         | 2.13                                      | 80.53                                       | 0.19                                      |
| Dec. 31, 2014        | 38.52                            | 244 868                     | 6 357                                 | 2.13                                         | 2.13                                      | 79.24                                       | 0.19                                      |



## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data (cont.)

| As at                      | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Advisor Series</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>33.19</b>                     | <b>3 428</b>                | <b>103</b>                            | <b>2.07</b>                                  | <b>2.07</b>                               | <b>49.96</b>                                | <b>0.14</b>                               |
| Dec. 31, 2017              | 38.61                            | 4 810                       | 125                                   | 2.07                                         | 2.07                                      | 99.18                                       | 0.31                                      |
| Dec. 31, 2016              | 45.15                            | 6 374                       | 141                                   | 2.09                                         | 2.09                                      | 103.45                                      | 0.24                                      |
| Dec. 31, 2015              | 35.07                            | 4 010                       | 114                                   | 2.09                                         | 2.09                                      | 80.53                                       | 0.19                                      |
| Dec. 31, 2014              | 38.72                            | 2 851                       | 74                                    | 2.09                                         | 2.09                                      | 79.24                                       | 0.19                                      |
| <b>Series D</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>36.39</b>                     | <b>31 099</b>               | <b>855</b>                            | <b>1.26</b>                                  | <b>1.26</b>                               | <b>49.96</b>                                | <b>0.14</b>                               |
| Dec. 31, 2017              | 41.99                            | 42 245                      | 1 006                                 | 1.26                                         | 1.26                                      | 99.18                                       | 0.31                                      |
| Dec. 31, 2016              | 48.78                            | 50 986                      | 1 045                                 | 1.26                                         | 1.26                                      | 103.45                                      | 0.24                                      |
| Dec. 31, 2015              | 37.59                            | 35 804                      | 953                                   | 1.25                                         | 1.25                                      | 80.53                                       | 0.19                                      |
| Dec. 31, 2014              | 41.15                            | 36 009                      | 875                                   | 1.25                                         | 1.25                                      | 79.24                                       | 0.19                                      |
| <b>Series F</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>39.61</b>                     | <b>19 488</b>               | <b>492</b>                            | <b>0.98</b>                                  | <b>0.98</b>                               | <b>49.96</b>                                | <b>0.14</b>                               |
| Dec. 31, 2017              | 45.58                            | 16 116                      | 354                                   | 0.98                                         | 0.98                                      | 99.18                                       | 0.31                                      |
| Dec. 31, 2016              | 52.84                            | 13 872                      | 263                                   | 0.99                                         | 0.99                                      | 103.45                                      | 0.24                                      |
| Dec. 31, 2015              | 40.65                            | 3 581                       | 88                                    | 0.99                                         | 0.99                                      | 80.53                                       | 0.19                                      |
| Dec. 31, 2014              | 44.40                            | 2 773                       | 62                                    | 0.99                                         | 0.99                                      | 79.24                                       | 0.19                                      |
| <b>Series O</b>            |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>       | <b>8.36</b>                      | <b>298</b>                  | <b>36</b>                             | <b>0.02</b>                                  | <b>0.02</b>                               | <b>49.96</b>                                | <b>0.14</b>                               |
| Dec. 31, 2017 <sup>4</sup> | 9.53                             | 1                           | —                                     | 0.02                                         | 0.02                                      | 99.18                                       | 0.31                                      |

<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 February 27, 2017.

## 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

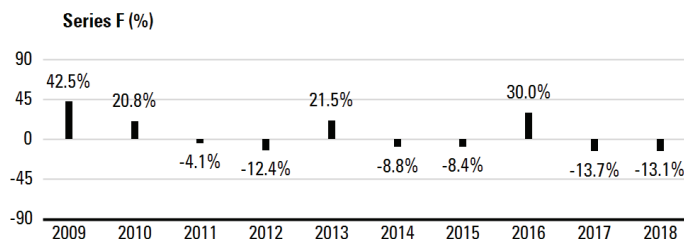
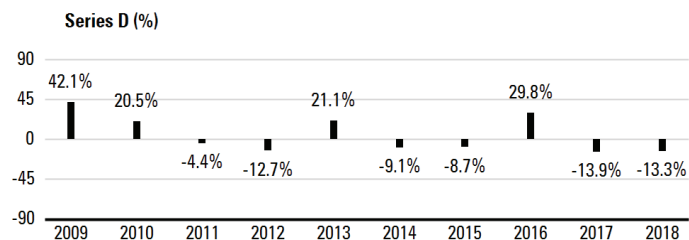
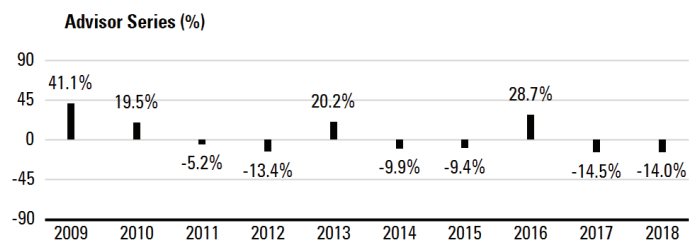
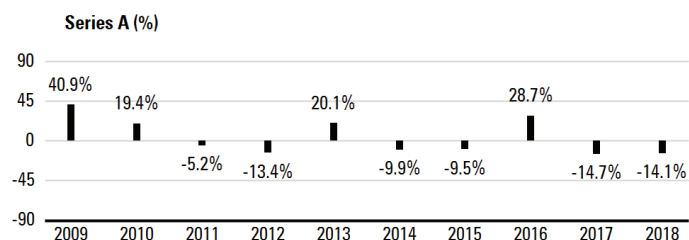


## PAST PERFORMANCE

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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

#### MSCI World Index – Energy (CAD)

The broad-based index is MSCI World Total Return Net Index (CAD).

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -14.1        | -1.9            | -5.1            | 2.5              | —                  |
| Benchmark         | -8.3         | 3.2             | -0.4            | 3.7              | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Advisor Series    | -14.0        | -1.8            | -5.0            | 2.5              | —                  |
| Benchmark         | -8.3         | 3.2             | -0.4            | 3.7              | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series D          | -13.3        | -1.1            | -4.3            | 3.4              | —                  |
| Benchmark         | -8.3         | 3.2             | -0.4            | 3.7              | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series F          | -13.1        | -0.9            | -4.0            | 3.6              | —                  |
| Benchmark         | -8.3         | 3.2             | -0.4            | 3.7              | —                  |
| Broad-based index | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series O          | -12.2        | —               | —               | —                | -9.3               |
| Benchmark         | -8.3         | —               | —               | —                | -1.8               |
| Broad-based index | -0.5         | —               | —               | —                | 5.6                |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series O units have been available for sale to unitholders since February 27, 2017.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**MSCI World Index – Energy (CAD)** This sub-index is a measure of the Canadian dollar performance of the stocks in the Energy sector in the MSCI World Index.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix – Sectors

|                               | % of Net Asset Value |
|-------------------------------|----------------------|
| Oil, Gas and Consumable Fuels | 88.4                 |
| Energy Equipment and Services | 1.6                  |
| Metals and Mining             | 1.2                  |
| Cash/Other                    | 8.8                  |

### Investment Mix – Countries/Regions

|                | % of Net Asset Value |
|----------------|----------------------|
| United States  | 47.0                 |
| Canada         | 25.2                 |
| United Kingdom | 9.3                  |
| France         | 8.1                  |
| Portugal       | 6.8                  |
| Cash/Other     | 3.6                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Royal Dutch Shell Plc., A Shares | 9.3                  |
| Chevron Corp.                    | 9.1                  |
| Cash & Cash Equivalents          | 8.8                  |
| Total S.A.                       | 8.1                  |
| Galp Energia SGPS S.A.           | 6.8                  |
| ConocoPhillips                   | 6.6                  |
| EOG Resources Inc.               | 6.4                  |
| Exxon Mobil Corp.                | 5.0                  |
| Suncor Energy Inc.               | 5.0                  |
| Concho Resources Inc.            | 4.3                  |
| Hess Corp.                       | 3.6                  |
| Parex Resources Inc.             | 3.4                  |
| Equinor ASA                      | 2.9                  |
| Pioneer Natural Resources Co.    | 2.3                  |
| Marathon Petroleum Corp.         | 1.8                  |
| Phillips 66 Company              | 1.8                  |
| Enbridge Inc.                    | 1.7                  |
| Anadarko Petroleum Corp.         | 1.6                  |
| Canadian Natural Resources Ltd.  | 1.4                  |
| Nuvista Energy Ltd.              | 1.2                  |
| Tourmaline Oil Corp.             | 1.1                  |
| Valero Energy Corp.              | 1.0                  |
| Continental Resources Inc.       | 0.9                  |
| Kelt Exploration Ltd.            | 0.9                  |
| Diamondback Energy Inc.          | 0.9                  |
| Top 25 Holdings                  | 95.9                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL PRECIOUS METALS FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of companies throughout the world involved directly or indirectly in the exploration, mining and production of precious metals including gold, silver and platinum. The Fund may also invest in bullion, coins, receipts and certificates.

The Fund selects companies with experienced management, strong balance sheets, proven ore bodies or excellent geological potential. The Fund may invest up to 20% of its assets in silver and platinum. The Fund diversifies by investing in senior and junior producers, as well as in pure exploration companies.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$466 million as of December 31, 2018, from \$553 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 7.1%, which underperformed the 3.4% decline in the benchmark. The broad-based index declined 8.9%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

The price of gold ended 2018 about 2% lower than at the beginning of the year, given relatively weak inflation and rising U.S. Treasury yields for most of the year. Gold traded in a narrow range in the first half and declined during the third quarter as the U.S. dollar strengthened and U.S. government-bond yields rose to their highest levels since 2011. Strong U.S. economic data and expectations that the U.S. Federal Reserve (the "Fed") would continue to raise interest rates also resulted in lower investor demand for precious-metal ETFs. The price of gold ended the year at US\$1,283 per ounce, while silver fell 10% and platinum declined 16%. Palladium bucked the trend, climbing 15% on robust demand from automakers.

It was not until mid-October that gold prices began to recover amid doubts about the sustainability of U.S. economic growth. Moreover, mounting U.S.-China trade tensions and indications that the U.K.'s

separation from the European Union might not go as smoothly as hoped stimulated demand for safe-haven investments such as gold and other precious metals.

Stocks that had a positive impact on the Fund's performance included Kirkland Lake Gold, Wesdome Mining and OceanaGold, which had success in finding gold or developing new mines. Returns were also boosted by the portfolio manager's decision to avoid companies such as New Gold, Eldorado Gold and Guyana Goldfields, which failed to deliver on mining projects.

Returns were held back by overweight positions in Alamos Gold and Mag Silver, as well as underweight positions in AngloGold Ashanti and Barrick Gold, which outperformed the benchmark.

### Recent Developments

In the portfolio manager's view, precious-metal equities are poised to take advantage of geopolitical tensions and/or any hint of global economic weakness that disrupts the Fed's ability to raise interest rates. The portfolio manager continues to invest primarily in higher-quality companies with superior assets, good cost controls and disciplined management teams – companies that can outperform in any commodity price environment.

Precious-metals reserves and spending on exploration are in decline, which could lead to increased merger-and-acquisition activity in 2019. The recently completed Barrick-Randgold merger could spur additional takeover activity. The Fund holds junior mining companies with attractive deposits, some of which could become takeover targets as larger companies seek to increase reserves.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$66,000 (2017 – \$71,000) or 7% (2017 – 4%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 33.59                                  | 0.14                                             | (0.64)            | (0.80)                        | (1.35)                          | (2.65) | —                                          | —                 | —                        | —                    | —     | 31.21                               |
| Dec. 31, 2017                 | 31.47                                  | 0.09                                             | (0.73)            | 2.07                          | 0.85                            | 2.28   | —                                          | —                 | —                        | —                    | —     | 33.59                               |
| Dec. 31, 2016                 | 19.58                                  | 0.16                                             | (0.68)            | 5.87                          | 6.99                            | 12.34  | —                                          | —                 | —                        | —                    | —     | 31.47                               |
| Dec. 31, 2015                 | 22.16                                  | 0.19                                             | (0.47)            | (4.27)                        | 2.09                            | (2.46) | —                                          | —                 | —                        | —                    | —     | 19.58                               |
| Dec. 31, 2014                 | 22.30                                  | 0.19                                             | (0.55)            | (5.18)                        | 5.58                            | 0.04   | —                                          | —                 | —                        | —                    | —     | 22.16                               |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 33.81                                  | 0.14                                             | (0.64)            | (0.80)                        | (1.41)                          | (2.71) | —                                          | —                 | —                        | —                    | —     | 31.43                               |
| Dec. 31, 2017                 | 31.66                                  | 0.09                                             | (0.73)            | 2.09                          | 0.68                            | 2.13   | —                                          | —                 | —                        | —                    | —     | 33.81                               |
| Dec. 31, 2016                 | 19.69                                  | 0.16                                             | (0.68)            | 5.91                          | 6.38                            | 11.77  | —                                          | —                 | —                        | —                    | —     | 31.66                               |
| Dec. 31, 2015                 | 22.28                                  | 0.19                                             | (0.46)            | (4.30)                        | 2.10                            | (2.47) | —                                          | —                 | —                        | —                    | —     | 19.69                               |
| Dec. 31, 2014                 | 22.41                                  | 0.19                                             | (0.55)            | (5.20)                        | 5.61                            | 0.05   | —                                          | —                 | —                        | —                    | —     | 22.28                               |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 36.81                                  | 0.15                                             | (0.42)            | (0.88)                        | (1.14)                          | (2.29) | —                                          | —                 | —                        | —                    | —     | 34.51                               |
| Dec. 31, 2017                 | 34.19                                  | 0.10                                             | (0.48)            | 2.26                          | 0.67                            | 2.55   | —                                          | —                 | —                        | —                    | —     | 36.81                               |
| Dec. 31, 2016                 | 21.09                                  | 0.17                                             | (0.44)            | 6.35                          | 7.26                            | 13.34  | —                                          | —                 | —                        | —                    | —     | 34.19                               |
| Dec. 31, 2015                 | 23.66                                  | 0.20                                             | (0.30)            | (4.58)                        | 2.24                            | (2.44) | —                                          | —                 | —                        | —                    | —     | 21.09                               |
| Dec. 31, 2014                 | 23.60                                  | 0.20                                             | (0.35)            | (5.50)                        | 5.94                            | 0.29   | —                                          | —                 | —                        | —                    | —     | 23.66                               |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 39.73                                  | 0.16                                             | (0.36)            | (0.95)                        | (1.21)                          | (2.36) | —                                          | —                 | —                        | —                    | —     | 37.35                               |
| Dec. 31, 2017                 | 36.80                                  | 0.11                                             | (0.40)            | 2.44                          | (0.29)                          | 1.86   | —                                          | —                 | —                        | —                    | —     | 39.73                               |
| Dec. 31, 2016                 | 22.64                                  | 0.18                                             | (0.38)            | 6.84                          | 2.77                            | 9.41   | —                                          | —                 | —                        | —                    | —     | 36.80                               |
| Dec. 31, 2015                 | 25.33                                  | 0.22                                             | (0.25)            | (4.92)                        | 2.40                            | (2.55) | —                                          | —                 | —                        | —                    | —     | 22.64                               |
| Dec. 31, 2014                 | 25.20                                  | 0.22                                             | (0.29)            | (5.88)                        | 6.34                            | 0.39   | —                                          | —                 | —                        | —                    | —     | 25.33                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |
| Dec. 31, 2018                 | 38.57                                  | 0.16                                             | (0.01)            | (0.92)                        | (2.56)                          | (3.33) | —                                          | —                 | —                        | —                    | —     | 36.61                               |
| Dec. 31, 2017                 | 35.38                                  | 0.10                                             | (0.01)            | 2.36                          | 0.42                            | 2.87   | —                                          | —                 | —                        | —                    | —     | 38.57                               |
| Dec. 31, 2016                 | 21.56                                  | 0.17                                             | (0.01)            | 6.53                          | 7.46                            | 14.15  | —                                          | —                 | —                        | —                    | —     | 35.38                               |
| Dec. 31, 2015                 | 23.89                                  | 0.21                                             | (0.01)            | (4.66)                        | 2.28                            | (2.18) | —                                          | —                 | —                        | —                    | —     | 21.56                               |
| Dec. 31, 2014                 | 23.53                                  | 0.20                                             | (0.01)            | (5.52)                        | 5.96                            | 0.63   | —                                          | —                 | —                        | —                    | —     | 23.89                               |

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>31.21</b>                     | <b>294 143</b>              | <b>9 423</b>                          | <b>2.13</b>                                  | <b>2.13</b>                               | <b>30.19</b>                                | <b>0.21</b>                               |
| Dec. 31, 2017         | 33.59                            | 363 596                     | 10 824                                | 2.13                                         | 2.13                                      | 51.20                                       | 0.29                                      |
| Dec. 31, 2016         | 31.47                            | 376 847                     | 11 977                                | 2.12                                         | 2.12                                      | 125.59                                      | 0.61                                      |
| Dec. 31, 2015         | 19.58                            | 253 758                     | 12 962                                | 2.13                                         | 2.13                                      | 54.97                                       | 0.33                                      |
| Dec. 31, 2014         | 22.16                            | 317 674                     | 14 336                                | 2.13                                         | 2.13                                      | 79.20                                       | 0.37                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>31.43</b>                     | <b>24 092</b>               | <b>767</b>                            | <b>2.09</b>                                  | <b>2.09</b>                               | <b>30.19</b>                                | <b>0.21</b>                               |
| Dec. 31, 2017         | 33.81                            | 30 010                      | 888                                   | 2.09                                         | 2.09                                      | 51.20                                       | 0.29                                      |
| Dec. 31, 2016         | 31.66                            | 29 840                      | 943                                   | 2.08                                         | 2.08                                      | 125.59                                      | 0.61                                      |
| Dec. 31, 2015         | 19.69                            | 18 356                      | 932                                   | 2.09                                         | 2.09                                      | 54.97                                       | 0.33                                      |
| Dec. 31, 2014         | 22.28                            | 23 348                      | 1 048                                 | 2.09                                         | 2.09                                      | 79.20                                       | 0.37                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>34.51</b>                     | <b>100 276</b>              | <b>2 906</b>                          | <b>1.26</b>                                  | <b>1.26</b>                               | <b>30.19</b>                                | <b>0.21</b>                               |
| Dec. 31, 2017         | 36.81                            | 111 596                     | 3 032                                 | 1.26                                         | 1.26                                      | 51.20                                       | 0.29                                      |
| Dec. 31, 2016         | 34.19                            | 102 191                     | 2 989                                 | 1.26                                         | 1.26                                      | 125.59                                      | 0.61                                      |
| Dec. 31, 2015         | 21.09                            | 67 200                      | 3 186                                 | 1.26                                         | 1.26                                      | 54.97                                       | 0.33                                      |
| Dec. 31, 2014         | 23.66                            | 76 908                      | 3 250                                 | 1.26                                         | 1.26                                      | 79.20                                       | 0.37                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>37.35</b>                     | <b>47 007</b>               | <b>1 259</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>30.19</b>                                | <b>0.21</b>                               |
| Dec. 31, 2017         | 39.73                            | 47 066                      | 1 185                                 | 0.99                                         | 0.99                                      | 51.20                                       | 0.29                                      |
| Dec. 31, 2016         | 36.80                            | 33 318                      | 905                                   | 0.99                                         | 0.99                                      | 125.59                                      | 0.61                                      |
| Dec. 31, 2015         | 22.64                            | 13 813                      | 610                                   | 0.99                                         | 0.99                                      | 54.97                                       | 0.33                                      |
| Dec. 31, 2014         | 25.33                            | 14 165                      | 559                                   | 0.99                                         | 0.99                                      | 79.20                                       | 0.37                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>36.61</b>                     | <b>699</b>                  | <b>19</b>                             | <b>0.02</b>                                  | <b>0.02</b>                               | <b>30.19</b>                                | <b>0.21</b>                               |
| Dec. 31, 2017         | 38.57                            | 1 101                       | 29                                    | 0.02                                         | 0.02                                      | 51.20                                       | 0.29                                      |
| Dec. 31, 2016         | 35.38                            | 813                         | 23                                    | 0.02                                         | 0.02                                      | 125.59                                      | 0.61                                      |
| Dec. 31, 2015         | 21.56                            | 462                         | 21                                    | 0.02                                         | 0.02                                      | 54.97                                       | 0.33                                      |
| Dec. 31, 2014         | 23.89                            | 370                         | 15                                    | 0.02                                         | 0.02                                      | 79.20                                       | 0.37                                      |

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

S&P/TSX Global Gold Index

The broad-based index is the S&P/TSX Capped Composite Total Return Index.

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series A          | -7.1         | 16.8            | 7.0             | 3.7              | —                  |
| Benchmark         | -3.4         | 13.9            | 4.6             | -4.1             | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Advisor Series    | -7.0         | 16.9            | 7.0             | 3.7              | —                  |
| Benchmark         | -3.4         | 13.9            | 4.6             | -4.1             | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series D          | -6.3         | 17.8            | 7.9             | 4.6              | —                  |
| Benchmark         | -3.4         | 13.9            | 4.6             | -4.1             | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series F          | -6.0         | 18.2            | 8.2             | 4.8              | —                  |
| Benchmark         | -3.4         | 13.9            | 4.6             | -4.1             | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O          | -5.1         | 19.3            | 9.2             | —                | -5.8               |
| Benchmark         | -3.4         | 13.9            | 4.6             | —                | -8.3               |
| Broad-based index | -8.9         | 6.4             | 4.1             | —                | 4.7                |

The returns of each series may vary because of differences in management fees and expenses. 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.

Series O units have been available for sale to unitholders since August 2, 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**S&P/TSX Global Gold Index** This index is a measure of the performance of large gold companies listed on major Canadian and U.S. stock exchanges.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix – Sectors

|                               | % of Net Asset Value |
|-------------------------------|----------------------|
| Gold                          | 87.3                 |
| Diversified Metals and Mining | 4.2                  |
| Precious Metals and Minerals  | 3.4                  |
| Silver                        | 3.2                  |
| Cash/Other                    | 1.9                  |

### Investment Mix – Countries/Regions

|               | % of Net Asset Value |
|---------------|----------------------|
| Canada        | 85.0                 |
| United States | 6.9                  |
| Australia     | 6.2                  |
| Cash/Other    | 1.9                  |

### Top 25 Holdings

|                              | % of Net Asset Value |
|------------------------------|----------------------|
| Kirkland Lake Gold Ltd.      | 10.0                 |
| Agnico Eagle Mines Ltd.      | 9.0                  |
| Endeavour Mining Corp.       | 7.8                  |
| Newmont Mining Corporation   | 6.8                  |
| Barrick Gold Corp.           | 6.6                  |
| B2Gold Corp.                 | 6.5                  |
| Wesdome Gold Mines Ltd.      | 5.4                  |
| OceanaGold Corp.             | 5.1                  |
| Alamos Gold Inc., Class A    | 4.4                  |
| Detour Gold Corp.            | 3.2                  |
| Torex Gold Resources Inc.    | 3.0                  |
| Northern Star Resources Ltd. | 2.9                  |
| Belo Sun Mining Corp.        | 2.3                  |
| MAG Silver Corp.             | 2.1                  |
| SilverCrest Metals Inc.      | 2.0                  |
| Cash & Cash Equivalents      | 2.0                  |
| Yamana Gold Inc.             | 1.8                  |
| IAMGOLD Corporation          | 1.5                  |
| Dacian Gold Ltd.             | 1.4                  |
| K92 Mining Inc.              | 1.4                  |
| Marathon Gold Corp.          | 1.4                  |
| Cardinal Resources Ltd.      | 1.3                  |
| Semafo Inc.                  | 1.0                  |
| Aurion Resources Ltd.        | 1.0                  |
| Continental Gold Inc.        | 0.9                  |
| Top 25 Holdings              | 90.8                 |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL RESOURCES FUND**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing in stocks of companies around the world that are directly or indirectly involved in exploring for, developing, producing or distributing natural and other resources.

The Fund pursues global companies with a leading market position, high and sustainable profitability, sound finances and attractive valuations relative to peers and the market. The Fund will focus on mid- to large-cap stocks, but will also invest in smaller companies.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$125 million as of December 31, 2018, from \$163 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series A units lost 11.9%, which underperformed the 8.8% decline in the benchmark. The broad-based index declined 0.5%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Stock selection in the Fund's Energy-sector segment had an overall negative impact on relative performance, as did a slight overweight allocation to the underperforming Energy sector.

Energy equities finished 2018 with losses after a fourth-quarter collapse in crude-oil prices, with most oil and gas shares ending the year near 52-week lows. The plunge in prices was precipitated by President Trump's unexpected decision to allow limited oil exports by Iran, the world's sixth-biggest oil producer, rather than impose sanctions that would ban exports outright. As a result, extra Saudi Arabian production designed to make up for lost Iranian output created excess supply. The price for benchmark West Texas Intermediate crude oil declined 25% for the year to US\$45 per barrel. U.S. natural-gas prices were essentially unchanged from the start of the year, hovering around US\$3 per million per British thermal unit.

The Fund's relative performance versus the benchmark in 2018 was hurt by a large overweight position in the oil and gas company Concho Resources. The stock underperformed following a

US\$9.5 billion agreement to buy RSP Permian, a deal that was judged by investors as too expensive given the potential benefits. These losses were somewhat offset by the outperformance of overweight positions, including ConocoPhillips and Total S.A.

In the Materials-sector segment, iron ore, steel, lumber and copper prices all weakened into the second half of 2018, as trade disputes and rising U.S. interest rates led to concern about a recession. Steel profitability weakened in mid-2018, putting pressure on iron-ore prices, and copper prices also fell. The Fund's investment in the large mining companies Rio Tinto and BHP aided relative returns, as these companies are generating significant free cash flow and have strong balance sheets. Returns were held back by overweight positions in the copper producer First Quantum and the lithium producer Neo Lithium, as well as the lumber producers Interfor and Conifex.

### Recent Developments

President Trump's move on Iranian oil exports has temporarily disrupted the supply/demand balance in global crude-oil markets. However, OPEC's decision to cut daily production by 1.2 million barrels (about 1.2% of daily global production) for six months beginning in January 2019 should, in the view of the portfolio manager, lead to a better balance between supply and demand in the first half of 2019, assuming robust demand remains.

Worsening pollution in China and falling profitability in steelmaking could reduce mills' demand for iron ore in 2019, pressuring prices of iron ore.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$14,000 (2017 – \$13,000) or 6% (2017 – 2%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |       |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|-------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total |                                     |       |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |       |
| Series A                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |       |
| Dec. 31, 2018                 | 35.94                                  | 0.86                                             | (0.77)            | 1.07                          | (5.09)                          | (3.93) | —                                          | —                 | —                        | —                    | —     | —                                   | 31.65 |
| Dec. 31, 2017                 | 34.56                                  | 0.56                                             | (0.72)            | 1.75                          | (0.48)                          | 1.11   | —                                          | —                 | —                        | —                    | —     | —                                   | 35.94 |
| Dec. 31, 2016                 | 27.04                                  | 0.46                                             | (0.67)            | 2.10                          | 5.62                            | 7.51   | —                                          | —                 | —                        | —                    | —     | —                                   | 34.56 |
| Dec. 31, 2015                 | 30.01                                  | 0.60                                             | (0.68)            | (1.98)                        | (0.72)                          | (2.78) | —                                          | —                 | —                        | —                    | —     | —                                   | 27.04 |
| Dec. 31, 2014                 | 32.20                                  | 0.50                                             | (0.77)            | 1.98                          | (3.41)                          | (1.70) | —                                          | —                 | —                        | —                    | —     | —                                   | 30.01 |
| Advisor Series                |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |       |
| Dec. 31, 2018                 | 36.12                                  | 0.87                                             | (0.75)            | 1.07                          | (4.70)                          | (3.51) | —                                          | —                 | —                        | —                    | —     | —                                   | 31.84 |
| Dec. 31, 2017                 | 34.72                                  | 0.56                                             | (0.70)            | 1.76                          | (0.61)                          | 1.01   | —                                          | —                 | —                        | —                    | —     | —                                   | 36.12 |
| Dec. 31, 2016                 | 27.15                                  | 0.46                                             | (0.66)            | 2.11                          | 5.71                            | 7.62   | —                                          | —                 | —                        | —                    | —     | —                                   | 34.72 |
| Dec. 31, 2015                 | 30.12                                  | 0.60                                             | (0.67)            | (1.98)                        | (0.72)                          | (2.77) | —                                          | —                 | —                        | —                    | —     | —                                   | 27.15 |
| Dec. 31, 2014                 | 32.29                                  | 0.50                                             | (0.76)            | 1.99                          | (3.42)                          | (1.69) | —                                          | —                 | —                        | —                    | —     | —                                   | 30.12 |
| Series D                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |       |
| Dec. 31, 2018                 | 39.76                                  | 0.96                                             | (0.50)            | 1.19                          | (6.00)                          | (4.35) | —                                          | —                 | —                        | —                    | —     | —                                   | 35.33 |
| Dec. 31, 2017                 | 37.91                                  | 0.62                                             | (0.47)            | 1.93                          | (0.55)                          | 1.53   | —                                          | —                 | —                        | —                    | —     | —                                   | 39.76 |
| Dec. 31, 2016                 | 29.39                                  | 0.50                                             | (0.42)            | 2.29                          | 6.17                            | 8.54   | —                                          | —                 | —                        | —                    | —     | —                                   | 37.91 |
| Dec. 31, 2015                 | 32.29                                  | 0.65                                             | (0.41)            | (2.14)                        | (0.77)                          | (2.67) | —                                          | —                 | —                        | —                    | —     | —                                   | 29.39 |
| Dec. 31, 2014                 | 34.30                                  | 0.54                                             | (0.46)            | 2.12                          | (3.65)                          | (1.45) | —                                          | —                 | —                        | —                    | —     | —                                   | 32.29 |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |       |
| Dec. 31, 2018                 | 43.48                                  | 1.06                                             | (0.43)            | 1.30                          | (7.45)                          | (5.52) | —                                          | —                 | —                        | —                    | —     | —                                   | 38.74 |
| Dec. 31, 2017                 | 41.34                                  | 0.68                                             | (0.40)            | 2.12                          | 0.40                            | 2.80   | —                                          | —                 | —                        | —                    | —     | —                                   | 43.48 |
| Dec. 31, 2016                 | 31.96                                  | 0.54                                             | (0.37)            | 2.50                          | 5.82                            | 8.49   | —                                          | —                 | —                        | —                    | —     | —                                   | 41.34 |
| Dec. 31, 2015                 | 35.03                                  | 0.72                                             | (0.34)            | (2.36)                        | (0.85)                          | (2.83) | —                                          | —                 | —                        | —                    | —     | —                                   | 31.96 |
| Dec. 31, 2014                 | 37.10                                  | 0.58                                             | (0.40)            | 2.28                          | (3.93)                          | (1.47) | —                                          | —                 | —                        | —                    | —     | —                                   | 35.03 |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |       |                                     |       |
| Dec. 31, 2018                 | 41.45                                  | 1.01                                             | (0.01)            | 1.24                          | (6.56)                          | (4.32) | —                                          | —                 | —                        | —                    | —     | —                                   | 37.29 |
| Dec. 31, 2017                 | 39.03                                  | 0.64                                             | (0.01)            | 2.00                          | (0.53)                          | 2.10   | —                                          | —                 | —                        | —                    | —     | —                                   | 41.45 |
| Dec. 31, 2016                 | 29.89                                  | 0.51                                             | (0.01)            | 2.34                          | 6.26                            | 9.10   | —                                          | —                 | —                        | —                    | —     | —                                   | 39.03 |
| Dec. 31, 2015                 | 32.44                                  | 0.66                                             | (0.01)            | (2.17)                        | (0.79)                          | (2.31) | —                                          | —                 | —                        | —                    | —     | —                                   | 29.89 |
| Dec. 31, 2014                 | 34.03                                  | 0.54                                             | (0.01)            | 2.12                          | (3.66)                          | (1.01) | —                                          | —                 | —                        | —                    | —     | —                                   | 32.44 |

<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.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>31.65</b>                     | <b>85 705</b>               | <b>2 708</b>                          | <b>2.14</b>                                  | <b>2.14</b>                               | <b>45.59</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017         | 35.94                            | 117 183                     | 3 261                                 | 2.14                                         | 2.14                                      | 86.10                                       | 0.32                                      |
| Dec. 31, 2016         | 34.56                            | 132 035                     | 3 820                                 | 2.20                                         | 2.20                                      | 106.14                                      | 0.31                                      |
| Dec. 31, 2015         | 27.04                            | 117 255                     | 4 336                                 | 2.26                                         | 2.26                                      | 82.71                                       | 0.28                                      |
| Dec. 31, 2014         | 30.01                            | 152 310                     | 5 075                                 | 2.26                                         | 2.26                                      | 69.71                                       | 0.22                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>31.84</b>                     | <b>4 328</b>                | <b>136</b>                            | <b>2.07</b>                                  | <b>2.07</b>                               | <b>45.59</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017         | 36.12                            | 6 507                       | 180                                   | 2.08                                         | 2.08                                      | 86.10                                       | 0.32                                      |
| Dec. 31, 2016         | 34.72                            | 8 275                       | 238                                   | 2.14                                         | 2.14                                      | 106.14                                      | 0.31                                      |
| Dec. 31, 2015         | 27.15                            | 7 118                       | 262                                   | 2.21                                         | 2.21                                      | 82.71                                       | 0.28                                      |
| Dec. 31, 2014         | 30.12                            | 8 644                       | 287                                   | 2.20                                         | 2.20                                      | 69.71                                       | 0.22                                      |
| <b>Series D</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>35.33</b>                     | <b>17 543</b>               | <b>497</b>                            | <b>1.26</b>                                  | <b>1.26</b>                               | <b>45.59</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017         | 39.76                            | 22 754                      | 572                                   | 1.26                                         | 1.26                                      | 86.10                                       | 0.32                                      |
| Dec. 31, 2016         | 37.91                            | 26 077                      | 688                                   | 1.26                                         | 1.26                                      | 106.14                                      | 0.31                                      |
| Dec. 31, 2015         | 29.39                            | 19 256                      | 655                                   | 1.26                                         | 1.26                                      | 82.71                                       | 0.28                                      |
| Dec. 31, 2014         | 32.29                            | 23 082                      | 715                                   | 1.26                                         | 1.26                                      | 69.71                                       | 0.22                                      |
| <b>Series F</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>38.74</b>                     | <b>14 969</b>               | <b>386</b>                            | <b>0.98</b>                                  | <b>0.98</b>                               | <b>45.59</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017         | 43.48                            | 13 369                      | 308                                   | 0.99                                         | 0.99                                      | 86.10                                       | 0.32                                      |
| Dec. 31, 2016         | 41.34                            | 8 050                       | 195                                   | 1.00                                         | 1.00                                      | 106.14                                      | 0.31                                      |
| Dec. 31, 2015         | 31.96                            | 4 874                       | 152                                   | 0.99                                         | 0.99                                      | 82.71                                       | 0.28                                      |
| Dec. 31, 2014         | 35.03                            | 2 216                       | 63                                    | 1.00                                         | 1.00                                      | 69.71                                       | 0.22                                      |
| <b>Series O</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>37.29</b>                     | <b>2 629</b>                | <b>70</b>                             | <b>0.02</b>                                  | <b>0.02</b>                               | <b>45.59</b>                                | <b>0.16</b>                               |
| Dec. 31, 2017         | 41.45                            | 3 215                       | 78                                    | 0.02                                         | 0.02                                      | 86.10                                       | 0.32                                      |
| Dec. 31, 2016         | 39.03                            | 3 730                       | 96                                    | 0.02                                         | 0.02                                      | 106.14                                      | 0.31                                      |
| Dec. 31, 2015         | 29.89                            | 2 993                       | 100                                   | 0.02                                         | 0.02                                      | 82.71                                       | 0.28                                      |
| Dec. 31, 2014         | 32.44                            | 1 671                       | 52                                    | 0.02                                         | 0.02                                      | 69.71                                       | 0.22                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.14% and Advisor Series – 2.09%.





## FINANCIAL HIGHLIGHTS (cont.)

### 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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| 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.

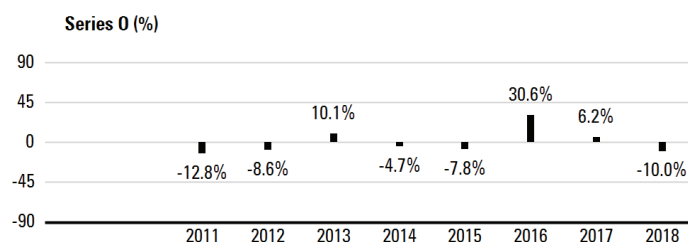
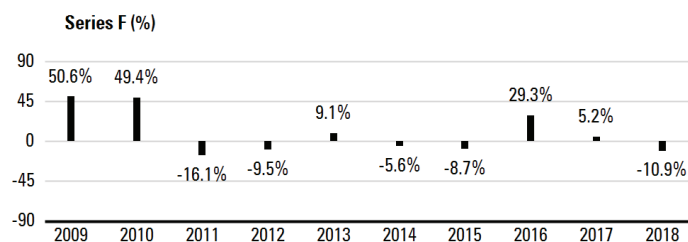
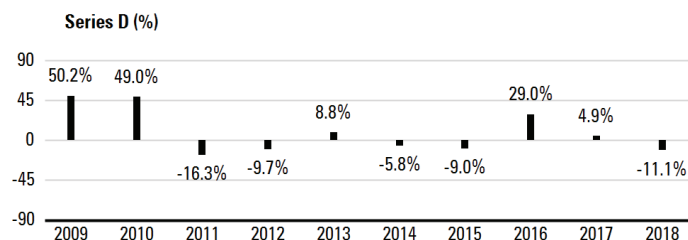
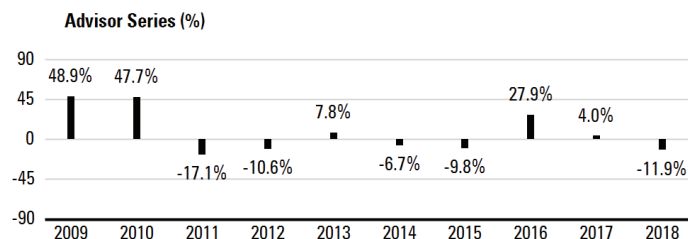
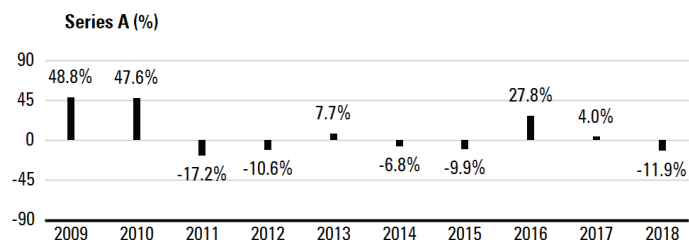
\* Includes all costs related to management, trustee, investment advisory services, general administration and profit.

## 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.





## PAST PERFORMANCE (cont.)

### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the “New benchmark”) is the MSCI World Energy and Materials Total Return Net Index (CAD).

The old blended benchmark (the “Old benchmark”) is composed of:

- 65% MSCI World Index – Energy (CAD)
- 35% MSCI World Index – Materials (CAD)

The change in benchmark better reflects the composition of the Fund.

The broad-based index is the MSCI World Total Return Net Index (CAD).

|                       | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------------------|--------------|-----------------|-----------------|------------------|--------------------|
| <b>Series A</b>       | -11.9        | 5.4             | -0.3            | 5.6              | –                  |
| New benchmark         | -8.8         | 5.6             | 2.3             | 5.3              | –                  |
| Old benchmark         | -8.5         | 5.4             | 2.1             | 5.3              | –                  |
| Broad-based index     | -0.5         | 5.7             | 9.9             | 10.8             | –                  |
| <b>Advisor Series</b> | -11.9        | 5.4             | -0.3            | 5.6              | –                  |
| New benchmark         | -8.8         | 5.6             | 2.3             | 5.3              | –                  |
| Old benchmark         | -8.5         | 5.4             | 2.1             | 5.3              | –                  |
| Broad-based index     | -0.5         | 5.7             | 9.9             | 10.8             | –                  |
| <b>Series D</b>       | -11.1        | 6.3             | 0.6             | 6.6              | –                  |
| New benchmark         | -8.8         | 5.6             | 2.3             | 5.3              | –                  |
| Old benchmark         | -8.5         | 5.4             | 2.1             | 5.3              | –                  |
| Broad-based index     | -0.5         | 5.7             | 9.9             | 10.8             | –                  |
| <b>Series F</b>       | -10.9        | 6.6             | 0.9             | 6.9              | –                  |
| New benchmark         | -8.8         | 5.6             | 2.3             | 5.3              | –                  |
| Old benchmark         | -8.5         | 5.4             | 2.1             | 5.3              | –                  |
| Broad-based index     | -0.5         | 5.7             | 9.9             | 10.8             | –                  |
| <b>Series O</b>       | -10.0        | 7.7             | 1.8             | –                | -0.5               |
| New benchmark         | -8.8         | 5.6             | 2.3             | –                | 3.3                |
| Old benchmark         | -8.5         | 5.4             | 2.1             | –                | 3.4                |
| Broad-based index     | -0.5         | 5.7             | 9.9             | –                | 12.1               |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark, Old 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 New benchmark, Old benchmark and broad-based index.

Series O units have been available for sale to unitholders since July 11, 2011.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**MSCI World Energy and Materials Total Return Net Index (CAD)** This blended sub-index is a measure of the combined Canadian-dollar performance of stocks in the Energy and Materials sectors in the MSCI World Index.

**MSCI World Index – Energy (CAD)** This sub-index is a measure of the Canadian dollar performance of the stocks in the Energy sector in the MSCI World Index.

**MSCI World Index – Materials (CAD)** This sub-index is a measure of the Canadian dollar performance of stocks in the Materials sector in the MSCI World Index.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix – Sectors

|                               | % of Net Asset Value |
|-------------------------------|----------------------|
| Oil, Gas and Consumable Fuels | 55.4                 |
| Metals and Mining             | 25.3                 |
| Chemicals                     | 14.8                 |
| Paper and Forest Products     | 2.3                  |
| Energy Equipment and Services | 1.5                  |
| Containers and Packaging      | 0.7                  |

### Investment Mix – Countries/Regions

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 43.8                 |
| United Kingdom  | 23.1                 |
| Canada          | 20.4                 |
| France          | 6.8                  |
| Australia       | 0.4                  |
| Other Countries | 5.5                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Royal Dutch Shell Plc., A Shares | 8.8                  |
| Rio Tinto Plc.                   | 6.9                  |
| Total S.A.                       | 6.8                  |
| BHP Group Plc.                   | 6.4                  |
| Chevron Corp.                    | 6.0                  |
| ConocoPhillips                   | 5.2                  |
| EOG Resources Inc.               | 4.5                  |
| Exxon Mobil Corp.                | 3.9                  |
| Galp Energia SGPS S.A.           | 3.0                  |
| Hess Corp.                       | 2.9                  |
| Linde Plc.                       | 2.8                  |
| Nutrien Ltd.                     | 2.8                  |
| DowDuPont Inc.                   | 2.7                  |
| Parex Resources Inc.             | 2.4                  |
| Kirkland Lake Gold Ltd.          | 2.2                  |
| Concho Resources Inc.            | 2.2                  |
| Ecolab Inc.                      | 2.1                  |
| Equinor ASA                      | 1.9                  |
| B2Gold Corp.                     | 1.6                  |
| Anadarko Petroleum Corp.         | 1.6                  |
| Marathon Petroleum Corp.         | 1.3                  |
| Agnico Eagle Mines Ltd.          | 1.3                  |
| Teck Resources Ltd., Class B     | 1.1                  |
| Interfor Corp.                   | 1.1                  |
| Phillips 66 Company              | 1.1                  |
| <b>Top 25 Holdings</b>           | <b>82.6</b>          |

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).



GLOBAL EQUITY FUND

**RBC GLOBAL TECHNOLOGY FUND**

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term capital growth by investing primarily in equity securities of companies operating in various countries around the world that develop or market technology and telecommunications products and services.

The Fund invests in global companies with a leading market position, high and sustainable profitability, sound finances and attractive valuations relative to peers and the market. The Fund will focus on mid- to large-cap stocks, but will also invest in smaller companies.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$164 million as of December 31, 2018, from \$99 million at the end of 2017. The increase was due to net inflows.

Over the past year, the Fund's Series A units gained 4.9%, which underperformed the 6.2% rise in the benchmark. The broad-based index declined 0.5%. The Fund'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 any other series, which may vary because of differences in management fees and expenses.

Technology stocks outperformed during 2018, a year in which global stock markets posted broad declines. Information Technology was the third-best-performing sector during the year, spurred by significant growth in sales and earnings. From April to September, global equities enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October as rising U.S. interest rates created concern about the sustainability of the global economic expansion.

An underweight position in NXP Semiconductors aided relative returns in 2018 after the company's agreement to be acquired by Qualcomm fell apart amid Chinese regulator concerns. The stock was further pressured by investor worries that trade conflicts would reduce demand for the company's products. Returns were held back by an overweight position in Applied Materials, which supplies equipment, services and software necessary for manufacturing semiconductors.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

The recent equity pullback has arguably priced in most apparent challenges. For investors, reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth, in the view of the portfolio manager.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$0 (2017 – \$1,000) or 0% (2017 – 5%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |       | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|-------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |       |                                     |
| <b>Series A</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |       |                                     |
| <b>Dec. 31, 2018</b>          | <b>5.20</b>                            | <b>0.06</b>                                      | <b>(0.12)</b>     | <b>0.02</b>                   | <b>0.14</b>                     | <b>0.10</b>   | —                                          | —                 | —                        | —                    | —     | <b>5.45</b>                         |
| Dec. 31, 2017                 | 4.06                                   | 0.06                                             | (0.10)            | 0.07                          | 1.06                            | 1.09          | —                                          | —                 | —                        | —                    | —     | 5.20                                |
| Dec. 31, 2016                 | 3.85                                   | 0.04                                             | (0.08)            | 0.38                          | (0.14)                          | 0.20          | —                                          | —                 | —                        | —                    | —     | 4.06                                |
| Dec. 31, 2015                 | 3.23                                   | 0.03                                             | (0.08)            | 0.50                          | 0.15                            | 0.60          | —                                          | —                 | —                        | —                    | —     | 3.85                                |
| Dec. 31, 2014                 | 2.71                                   | 0.03                                             | (0.07)            | 0.53                          | —                               | 0.49          | —                                          | —                 | —                        | —                    | —     | 3.23                                |
| <b>Advisor Series</b>         |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |       |                                     |
| <b>Dec. 31, 2018</b>          | <b>5.31</b>                            | <b>0.07</b>                                      | <b>(0.13)</b>     | <b>0.02</b>                   | <b>0.11</b>                     | <b>0.07</b>   | —                                          | —                 | —                        | —                    | —     | <b>5.57</b>                         |
| Dec. 31, 2017                 | 4.15                                   | 0.06                                             | (0.10)            | 0.07                          | 1.11                            | 1.14          | —                                          | —                 | —                        | —                    | —     | 5.31                                |
| Dec. 31, 2016                 | 3.93                                   | 0.04                                             | (0.08)            | 0.39                          | (0.13)                          | 0.22          | —                                          | —                 | —                        | —                    | —     | 4.15                                |
| Dec. 31, 2015                 | 3.29                                   | 0.03                                             | (0.08)            | 0.52                          | 0.15                            | 0.62          | —                                          | —                 | —                        | —                    | —     | 3.93                                |
| Dec. 31, 2014                 | 2.76                                   | 0.03                                             | (0.07)            | 0.54                          | 0.01                            | 0.51          | —                                          | —                 | —                        | —                    | —     | 3.29                                |
| <b>Series D</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |       |                                     |
| <b>Dec. 31, 2018</b>          | <b>5.75</b>                            | <b>0.07</b>                                      | <b>(0.08)</b>     | <b>0.03</b>                   | <b>(0.02)</b>                   | —             | —                                          | —                 | —                        | —                    | —     | <b>6.08</b>                         |
| Dec. 31, 2017                 | 4.46                                   | 0.07                                             | (0.07)            | 0.08                          | 1.05                            | 1.13          | —                                          | —                 | —                        | —                    | —     | 5.75                                |
| Dec. 31, 2016                 | 4.18                                   | 0.05                                             | (0.05)            | 0.42                          | (0.21)                          | 0.21          | —                                          | —                 | —                        | —                    | —     | 4.46                                |
| Dec. 31, 2015                 | 3.47                                   | 0.04                                             | (0.05)            | 0.54                          | 0.16                            | 0.69          | —                                          | —                 | —                        | —                    | —     | 4.18                                |
| Dec. 31, 2014                 | 2.88                                   | 0.04                                             | (0.04)            | 0.57                          | 0.01                            | 0.58          | —                                          | —                 | —                        | —                    | —     | 3.47                                |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |       |                                     |
| <b>Dec. 31, 2018</b>          | <b>6.42</b>                            | <b>0.08</b>                                      | <b>(0.07)</b>     | <b>0.03</b>                   | <b>(0.36)</b>                   | <b>(0.32)</b> | —                                          | —                 | —                        | —                    | —     | <b>6.81</b>                         |
| Dec. 31, 2017                 | 4.97                                   | 0.07                                             | (0.06)            | 0.09                          | 1.18                            | 1.28          | —                                          | —                 | —                        | —                    | —     | 6.42                                |
| Dec. 31, 2016                 | 4.65                                   | 0.05                                             | (0.05)            | 0.47                          | (0.21)                          | 0.26          | —                                          | —                 | —                        | —                    | —     | 4.97                                |
| Dec. 31, 2015                 | 3.84                                   | 0.04                                             | (0.04)            | 0.60                          | 0.18                            | 0.78          | —                                          | —                 | —                        | —                    | —     | 4.65                                |
| Dec. 31, 2014                 | 3.19                                   | 0.04                                             | (0.03)            | 0.63                          | 0.01                            | 0.65          | —                                          | —                 | —                        | —                    | —     | 3.84                                |

<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.

### Ratios and Supplemental Data

| As at                 | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|-----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series A</b>       |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>5.45</b>                      | <b>72 444</b>               | <b>13 299</b>                         | <b>2.15</b>                                  | <b>2.15</b>                               | <b>33.07</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 5.20                             | 51 790                      | 9 970                                 | 2.16                                         | 2.16                                      | 32.17                                       | 0.03                                      |
| Dec. 31, 2016         | 4.06                             | 31 513                      | 7 754                                 | 2.21                                         | 2.21                                      | 305.25                                      | 0.15                                      |
| Dec. 31, 2015         | 3.85                             | 31 990                      | 8 311                                 | 2.27                                         | 2.27                                      | 396.65                                      | 0.24                                      |
| Dec. 31, 2014         | 3.23                             | 24 620                      | 7 634                                 | 2.27                                         | 2.28                                      | 494.71                                      | 0.33                                      |
| <b>Advisor Series</b> |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b>  | <b>5.57</b>                      | <b>4 949</b>                | <b>889</b>                            | <b>2.12</b>                                  | <b>2.12</b>                               | <b>33.07</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017         | 5.31                             | 3 140                       | 591                                   | 2.12                                         | 2.12                                      | 32.17                                       | 0.03                                      |
| Dec. 31, 2016         | 4.15                             | 1 889                       | 455                                   | 2.18                                         | 2.19                                      | 305.25                                      | 0.15                                      |
| Dec. 31, 2015         | 3.93                             | 1 649                       | 419                                   | 2.25                                         | 2.26                                      | 396.65                                      | 0.24                                      |
| Dec. 31, 2014         | 3.29                             | 1 378                       | 419                                   | 2.26                                         | 2.27                                      | 494.71                                      | 0.33                                      |



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data (cont.)**

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series D</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>6.08</b>                      | <b>62 006</b>               | <b>10 195</b>                         | <b>1.26</b>                                  | <b>1.26</b>                               | <b>33.07</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017        | 5.75                             | 37 351                      | 6 497                                 | 1.27                                         | 1.27                                      | 32.17                                       | 0.03                                      |
| Dec. 31, 2016        | 4.46                             | 14 538                      | 3 261                                 | 1.26                                         | 1.27                                      | 305.25                                      | 0.15                                      |
| Dec. 31, 2015        | 4.18                             | 14 189                      | 3 392                                 | 1.26                                         | 1.27                                      | 396.65                                      | 0.24                                      |
| Dec. 31, 2014        | 3.47                             | 8 217                       | 2 368                                 | 1.25                                         | 1.26                                      | 494.71                                      | 0.33                                      |
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>6.81</b>                      | <b>24 291</b>               | <b>3 568</b>                          | <b>0.99</b>                                  | <b>0.99</b>                               | <b>33.07</b>                                | <b>0.02</b>                               |
| Dec. 31, 2017        | 6.42                             | 6 939                       | 1 081                                 | 1.01                                         | 1.01                                      | 32.17                                       | 0.03                                      |
| Dec. 31, 2016        | 4.97                             | 1 718                       | 346                                   | 1.02                                         | 1.02                                      | 305.25                                      | 0.15                                      |
| Dec. 31, 2015        | 4.65                             | 1 558                       | 335                                   | 0.99                                         | 1.00                                      | 396.65                                      | 0.24                                      |
| Dec. 31, 2014        | 3.84                             | 467                         | 121                                   | 0.98                                         | 0.99                                      | 494.71                                      | 0.33                                      |

<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.

Effective June 30, 2016, the management fees were changed in respect of Series A and Advisor Series units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series A – 2.15% and Advisor Series – 2.13%.

**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       | 1.75%           | 57%                   | 43%    |
| Advisor Series | 1.75%           | 57%                   | 43%    |
| Series D       | 1.00%           | 25%                   | 75%    |
| Series F       | 0.75%           | —                     | 100%   |

\* 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.

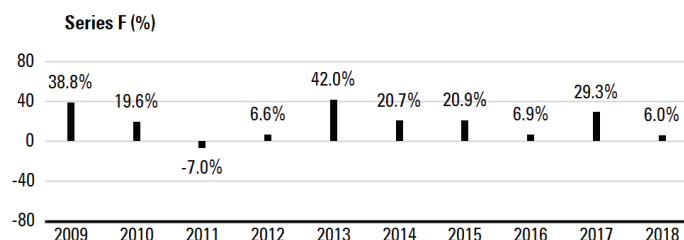
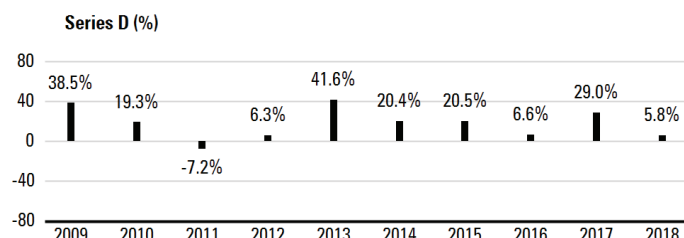
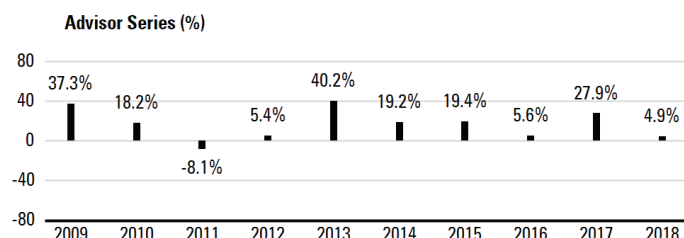
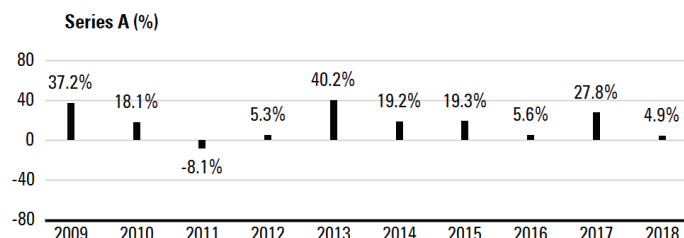
**Year-by-Year Returns (%)**

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.





## PAST PERFORMANCE (cont.)



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

### MSCI World Index – Information Technology (CAD)

The broad-based index is the MSCI World Total Return Net Index (CAD).

|                   | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-------------------|-----------|--------------|--------------|---------------|-----------------|
| Series A          | 4.9       | 12.3         | 15.0         | 16.0          | —               |
| Benchmark         | 6.2       | 13.8         | 18.6         | 17.1          | —               |
| Broad-based index | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Advisor Series    | 4.9       | 12.3         | 15.0         | 16.1          | —               |
| Benchmark         | 6.2       | 13.8         | 18.6         | 17.1          | —               |
| Broad-based index | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Series D          | 5.8       | 13.3         | 16.1         | 17.1          | —               |
| Benchmark         | 6.2       | 13.8         | 18.6         | 17.1          | —               |
| Broad-based index | -0.5      | 5.7          | 9.9          | 10.8          | —               |
| Series F          | 6.0       | 13.6         | 16.4         | 17.4          | —               |
| Benchmark         | 6.2       | 13.8         | 18.6         | 17.1          | —               |
| Broad-based index | -0.5      | 5.7          | 9.9          | 10.8          | —               |

The returns of each series may vary because of differences in management fees and expenses. 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.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**MSCI World Index – Information Technology (CAD)** This sub-index is the capitalization-weighted index measuring the Canadian dollar performance of selected information technology companies listed on stock exchanges in countries around the world.

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.





## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix – Sectors

|                                              | % of Net Asset Value |
|----------------------------------------------|----------------------|
| Software                                     | 24.0                 |
| IT Services                                  | 17.3                 |
| Interactive Media and Services               | 16.1                 |
| Semiconductors and Semiconductor Equipment   | 14.8                 |
| Technology Hardware, Storage and Peripherals | 10.7                 |
| Electronic Equipment and Instruments         | 4.9                  |
| Communications Equipment                     | 4.5                  |
| Entertainment                                | 4.4                  |
| Internet and Catalogue Retail                | 0.8                  |
| Household Durables                           | 0.6                  |
| Equity Real Estate Investment Trusts         | 0.2                  |
| Machinery                                    | 0.2                  |
| Cash/Other                                   | 1.5                  |

### Investment Mix – Countries/Regions

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 88.3                 |
| Japan           | 4.0                  |
| Other Countries | 6.2                  |
| Cash/Other      | 1.5                  |

## Top 25 Holdings

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| Microsoft Corp.                 | 10.8                 |
| Alphabet Inc., Class A          | 10.4                 |
| Apple Inc.                      | 9.2                  |
| Facebook Inc., Class A          | 4.8                  |
| Visa Inc., Class A              | 4.2                  |
| Cisco Systems Inc.              | 3.6                  |
| Intel Corp.                     | 3.4                  |
| Mastercard Inc.                 | 3.2                  |
| Broadcom Inc.                   | 2.1                  |
| Adobe Inc.                      | 2.0                  |
| Texas Instruments Inc.          | 1.9                  |
| PayPal Holdings Inc.            | 1.9                  |
| Salesforce.com Inc.             | 1.8                  |
| Accenture Plc., Class A         | 1.8                  |
| Oracle Corporation              | 1.7                  |
| Cash & Cash Equivalents         | 1.6                  |
| SAP SE ADR                      | 1.6                  |
| Netflix Inc.                    | 1.5                  |
| International Business Machines | 1.3                  |
| Nvidia Corp.                    | 1.3                  |
| The Walt Disney Company         | 1.2                  |
| QUALCOMM Inc.                   | 1.2                  |
| Intuit Inc.                     | 1.0                  |
| Keyence Corp.                   | 0.8                  |
| Autodesk Inc.                   | 0.8                  |
| Top 25 Holdings                 | 75.1                 |

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).



FIXED INCOME

**RBC PRIVATE SHORT-TERM  
INCOME POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a competitive level of monthly income by investing primarily in short-term, high-quality fixed-income securities issued or guaranteed by Canadian federal, provincial or municipal governments or corporations, asset-backed securities and corporate bonds.

The Fund invests no more than 40% of its assets in high-quality first mortgages on Canadian residential property insured by the Canada Mortgage and Housing Corporation. Corporate bonds have a minimum rating of BBB as rated by the Dominion Bond Rating Service or its equivalent.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$1.3 billion as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series O units gained 1.8%, which underperformed the 1.9% rise in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Canadian bond prices fell in 2018, pushing up yields, as the Canadian economy gained momentum after a slow start and the U.S. Federal Reserve tightened monetary policy amid a strengthening global economy. It was evident by mid-year that monetary policy was too loose given the pace of the domestic economic expansion. The Bank of Canada (the "BOC") raised its short-term benchmark interest rate three times during the year in the belief that a quickening economy would stoke inflation, and short-term bond yields spiked higher in reaction. Later in the year, however, the outlook soured as Canadian oil prices collapsed, financial conditions deteriorated globally, and trade tensions between the U.S. and China intensified. The BOC appeared to step back from its optimistic outlook, particularly as inflation pressures abated and markets were weighed down by fears of a global economic slowdown heading into 2019. This resulted in a retreat by short-term bond yields to levels where they began the year.

The portfolio manager traded government bonds during the period, aiding returns when the BOC was signaling higher interest rates. Exposure to non-government bonds remained stable for most of the year, as these types of securities did not offer enough extra yield to make them attractive relative to government bonds. A weaker economic outlook later in 2018 boosted the extra yield available on non-government yields somewhat, prompting the portfolio manager to slightly increase the portfolio's allocation to these types of bonds. Overall, however, the portfolio manager took fewer risks in search of higher yields because of the uncertainty facing the Canadian economy.

### Recent Developments

The BOC has said it believes that more rate hikes will be necessary given Canada's economic performance this year. What has changed is the pace at which the BOC will proceed with this plan. With the global economy expected to slow next year, the urgency to tighten Canadian monetary policy has eased, particularly as inflation pressures have abated. The portfolio manager therefore expects Canadian yields to stay relatively steady through 2019, and to gradually adjust higher if and when the BOC signals that the economy is strong enough or inflation high enough to warrant additional hikes.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |             | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total       | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>100.68</b>                          | <b>2.42</b>                                      | <b>(0.43)</b>     | <b>(0.73)</b>                 | <b>0.02</b>                     | <b>1.28</b> | <b>(1.99)</b>                              | —                 | —                        | —                    | <b>(1.99)</b> | <b>100.10</b>                       |
| Dec. 31, 2017                 | 102.76                                 | 2.45                                             | (0.44)            | (0.57)                        | (1.46)                          | (0.02)      | (2.00)                                     | —                 | —                        | —                    | (2.00)        | 100.68                              |
| Dec. 31, 2016                 | 103.88                                 | 2.67                                             | (0.44)            | (0.16)                        | (1.02)                          | 1.05        | (2.18)                                     | —                 | —                        | —                    | (2.18)        | 102.76                              |
| Dec. 31, 2015                 | 104.02                                 | 2.76                                             | (0.45)            | (0.26)                        | —                               | 2.05        | (2.30)                                     | —                 | —                        | —                    | (2.30)        | 103.88                              |
| Dec. 31, 2014                 | 103.54                                 | 2.93                                             | (0.45)            | (0.28)                        | 0.68                            | 2.88        | (2.48)                                     | —                 | —                        | —                    | (2.48)        | 104.02                              |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |             |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>100.82</b>                          | <b>2.42</b>                                      | <b>(0.06)</b>     | <b>(0.73)</b>                 | <b>0.17</b>                     | <b>1.80</b> | <b>(2.36)</b>                              | —                 | —                        | —                    | <b>(2.36)</b> | <b>100.24</b>                       |
| Dec. 31, 2017                 | 102.91                                 | 2.42                                             | (0.06)            | (0.56)                        | (1.36)                          | 0.44        | (2.39)                                     | —                 | —                        | —                    | (2.39)        | 100.82                              |
| Dec. 31, 2016                 | 104.06                                 | 2.66                                             | (0.06)            | (0.16)                        | (1.11)                          | 1.33        | (2.60)                                     | —                 | —                        | —                    | (2.60)        | 102.91                              |
| Dec. 31, 2015                 | 104.23                                 | 2.77                                             | (0.06)            | (0.26)                        | —                               | 2.45        | (2.72)                                     | —                 | —                        | —                    | (2.72)        | 104.06                              |
| Dec. 31, 2014                 | 103.74                                 | 2.92                                             | (0.06)            | (0.28)                        | 0.68                            | 3.26        | (2.86)                                     | —                 | —                        | —                    | (2.86)        | 104.23                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>100.10</b>                    | <b>14 488</b>               | <b>145</b>                            | <b>0.43</b>                                  | <b>0.43</b>                               | <b>31.66</b>                                | —                                         |
| Dec. 31, 2017        | 100.68                           | 19 981                      | 198                                   | 0.43                                         | 0.43                                      | 27.61                                       | —                                         |
| Dec. 31, 2016        | 102.76                           | 23 147                      | 225                                   | 0.43                                         | 0.43                                      | 29.34                                       | —                                         |
| Dec. 31, 2015        | 103.88                           | 19 576                      | 188                                   | 0.43                                         | 0.43                                      | 25.17                                       | —                                         |
| Dec. 31, 2014        | 104.02                           | 13 408                      | 129                                   | 0.43                                         | 0.43                                      | 33.94                                       | —                                         |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>100.24</b>                    | <b>1 274 019</b>            | <b>12 709</b>                         | <b>0.06</b>                                  | <b>0.06</b>                               | <b>31.66</b>                                | —                                         |
| Dec. 31, 2017        | 100.82                           | 1 240 866                   | 12 307                                | 0.05                                         | 0.05                                      | 27.61                                       | —                                         |
| Dec. 31, 2016        | 102.91                           | 1 606 366                   | 15 608                                | 0.06                                         | 0.06                                      | 29.34                                       | —                                         |
| Dec. 31, 2015        | 104.06                           | 1 255 124                   | 12 062                                | 0.06                                         | 0.06                                      | 25.17                                       | —                                         |
| Dec. 31, 2014        | 104.23                           | 1 074 039                   | 10 304                                | 0.06                                         | 0.06                                      | 33.94                                       | —                                         |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.35% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

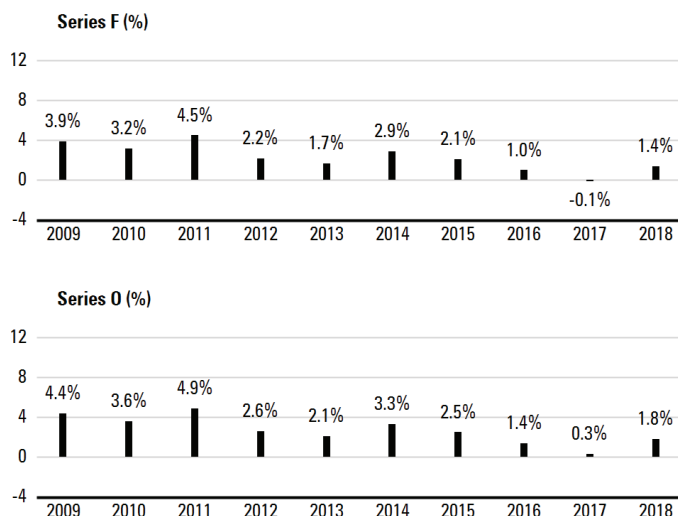
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the FTSE Canada Short Term Bond Index.

The old benchmark (the "Old benchmark") is the FTSE Canada Short Term Government Bond Index.

The change in benchmark better reflects the composition of the Fund.

|               | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F      | 1.4          | 0.8             | 1.5             | 2.3              | —                  |
| New benchmark | 1.9          | 1.0             | 1.7             | 2.5              | —                  |
| Old benchmark | 2.0          | 0.6             | 1.4             | 2.0              | —                  |
| Series O      | 1.8          | 1.2             | 1.8             | 2.7              | —                  |
| New benchmark | 1.9          | 1.0             | 1.7             | 2.5              | —                  |
| Old benchmark | 2.0          | 0.6             | 1.4             | 2.0              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**FTSE Canada Short Term Bond Index** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

**FTSE Canada Short Term Government Bond Index\*** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

\* 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  | 47.0                 |
| Federal Bonds    | 25.3                 |
| Provincial Bonds | 25.0                 |
| Cash/Other       | 2.7                  |

### Top 25 Holdings

|                                                       | % of Net Asset Value |
|-------------------------------------------------------|----------------------|
| Canada Housing Trust No. 1 2.650% Mar 15 2022         | 4.0                  |
| Province of Ontario 4.000% Jun 2 2021                 | 3.6                  |
| Canada Housing Trust No. 1 1.750% Jun 15 2022         | 3.1                  |
| Province of Ontario 2.100% Sep 8 2019                 | 3.0                  |
| Province of Quebec 3.500% Dec 1 2022                  | 3.0                  |
| Canada Housing Trust No. 1 1.250% Jun 15 2021         | 2.7                  |
| Province of Ontario 1.350% Mar 8 2022                 | 2.6                  |
| Cash & Cash Equivalents                               | 2.2                  |
| Government of Canada 0.750% Sep 1 2020                | 2.2                  |
| Province of Ontario 2.850% Jun 2 2023                 | 2.1                  |
| Canada Housing Trust No. 1 1.250% Dec 15 2020         | 2.0                  |
| Province of Manitoba 1.550% Sep 5 2021                | 1.9                  |
| Government of Canada 0.500% Mar 1 2022                | 1.9                  |
| Government of Canada 1.500% Jun 1 2023                | 1.7                  |
| Province of Quebec 4.500% Dec 1 2020                  | 1.6                  |
| Province of Ontario 2.600% Sep 8 2023                 | 1.6                  |
| Province of Alberta 1.350% Sep 1 2021                 | 1.5                  |
| Royal Bank of Canada 1.920% Jul 17 2020               | 1.5                  |
| National Bank of Canada 1.742% Mar 3 2020             | 1.5                  |
| HSBC Bank Canada 2.938% Jan 14 2020                   | 1.4                  |
| Government of Canada 2.000% Sep 1 2023                | 1.3                  |
| Government of Canada 0.750% Mar 1 2021                | 1.2                  |
| Canadian Imperial Bank of Commerce 1.850% Jul 14 2020 | 1.2                  |
| Bank of Montreal 2.120% Mar 16 2022                   | 1.1                  |
| Toronto-Dominion Bank 3.005% May 30 2023              | 1.1                  |
| Top 25 Holdings                                       | 51.0                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



FIXED INCOME

**RBC PRIVATE CANADIAN  
CORPORATE BOND POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term returns consisting primarily of interest income and moderate capital growth. The Fund invests in investment-grade fixed-income securities issued by Canadian corporations and may hold similar securities of U.S. corporations.

The Fund uses a disciplined approach to assess opportunities based on the overall direction of interest rates, expected changes in interest rate spreads, changes in individual credit ratings or quality perceptions, foreign currency risk and corporate bond risk premium and rate change. The Fund may invest up to 30% of its assets in foreign securities and no more than 20% may be invested in securities rated below BBB by Dominion Bond Rating Service or its equivalent.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$955 million as of December 31, 2018, from \$1.4 billion at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series O units gained 0.6%, which underperformed the 1.1% rise in the benchmark. The broad-based index rose 1.4%. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Bonds issued by Canadian corporations underperformed federal bonds in 2018, as investors became concerned about the potential for slowing global economic growth, an intensifying trade dispute between the U.S. and China that resulted in each country boosting tariffs on the other, and geopolitical risks linked to Middle East tensions and the U.K.'s plan to leave the European Union. These risks led to an increase in the excess yield earned on corporate bonds over similar maturity federal bonds, resulting in smaller relative price gains for corporate bonds.

Lower-than-benchmark exposure to the Energy sector added to the Fund's performance, as oil prices fell significantly during the year, while exposure to preferred shares hurt performance, as interest rates plunged in the fourth quarter. Preferred shares, whose

dividends are reset periodically, generally decline when bond yields fall because the likelihood increases that preferred dividends will decrease. Foreign-currency trading contributed to the Fund's performance.

### Recent Developments

The portfolio manager expects interest rates to rise marginally over the next 12 months because expectations for future economic growth have moderated. In the view of the portfolio manager, fixed-income markets will remain more volatile over the first few months of 2019 due to trade disputes, geopolitical risks, the sharp decline in oil prices and high levels of consumer debt. As a result, excess yields earned on corporate bonds over federal bonds, a sign of investor fear, will likely increase until some of these risks begin to recede. The portfolio manager expects corporate-bond returns in 2019 to be muted for a second year in a row. However, the underperformance of corporate bonds in late 2018 has offered the potential for gains sometime in 2019, in the view of the portfolio manager.

The Fund reduced exposure to preferred shares during the year given the decline in interest rates. However, the portfolio manager is maintaining the current allocation because valuations are now attractive and may increase exposure if conditions warrant.

### 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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$2,000 (2017 – \$1,000) or 7% (2017 – 2%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.20                                  | 0.41                                             | (0.05)            | 0.02                          | (0.39)                          | (0.01) | (0.35)                                     | (0.01)            | —                        | —                    | (0.36) | 10.85                               |
| Dec. 31, 2017                 | 11.23                                  | 0.40                                             | (0.06)            | 0.09                          | (0.14)                          | 0.29   | (0.34)                                     | (0.01)            | —                        | —                    | (0.35) | 11.20                               |
| Dec. 31, 2016                 | 11.21                                  | 0.41                                             | (0.06)            | 0.02                          | (0.02)                          | 0.35   | (0.35)                                     | —                 | —                        | —                    | (0.35) | 11.23                               |
| Dec. 31, 2015                 | 11.32                                  | 0.42                                             | (0.07)            | 0.01                          | (0.15)                          | 0.21   | (0.35)                                     | —                 | —                        | —                    | (0.35) | 11.21                               |
| Dec. 31, 2014                 | 10.93                                  | 0.46                                             | (0.07)            | 0.02                          | 0.35                            | 0.76   | (0.39)                                     | —                 | —                        | —                    | (0.39) | 11.32                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 11.16                                  | 0.40                                             | —                 | 0.02                          | (0.37)                          | 0.05   | (0.39)                                     | (0.02)            | —                        | —                    | (0.41) | 10.81                               |
| Dec. 31, 2017                 | 11.20                                  | 0.39                                             | —                 | 0.09                          | (0.11)                          | 0.37   | (0.39)                                     | (0.01)            | —                        | —                    | (0.40) | 11.16                               |
| Dec. 31, 2016                 | 11.17                                  | 0.41                                             | —                 | 0.02                          | (0.02)                          | 0.41   | (0.40)                                     | —                 | —                        | —                    | (0.40) | 11.20                               |
| Dec. 31, 2015                 | 11.28                                  | 0.42                                             | —                 | 0.01                          | (0.15)                          | 0.28   | (0.42)                                     | —                 | —                        | —                    | (0.42) | 11.17                               |
| Dec. 31, 2014                 | 10.89                                  | 0.46                                             | —                 | 0.02                          | 0.35                            | 0.83   | (0.45)                                     | —                 | —                        | —                    | (0.45) | 11.28                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.85</b>                     | <b>37 003</b>               | <b>3 409</b>                          | <b>0.49</b>                                  | <b>0.49</b>                               | <b>14.21</b>                                | —                                         |
| Dec. 31, 2017        | 11.20                            | 51 165                      | 4 567                                 | 0.49                                         | 0.49                                      | 20.84                                       | —                                         |
| Dec. 31, 2016        | 11.23                            | 59 493                      | 5 295                                 | 0.54                                         | 0.54                                      | 13.35                                       | —                                         |
| Dec. 31, 2015        | 11.21                            | 49 479                      | 4 412                                 | 0.60                                         | 0.60                                      | 22.19                                       | —                                         |
| Dec. 31, 2014        | 11.32                            | 42 717                      | 3 772                                 | 0.60                                         | 0.60                                      | 27.89                                       | —                                         |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>10.81</b>                     | <b>918 310</b>              | <b>84 923</b>                         | <b>0.03</b>                                  | <b>0.03</b>                               | <b>14.21</b>                                | —                                         |
| Dec. 31, 2017        | 11.16                            | 1 321 954                   | 118 445                               | 0.03                                         | 0.03                                      | 20.84                                       | —                                         |
| Dec. 31, 2016        | 11.20                            | 2 201 614                   | 196 625                               | 0.03                                         | 0.03                                      | 13.35                                       | —                                         |
| Dec. 31, 2015        | 11.17                            | 2 080 488                   | 186 211                               | 0.03                                         | 0.03                                      | 22.19                                       | —                                         |
| Dec. 31, 2014        | 11.28                            | 1 896 603                   | 168 089                               | 0.03                                         | 0.03                                      | 27.89                                       | —                                         |

<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.

<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.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F — 0.49%.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.40% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

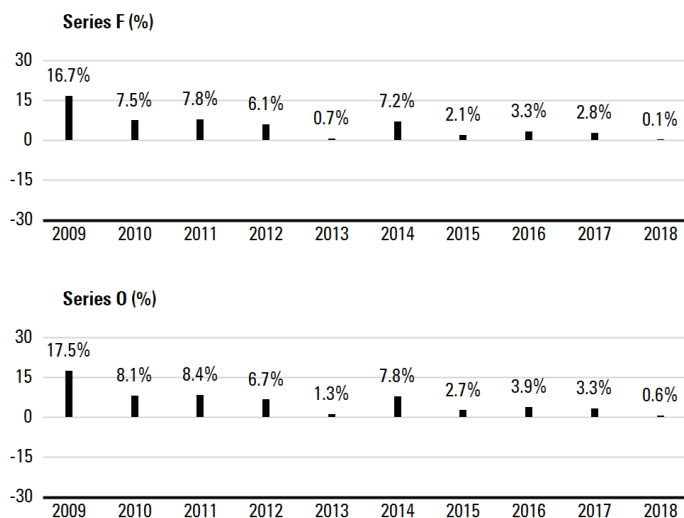
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

#### FTSE Canada All Corporate Bond Index

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

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F          | 0.1          | 2.1             | 3.1             | 5.4              | —                  |
| Benchmark         | 1.1          | 2.7             | 3.7             | 5.7              | —                  |
| Broad-based index | 1.4          | 1.9             | 3.5             | 4.2              | —                  |
| Series O          | 0.6          | 2.6             | 3.6             | 5.9              | —                  |
| Benchmark         | 1.1          | 2.7             | 3.7             | 5.7              | —                  |
| Broad-based index | 1.4          | 1.9             | 3.5             | 4.2              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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 index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**FTSE Canada All Corporate Bond Index\*** This index is a broad measure of the performance of investment-grade Canadian bonds issued by corporations. The index includes bonds with terms to maturity of at least one year.

**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 |
|-------------------|----------------------|
| Canadian Bonds    | 94.3                 |
| Canadian Equities | 2.5                  |
| Foreign Bonds     | 2.0                  |
| Cash/Other        | 1.2                  |

### Top 25 Holdings

|                                                                   | % of Net Asset Value |
|-------------------------------------------------------------------|----------------------|
| 407 International Inc. 5.750% Feb 14 2036                         | 1.2                  |
| TransCanada PipeLines Ltd. 5.650% Jun 20 2029                     | 1.1                  |
| Hydro One Inc. 6.030% Mar 3 2039                                  | 1.1                  |
| Loblaw Companies Ltd. 5.900% Jan 18 2036                          | 1.1                  |
| Toronto-Dominion Bank 2.621% Dec 22 2021                          | 1.1                  |
| Enbridge Gas Distribution Inc. 5.210% Feb 25 2036                 | 1.0                  |
| Canadian Imperial Bank of Commerce 2.040% Mar 21 2022             | 1.0                  |
| Bank of Montreal 1.610% Oct 28 2021                               | 1.0                  |
| Bank of Nova Scotia 1.830% Apr 27 2022                            | 1.0                  |
| TELUS Corp. 4.400% Apr 1 2043                                     | 1.0                  |
| FortisAlberta Inc. 6.220% Oct 31 2034                             | 1.0                  |
| FortisBC Energy Inc. 5.900% Feb 26 2035                           | 0.9                  |
| Fairfax Financial Holdings Ltd. 6.400% May 25 2021                | 0.9                  |
| Bank of Nova Scotia 2.090% Sep 9 2020                             | 0.9                  |
| National Bank of Canada 2.105% Mar 18 2022                        | 0.9                  |
| Canadian Imperial Bank of Commerce, Preferred Series 47, 4.500%   | 0.9                  |
| Greater Toronto Airports Authority 6.980% Oct 15 2032             | 0.9                  |
| Hydro One Inc. 5.360% May 20 2036                                 | 0.9                  |
| Genworth MI Canada Inc. 5.680% Jun 15 2020                        | 0.9                  |
| Choice Properties Real Estate Investment Trust 2.297% Sep 14 2020 | 0.8                  |
| TELUS Corp. 3.600% Jan 26 2021                                    | 0.8                  |
| National Bank of Canada 1.809% Jul 26 2021                        | 0.8                  |
| Shaw Communications Inc. 6.750% Nov 9 2039                        | 0.8                  |
| Bank of Nova Scotia 2.290% Jun 28 2024                            | 0.8                  |
| Everest Reinsurance Holdings Inc. 6.600% May 15 2037              | 0.8                  |
| Top 25 Holdings                                                   | 23.6                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



BALANCED

## RBC PRIVATE INCOME POOL

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a competitive monthly income stream through relatively tax-efficient distributions of dividend income, interest income and capital gains, and to provide the potential for modest capital growth.

The Fund invests primarily in higher-yielding Canadian fixed-income securities such as corporate bonds, debentures, notes and preferred shares, and higher-yielding Canadian common shares, real estate investment trusts, income trusts and other similar securities.

Corporate bonds in the portfolio must have a minimum rating of BBB from Dominion Bond Rating Service or its equivalent. The Fund may also invest in comparable foreign securities.

The Fund's target weightings for each asset class are 50% for fixed income and 50% for equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$82 million as of December 31, 2018, from \$93 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series O units lost 4.2%, which underperformed the 3.7% decline in the benchmark. The broad-based index 1 rose 1.4% and the broad-based index 2 declined 8.9%. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

In 2018, the Fund made monthly distributions of 57.50 cents per Series O unit. For the year, the Fund made total distributions of \$7.13 per Series O unit, consisting of \$3.29 per unit of interest and \$3.84 of dividends. The annual payout reflects an additional year-end distribution of 23 cents per Series O unit.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed

crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Bonds issued by Canadian corporations underperformed federal bonds in 2018 as investors became concerned about the potential for slowing global economic growth; an intensifying trade dispute between the U.S. and China that resulted in each country boosting tariffs on the other; and geopolitical risks linked to Middle East tensions and the U.K.'s plan to leave the European Union. These risks led to an increase in the excess yield earned on corporate bonds over similar maturity federal bonds, resulting in smaller relative price gains for corporate bonds.

In the equity segment, relative performance was aided by security selection. An overweight position in Quebecor was beneficial for relative returns, as the company reported strong operating results and encouraging numbers from its new discount mobile brand Fizz Mobile. In addition, an overweight position in Loblaw aided relative performance, as the food retailer reported strong results, particularly at its retail-drug division, Shoppers Drug Mart. Overweight exposure to the Energy sector held back returns. In particular, an overweight position in ARC Resources was a negative, as the company reported disappointing earnings.

In the Fund's fixed-income segment, lower-than-benchmark exposure to the Energy sector bolstered the Fund's relative performance, as oil prices fell significantly during the year.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from prior estimates thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

The portfolio manager expects interest rates to rise marginally over the next 12 months because expectations for future economic growth have moderated. In the view of the portfolio manager, fixed-income markets will remain more volatile over the first few months of 2019 due to trade disputes, geopolitical risks, the sharp decline in oil prices and high levels of consumer debt. As a result, excess yields





earned on corporate bonds over federal bonds, a sign of investor fear, will likely increase until some of these risks begin to recede, in the view of the portfolio manager.

### **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., 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 Investor Services Trust ("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 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.

#### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2017 – \$1,000) or 17% (2017 – 17%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |               | Annual Distributions <sup>2</sup>          |                   |                          |                      |               | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------------|--------------------------------------------|-------------------|--------------------------|----------------------|---------------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total         | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total         |                                     |
|                               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Series F</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>197.95</b>                          | <b>7.28</b>                                      | <b>(1.17)</b>     | <b>2.30</b>                   | <b>(17.36)</b>                  | <b>(8.95)</b> | <b>(2.75)</b>                              | <b>(3.19)</b>     | —                        | —                    | <b>(5.94)</b> | <b>182.78</b>                       |
| Dec. 31, 2017                 | 193.26                                 | 6.97                                             | (1.18)            | 3.48                          | 1.01                            | 10.28         | (2.50)                                     | (3.12)            | —                        | —                    | (5.62)        | 197.95                              |
| Dec. 31, 2016                 | 174.56                                 | 7.11                                             | (1.10)            | 0.15                          | 18.49                           | 24.65         | (2.97)                                     | (3.28)            | —                        | —                    | (6.25)        | 193.26                              |
| Dec. 31, 2015                 | 188.89                                 | 7.62                                             | (1.12)            | 15.14                         | (27.47)                         | (5.83)        | (2.92)                                     | (3.42)            | —                        | —                    | (6.34)        | 174.56                              |
| Dec. 31, 2014                 | 179.30                                 | 6.73                                             | (1.13)            | 5.97                          | 4.04                            | 15.61         | (2.91)                                     | (2.90)            | —                        | —                    | (5.81)        | 188.89                              |
| <b>Series O</b>               |                                        |                                                  |                   |                               |                                 |               |                                            |                   |                          |                      |               |                                     |
| <b>Dec. 31, 2018</b>          | <b>197.22</b>                          | <b>7.25</b>                                      | <b>(0.11)</b>     | <b>2.29</b>                   | <b>(17.55)</b>                  | <b>(8.12)</b> | <b>(3.29)</b>                              | <b>(3.84)</b>     | —                        | —                    | <b>(7.13)</b> | <b>181.96</b>                       |
| Dec. 31, 2017                 | 192.64                                 | 6.95                                             | (0.11)            | 3.47                          | 1.19                            | 11.50         | (3.01)                                     | (3.75)            | —                        | —                    | (6.76)        | 197.22                              |
| Dec. 31, 2016                 | 173.99                                 | 7.09                                             | (0.11)            | 0.15                          | 18.54                           | 25.67         | (3.43)                                     | (3.78)            | —                        | —                    | (7.21)        | 192.64                              |
| Dec. 31, 2015                 | 188.24                                 | 7.35                                             | (0.11)            | 14.62                         | (26.52)                         | (4.66)        | (3.35)                                     | (3.94)            | —                        | —                    | (7.29)        | 173.99                              |
| Dec. 31, 2014                 | 178.97                                 | 6.68                                             | (0.11)            | 5.92                          | 4.01                            | 16.50         | (3.56)                                     | (3.56)            | —                        | —                    | (7.12)        | 188.24                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>182.78</b>                    | <b>22 761</b>               | <b>125</b>                            | <b>0.60</b>                                  | <b>0.60</b>                               | <b>11.84</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 197.95                           | 28 158                      | 142                                   | 0.60                                         | 0.60                                      | 10.11                                       | 0.01                                      |
| Dec. 31, 2016        | 193.26                           | 28 400                      | 147                                   | 0.60                                         | 0.60                                      | 6.26                                        | 0.02                                      |
| Dec. 31, 2015        | 174.56                           | 28 483                      | 163                                   | 0.60                                         | 0.60                                      | 9.58                                        | 0.04                                      |
| Dec. 31, 2014        | 188.89                           | 40 362                      | 214                                   | 0.60                                         | 0.60                                      | 16.06                                       | 0.03                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>181.96</b>                    | <b>59 671</b>               | <b>328</b>                            | <b>0.05</b>                                  | <b>0.05</b>                               | <b>11.84</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 197.22                           | 64 758                      | 328                                   | 0.06                                         | 0.06                                      | 10.11                                       | 0.01                                      |
| Dec. 31, 2016        | 192.64                           | 61 651                      | 320                                   | 0.06                                         | 0.06                                      | 6.26                                        | 0.02                                      |
| Dec. 31, 2015        | 173.99                           | 61 989                      | 356                                   | 0.06                                         | 0.06                                      | 9.58                                        | 0.04                                      |
| Dec. 31, 2014        | 188.24                           | 103 951                     | 552                                   | 0.06                                         | 0.06                                      | 16.06                                       | 0.03                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.50% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

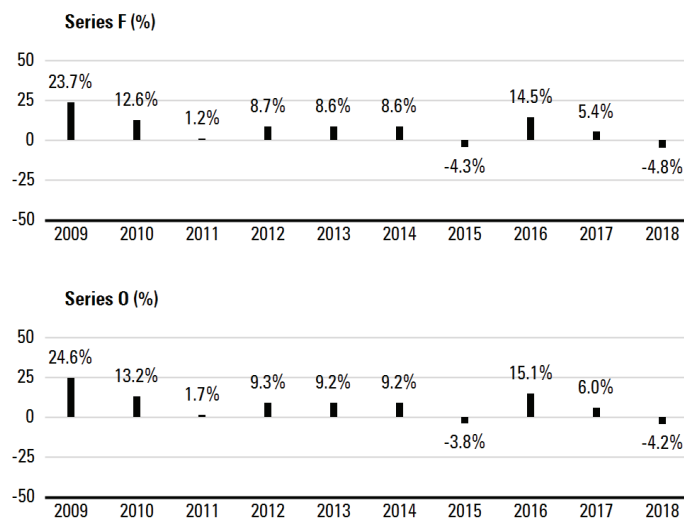
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 50% FTSE Canada All Corporate Bond Index
- 33% S&P/TSX Capped Composite Total Return Index
- 17% S&P/TSX Financials/Telecommunication Services/Utilities Composite Index

The broad-based indexes are as follows:

- Broad-based index 1 – FTSE Canada Universe Bond Index
- Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

|                     | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|---------------------|-----------|--------------|--------------|---------------|-----------------|
| Series F            | -4.8      | 4.8          | 3.6          | 7.1           | —               |
| Benchmark           | -3.7      | 5.0          | 4.6          | 7.7           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |
| Series O            | -4.2      | 5.3          | 4.2          | 7.7           | —               |
| Benchmark           | -3.7      | 5.0          | 4.6          | 7.7           | —               |
| Broad-based index 1 | 1.4       | 1.9          | 3.5          | 4.2           | —               |
| Broad-based index 2 | -8.9      | 6.4          | 4.1          | 7.9           | —               |

The returns of each series may vary because of differences in management fees and expenses. 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.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**FTSE Canada All Corporate Bond Index\*** This index is a broad measure of the performance of investment-grade Canadian bonds issued by corporations. The index includes bonds with terms to maturity of at least one year.

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P/TSX Financials/Telecommunication Services/Utilities Composite Index** This index tracks the performance of Canadian companies in the Financials, Telecommunication Services and Utilities sectors. Most of the companies in this index pay dividends.

**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 |
|------------------------|----------------------|
| Bonds                  | 45.2                 |
| Financials             | 18.1                 |
| Energy                 | 11.2                 |
| Communication Services | 5.1                  |
| Industrials            | 5.1                  |
| Utilities              | 4.3                  |
| Materials              | 4.1                  |
| Real Estate            | 1.8                  |
| Consumer Staples       | 1.7                  |
| Consumer Discretionary | 1.6                  |
| Health Care            | 0.4                  |
| Cash/Other             | 1.4                  |

### Top 25 Holdings

|                                                      | % of Net Asset Value |
|------------------------------------------------------|----------------------|
| Toronto-Dominion Bank                                | 4.0                  |
| Bank of Nova Scotia                                  | 3.4                  |
| Nutrien Ltd.                                         | 2.7                  |
| Bank of Montreal                                     | 2.6                  |
| Canadian National Railway Co.                        | 2.5                  |
| Canadian Imperial Bank of Commerce                   | 2.4                  |
| Enbridge Inc.                                        | 2.3                  |
| Manulife Financial Corporation                       | 2.2                  |
| Greater Toronto Airports Authority 5.630% Jun 7 2040 | 1.8                  |
| 407 International Inc. 5.750% Feb 14 2036            | 1.8                  |
| Bell Canada 6.100% Mar 16 2035                       | 1.7                  |
| Sun Life Financial Inc.                              | 1.7                  |
| TransCanada Corp.                                    | 1.7                  |
| Rogers Communications Inc. 6.110% Aug 25 2040        | 1.7                  |
| Loblaw Companies Ltd. 6.450% Feb 9 2028              | 1.7                  |
| TransCanada PipeLines Ltd. 5.650% Jun 20 2029        | 1.6                  |
| Rogers Communications Inc. 5.340% Mar 22 2021        | 1.5                  |
| Pembina Pipeline Corp. 4.890% Mar 29 2021            | 1.5                  |
| Inter Pipeline Ltd. 4.967% Feb 2 2021                | 1.5                  |
| Genworth MI Canada Inc. 5.680% Jun 15 2020           | 1.5                  |
| Canadian Pacific Railway Ltd.                        | 1.5                  |
| CCL Industries Inc. 3.864% Apr 13 2028               | 1.5                  |
| Bank of Nova Scotia 2.980% Apr 17 2023               | 1.5                  |
| Westcoast Energy Inc. 3.120% Dec 5 2022              | 1.5                  |
| TELUS Corp. 3.350% Mar 15 2023                       | 1.5                  |
| Top 25 Holdings                                      | 49.3                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



CANADIAN EQUITY

**RBC PRIVATE CANADIAN  
DIVIDEND POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to achieve long-term returns consisting of regular dividend income, which benefits from the preferential tax treatment given to dividends from Canadian companies, and modest long-term capital growth.

The Fund invests primarily in common shares with above-average dividend yields and also invests in preferred shares of major Canadian companies. The Fund selects companies with long-term prospects of growing their dividends and tends to focus on interest-sensitive securities to achieve dividend income, primarily investing in the Financial Services, Telecommunications and Utilities sectors.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$2.4 billion as of December 31, 2018, from \$2.8 billion at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series O units lost 7.2%, which outperformed the 8.5% decline in the benchmark. The broad-based index lost 8.9%. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

Asset weighting and security selection both contributed to relative performance in 2018. An overweight position in Thomson Reuters contributed to relative returns. Shares in the company advanced after it

bought back a material amount of stock and shifted its focus towards its legal and tax units following the sale of a portion of its financial-services unit to Blackstone. The Fund also benefited from an overweight position in Loblaw, as the food retailer reported strong financial results, particularly at its retail drug division, Shoppers Drug Mart.

The headwinds facing the Canadian Energy sector were reflected in the Fund through its overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from the prior forecast thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$174,000 (2017 – \$137,000) or 22% (2017 – 17%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 47.10                                  | 1.53                                             | (0.32)            | 1.97                          | (8.08)                          | (4.90) | (0.03)                                     | (1.19)            | (0.25)                   | —                    | (1.47) | 42.01                               |
| Dec. 31, 2017                 | 44.06                                  | 1.38                                             | (0.32)            | 2.04                          | 1.06                            | 4.16   | (0.01)                                     | (1.06)            | —                        | —                    | (1.07) | 47.10                               |
| Dec. 31, 2016                 | 37.28                                  | 1.33                                             | (0.28)            | 0.47                          | 6.52                            | 8.04   | (0.08)                                     | (0.95)            | —                        | —                    | (1.03) | 44.06                               |
| Dec. 31, 2015                 | 40.35                                  | 1.29                                             | (0.28)            | (0.08)                        | (3.31)                          | (2.38) | (0.03)                                     | (0.85)            | —                        | —                    | (0.88) | 37.28                               |
| Dec. 31, 2014                 | 36.62                                  | 1.14                                             | (0.28)            | 0.67                          | 3.08                            | 4.61   | (0.05)                                     | (0.81)            | —                        | —                    | (0.86) | 40.35                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 47.69                                  | 1.55                                             | (0.03)            | 2.00                          | (6.74)                          | (3.22) | (0.04)                                     | (1.45)            | (0.26)                   | —                    | (1.75) | 42.57                               |
| Dec. 31, 2017                 | 44.61                                  | 1.40                                             | (0.03)            | 2.06                          | 0.96                            | 4.39   | (0.01)                                     | (1.37)            | —                        | —                    | (1.38) | 47.69                               |
| Dec. 31, 2016                 | 37.75                                  | 1.34                                             | (0.03)            | 0.48                          | 6.46                            | 8.25   | (0.09)                                     | (1.21)            | —                        | —                    | (1.30) | 44.61                               |
| Dec. 31, 2015                 | 40.86                                  | 1.29                                             | (0.03)            | (0.08)                        | (3.32)                          | (2.14) | (0.04)                                     | (1.10)            | —                        | —                    | (1.14) | 37.75                               |
| Dec. 31, 2014                 | 37.05                                  | 1.15                                             | (0.03)            | 0.68                          | 3.10                            | 4.90   | (0.06)                                     | (1.04)            | —                        | —                    | (1.10) | 40.86                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>42.01</b>                     | <b>84 642</b>               | <b>2 015</b>                          | <b>0.70</b>                                  | <b>0.70</b>                               | <b>20.75</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 47.10                            | 60 036                      | 1 275                                 | 0.70                                         | 0.70                                      | 20.86                                       | 0.03                                      |
| Dec. 31, 2016        | 44.06                            | 54 281                      | 1 232                                 | 0.70                                         | 0.70                                      | 15.29                                       | 0.03                                      |
| Dec. 31, 2015        | 37.28                            | 37 126                      | 996                                   | 0.71                                         | 0.71                                      | 11.01                                       | 0.05                                      |
| Dec. 31, 2014        | 40.35                            | 38 814                      | 962                                   | 0.71                                         | 0.71                                      | 10.98                                       | 0.03                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>42.57</b>                     | <b>2 287 371</b>            | <b>53 726</b>                         | <b>0.07</b>                                  | <b>0.07</b>                               | <b>20.75</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 47.69                            | 2 744 014                   | 57 537                                | 0.07                                         | 0.07                                      | 20.86                                       | 0.03                                      |
| Dec. 31, 2016        | 44.61                            | 2 697 350                   | 60 465                                | 0.07                                         | 0.07                                      | 15.29                                       | 0.03                                      |
| Dec. 31, 2015        | 37.75                            | 2 013 283                   | 53 338                                | 0.07                                         | 0.07                                      | 11.01                                       | 0.05                                      |
| Dec. 31, 2014        | 40.86                            | 1 541 245                   | 37 720                                | 0.07                                         | 0.07                                      | 10.98                                       | 0.03                                      |

<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.

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.55% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

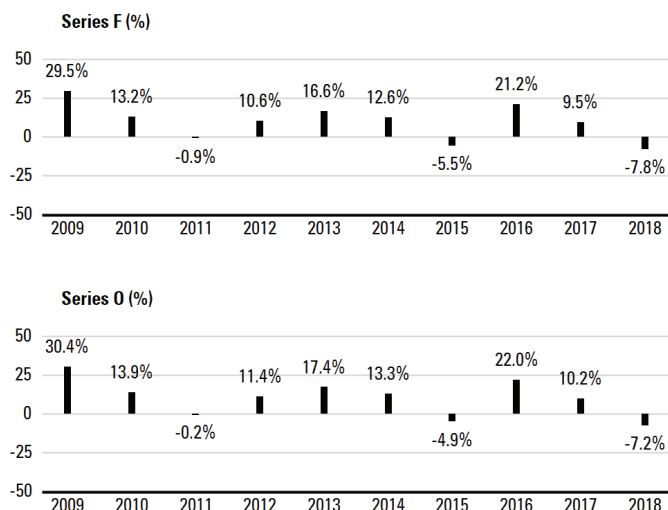
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 66% S&P/TSX Capped Composite Total Return Index
- 26% S&P/TSX Index – Financials (CAD)
- 5% S&P/TSX Index – Telecommunication Services (CAD)
- 3% S&P/TSX Index – Utilities (CAD)

The broad-based index is the S&P/TSX Capped Composite Total Return Index.

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F          | -7.8         | 6.9             | 5.4             | 9.3              | —                  |
| Benchmark         | -8.5         | 7.1             | 5.3             | 9.4              | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O          | -7.2         | 7.6             | 6.1             | 10.0             | —                  |
| Benchmark         | -8.5         | 7.1             | 5.3             | 9.4              | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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 index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P/TSX Index – Financials (CAD)** This sub-index measures the performance of the financial company stocks in the S&P/TSX Capped Composite Total Return Index.

**S&P/TSX Index – Telecommunication Services (CAD)** This sub-index measures the performance of the telecommunication services stocks in the S&P/TSX Capped Composite Total Return Index.

**S&P/TSX Index – Utilities (CAD)** This sub-index measures the performance of utility stocks in the S&P/TSX Capped Composite Total Return Index.





## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 40.9                 |
| Energy                 | 17.4                 |
| Industrials            | 10.6                 |
| Communication Services | 7.1                  |
| Utilities              | 6.8                  |
| Consumer Staples       | 4.8                  |
| Materials              | 3.4                  |
| Real Estate            | 2.7                  |
| Consumer Discretionary | 1.2                  |
| Health Care            | 0.2                  |
| Information Technology | 0.2                  |
| Cash/Other             | 4.7                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Royal Bank of Canada                      | 8.0                  |
| Toronto-Dominion Bank                     | 7.3                  |
| Bank of Nova Scotia                       | 6.2                  |
| Enbridge Inc.                             | 4.9                  |
| Canadian National Railway Co.             | 4.6                  |
| Cash & Cash Equivalents                   | 4.1                  |
| Brookfield Asset Management Inc., Class A | 3.8                  |
| Bank of Montreal                          | 3.3                  |
| TransCanada Corp.                         | 3.0                  |
| Suncor Energy Inc.                        | 2.6                  |
| Manulife Financial Corporation            | 2.5                  |
| Canadian Pacific Railway Ltd.             | 2.4                  |
| Canadian Imperial Bank of Commerce        | 2.4                  |
| Canadian Natural Resources Ltd.           | 2.3                  |
| BCE Inc.                                  | 1.9                  |
| Rogers Communications Inc., Class B       | 1.8                  |
| Thomson Reuters Corp.                     | 1.7                  |
| Sun Life Financial Inc.                   | 1.6                  |
| TELUS Corp.                               | 1.6                  |
| Fortis Inc.                               | 1.5                  |
| Nutrien Ltd.                              | 1.5                  |
| Loblaw Companies Ltd.                     | 1.5                  |
| Alimentation Couche-Tard Inc.             | 1.4                  |
| Fairfax Financial Holdings Ltd.           | 1.2                  |
| Imperial Oil Ltd.                         | 1.2                  |
| Top 25 Holdings                           | 74.3                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



CANADIAN EQUITY

**RBC PRIVATE CANADIAN GROWTH  
AND INCOME EQUITY POOL**

*renamed RBC Private Fundamental Canadian Equity Pool  
effective February 27, 2019*

*December 31, 2018*

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

Sub-Advisor: Greystone Managed Investments Inc., Regina, Saskatchewan

*Beutel, Goodman & Company Ltd. effective February 27, 2019*

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide a competitive current income stream relative to that generally available in the broad Canadian equity market, and the potential for long-term capital growth through capital appreciation.

The Fund invests in dividend-paying Canadian companies with above-average financial strength and predictable and growing levels of profitability. The Fund will have representation in at least five of the 10 S&P/TSX industry sectors.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$61 million as of December 31, 2018, from \$93 million at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series O units lost 7.7%, which outperformed the 7.8% decline in the benchmark. The broad-based index declined 8.9%. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Equity markets were much more volatile in 2018 than in 2017. Globally, concerns about trade tariffs and higher interest rates acted as headwinds to equity prices. For Canadian energy stocks, the additional headwind of extremely low prices for Canadian oil added to the volatility. On a positive note, corporate earnings in Canada and other global markets continued to trend higher.

The portfolio performed in line with the benchmark in 2018. Stronger performance from holdings in the Energy and Industrials sectors as well as a complete absence of assets in the underperforming Consumer Discretionary sector contributed to relative performance. Holdings in the Real Estate and Information Technology sectors hurt relative performance.

From a stock perspective, Waste Connections, Allied Properties REIT and Fortis Inc. were three of the biggest contributors to relative performance. Waste Connections reported continued strength across its operations, leading to earnings and revenue surprising on the upside in the latest quarterly results. The stock continues to benefit from a large acquisition a few years ago and expectations that industry volumes and prices will continue to increase.

NFI Group, Altus Group and Manulife Financial were among the stocks that had the most negative impact on relative performance. NFI, a Winnipeg-based bus manufacturer, posted disappointing earnings in recent quarters. Concerns about the future of North American trade and demand for trucks and buses were among the concerns for the sub-advisor, which is considering eliminating the holding from the portfolio.

### Recent Developments

Effective February 27, 2019, Beutel, Goodman & Company Ltd. was appointed as sub-advisor of the Fund and the name of the Fund was changed to RBC Private Fundamental Canadian Equity Pool. The investment objectives of the Fund have not changed; however, the new name more clearly identifies the Fund's investment strategy and process.

### 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., 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 Investor Services Trust ("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 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.

### **Brokers and Dealers**

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$5,000 (2017 – \$10,000) or 18% (2017 – 23%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.37                                  | 0.79                                             | (0.20)            | 0.93                          | (3.47)                          | (1.95) | —                                          | (0.61)            | —                        | —                    | (0.61) | 19.90                               |
| Dec. 31, 2017                 | 21.19                                  | 0.77                                             | (0.20)            | 1.29                          | (0.09)                          | 1.77   | (0.01)                                     | (0.59)            | —                        | —                    | (0.60) | 22.37                               |
| Dec. 31, 2016                 | 19.16                                  | 0.72                                             | (0.18)            | 0.21                          | 1.88                            | 2.63   | (0.01)                                     | (0.63)            | —                        | —                    | (0.64) | 21.19                               |
| Dec. 31, 2015                 | 21.66                                  | 0.79                                             | (0.19)            | 0.24                          | (2.64)                          | (1.80) | (0.02)                                     | (0.58)            | —                        | —                    | (0.60) | 19.16                               |
| Dec. 31, 2014                 | 20.76                                  | 0.80                                             | (0.20)            | 1.25                          | (0.34)                          | 1.51   | (0.02)                                     | (0.63)            | —                        | —                    | (0.65) | 21.66                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 22.37                                  | 0.77                                             | (0.02)            | 0.92                          | (3.16)                          | (1.49) | —                                          | (0.78)            | —                        | —                    | (0.78) | 19.90                               |
| Dec. 31, 2017                 | 21.20                                  | 0.76                                             | (0.02)            | 1.29                          | (0.11)                          | 1.92   | (0.01)                                     | (0.77)            | —                        | —                    | (0.78) | 22.37                               |
| Dec. 31, 2016                 | 19.17                                  | 0.70                                             | (0.02)            | 0.20                          | 1.86                            | 2.74   | (0.02)                                     | (0.80)            | —                        | —                    | (0.82) | 21.20                               |
| Dec. 31, 2015                 | 21.67                                  | 0.79                                             | (0.02)            | 0.24                          | (2.64)                          | (1.63) | (0.03)                                     | (0.74)            | —                        | —                    | (0.77) | 19.17                               |
| Dec. 31, 2014                 | 20.75                                  | 0.80                                             | (0.02)            | 1.25                          | (0.34)                          | 1.69   | (0.02)                                     | (0.79)            | —                        | —                    | (0.81) | 21.67                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>19.90</b>                     | <b>3 693</b>                | <b>186</b>                            | <b>0.91</b>                                  | <b>0.91</b>                               | <b>22.42</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 22.37                            | 3 583                       | 160                                   | 0.91                                         | 0.91                                      | 16.43                                       | 0.04                                      |
| Dec. 31, 2016        | 21.19                            | 3 596                       | 170                                   | 0.91                                         | 0.91                                      | 39.18                                       | 0.11                                      |
| Dec. 31, 2015        | 19.16                            | 3 781                       | 197                                   | 0.91                                         | 0.91                                      | 30.87                                       | 0.06                                      |
| Dec. 31, 2014        | 21.66                            | 5 630                       | 260                                   | 0.91                                         | 0.91                                      | 39.49                                       | 0.06                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>19.90</b>                     | <b>57 535</b>               | <b>2 891</b>                          | <b>0.10</b>                                  | <b>0.10</b>                               | <b>22.42</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 22.37                            | 89 816                      | 4 015                                 | 0.10                                         | 0.10                                      | 16.43                                       | 0.04                                      |
| Dec. 31, 2016        | 21.20                            | 118 268                     | 5 580                                 | 0.10                                         | 0.10                                      | 39.18                                       | 0.11                                      |
| Dec. 31, 2015        | 19.17                            | 205 546                     | 10 720                                | 0.10                                         | 0.10                                      | 30.87                                       | 0.06                                      |
| Dec. 31, 2014        | 21.67                            | 256 199                     | 11 821                                | 0.10                                         | 0.10                                      | 39.49                                       | 0.06                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.75% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

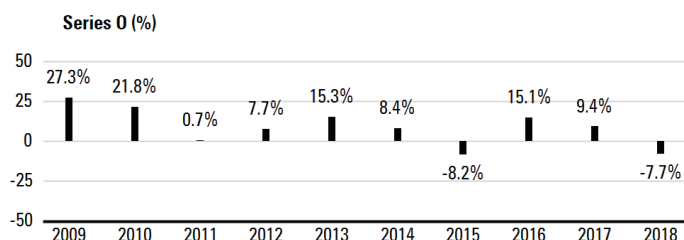
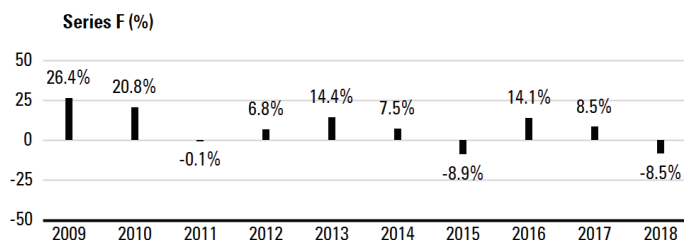
## PAST PERFORMANCE

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, or 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- 80% S&P/TSX Capped Composite Total Return Index
- 5% S&P/TSX Index – Utilities (CAD)
- 5% S&P/TSX Index – Telecommunication Services (CAD)
- 5% S&P/TSX Composite Index – Oil and Gas Storage and Transportation (CAD)
- 5% S&P/TSX Index – Real Estate Investment Trusts (CAD)

The broad-based index is the S&P/TSX Capped Composite Total Return Index.

|                   | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-------------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F          | -8.5         | 4.3             | 2.1             | 7.5              | —                  |
| Benchmark         | -7.8         | 6.8             | 4.6             | 8.7              | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O          | -7.7         | 5.1             | 2.9             | 8.4              | —                  |
| Benchmark         | -7.8         | 6.8             | 4.6             | 8.7              | —                  |
| Broad-based index | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. 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 index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

**S&P/TSX Index – Utilities (CAD)** This sub-index measures the performance of utility stocks in the S&P/TSX Capped Composite Total Return Index.

**S&P/TSX Index – Telecommunication Services (CAD)** This sub-index measures the performance of the telecommunication services stocks in the S&P/TSX Capped Composite Total Return Index.

**S&P/TSX Composite Index – Oil and Gas Storage and Transportation (CAD)** This index is a measure of performance for Toronto Stock Exchange-listed companies that provide services for storing and transporting oil and natural gas.

**S&P/TSX Index – Real Estate Investment Trusts (CAD)** This sub-index measures the performance of real estate investment trusts in the S&P/TSX Capped Composite Total Return Index.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 30.4                 |
| Energy                 | 18.7                 |
| Industrials            | 13.7                 |
| Communication Services | 12.4                 |
| Utilities              | 8.1                  |
| Real Estate            | 7.9                  |
| Information Technology | 4.0                  |
| Materials              | 3.9                  |
| Cash/Other             | 0.9                  |

### Top 25 Holdings

|                                                | % of Net Asset Value |
|------------------------------------------------|----------------------|
| National Bank of Canada                        | 4.2                  |
| TELUS Corp.                                    | 4.2                  |
| Bank of Nova Scotia                            | 4.2                  |
| Shaw Communications Inc., Class B              | 4.2                  |
| Fortis Inc.                                    | 4.1                  |
| BCE Inc.                                       | 4.1                  |
| Allied Properties Real Estate Investment Trust | 4.1                  |
| Canadian National Railway Co.                  | 4.1                  |
| Sun Life Financial Inc.                        | 4.1                  |
| Royal Bank of Canada                           | 4.1                  |
| Toronto-Dominion Bank                          | 4.1                  |
| Constellation Software Inc.                    | 4.0                  |
| Enbridge Inc.                                  | 4.0                  |
| Waste Connections Inc.                         | 4.0                  |
| Pembina Pipeline Corp.                         | 3.9                  |
| Bank of Montreal                               | 3.9                  |
| Manulife Financial Corporation                 | 3.9                  |
| TransCanada Corp.                              | 3.8                  |
| Canadian Natural Resources Ltd.                | 3.5                  |
| Suncor Energy Inc.                             | 3.4                  |
| Brookfield Asset Management Inc., Class A      | 2.1                  |
| Morneau Shepell Inc.                           | 2.1                  |
| Algonquin Power & Utilities Corp.              | 2.0                  |
| Nutrien Ltd.                                   | 2.0                  |
| Emera Inc.                                     | 2.0                  |
| Top 25 Holdings                                | 90.1                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



CANADIAN EQUITY

**RBC PRIVATE CANADIAN EQUITY POOL**

*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**

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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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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Fund seeks long-term total returns primarily consisting of capital appreciation by investing in equity securities of major Canadian companies.

The Fund invests primarily in large-cap Canadian companies and may take advantage of opportunities in mid-cap companies. The Fund diversifies across S&P/TSX industry sectors, within minimum and maximum exposures. The Fund may use derivatives for hedging purposes and as a substitute for direct investment.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$4.5 billion as of December 31, 2018, from \$4.3 billion at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series O units lost 7.9%, which outperformed the 8.9% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The relative performance of the Fund benefited from both asset weighting and security selection in 2018. An overweight position in Thomson Reuters contributed to relative returns. Shares in the company advanced after it bought back a material amount of stock and shifted focus towards its legal and tax units following the sale of a portion of its financial-services unit to Blackstone. In addition, an

overweight position in Aritzia was beneficial for the Fund's returns. The Canadian retailer of women's clothes continues to post strong financial results as it expands in the U.S.

The headwinds facing the Canadian Energy sector were reflected in the Fund through its overweight position in PrairieSky Royalty. The company's share price slid amid a tough environment for western Canadian oil exploration and production businesses, from whom the firm collects royalties for the use of its land.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from prior estimates thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$258,000 (2017 – \$294,000) or 13% (2017 – 14%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.06                                  | 0.79                                             | (0.18)            | 0.35                          | (3.26)                          | (2.30) | (0.02)                                     | (0.54)            | (0.37)                   | —                    | (0.93) | 22.94                               |
| Dec. 31, 2017                 | 24.59                                  | 0.69                                             | (0.17)            | 0.52                          | 1.03                            | 2.07   | (0.01)                                     | (0.49)            | (0.03)                   | —                    | (0.53) | 26.06                               |
| Dec. 31, 2016                 | 20.68                                  | 0.69                                             | (0.16)            | (0.32)                        | 4.24                            | 4.45   | (0.05)                                     | (0.48)            | —                        | —                    | (0.53) | 24.59                               |
| Dec. 31, 2015                 | 23.29                                  | 0.74                                             | (0.16)            | (0.01)                        | (2.68)                          | (2.11) | (0.02)                                     | (0.47)            | (0.12)                   | —                    | (0.61) | 20.68                               |
| Dec. 31, 2014                 | 21.69                                  | 1.21                                             | (0.17)            | 1.56                          | (3.85)                          | (1.25) | (0.06)                                     | (0.36)            | (0.50)                   | —                    | (0.92) | 23.29                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.18                                  | 0.80                                             | (0.02)            | 0.35                          | (3.15)                          | (2.02) | (0.02)                                     | (0.71)            | (0.37)                   | —                    | (1.10) | 23.05                               |
| Dec. 31, 2017                 | 24.71                                  | 0.69                                             | (0.02)            | 0.52                          | 1.01                            | 2.20   | (0.01)                                     | (0.66)            | (0.03)                   | —                    | (0.70) | 26.18                               |
| Dec. 31, 2016                 | 20.78                                  | 0.69                                             | (0.01)            | (0.32)                        | 4.30                            | 4.66   | (0.06)                                     | (0.62)            | —                        | —                    | (0.68) | 24.71                               |
| Dec. 31, 2015                 | 23.41                                  | 0.73                                             | (0.02)            | (0.01)                        | (2.66)                          | (1.96) | (0.02)                                     | (0.62)            | (0.12)                   | —                    | (0.76) | 20.78                               |
| Dec. 31, 2014                 | 21.71                                  | 0.69                                             | (0.02)            | 0.88                          | (2.18)                          | (0.63) | (0.06)                                     | (0.42)            | (0.50)                   | —                    | (0.98) | 23.41                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>22.94</b>                     | <b>20 871</b>               | <b>910</b>                            | <b>0.70</b>                                  | <b>0.70</b>                               | <b>14.34</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017        | 26.06                            | 20 547                      | 789                                   | 0.70                                         | 0.70                                      | 23.97                                       | 0.06                                      |
| Dec. 31, 2016        | 24.59                            | 17 156                      | 698                                   | 0.70                                         | 0.70                                      | 36.35                                       | 0.09                                      |
| Dec. 31, 2015        | 20.68                            | 14 710                      | 711                                   | 0.71                                         | 0.71                                      | 43.95                                       | 0.14                                      |
| Dec. 31, 2014        | 23.29                            | 15 774                      | 677                                   | 0.71                                         | 0.71                                      | 51.04                                       | 0.16                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>23.05</b>                     | <b>4 461 657</b>            | <b>193 597</b>                        | <b>0.07</b>                                  | <b>0.07</b>                               | <b>14.34</b>                                | <b>0.05</b>                               |
| Dec. 31, 2017        | 26.18                            | 4 316 989                   | 164 913                               | 0.07                                         | 0.07                                      | 23.97                                       | 0.06                                      |
| Dec. 31, 2016        | 24.71                            | 3 763 296                   | 152 293                               | 0.07                                         | 0.07                                      | 36.35                                       | 0.09                                      |
| Dec. 31, 2015        | 20.78                            | 3 134 604                   | 150 813                               | 0.07                                         | 0.07                                      | 43.95                                       | 0.14                                      |
| Dec. 31, 2014        | 23.41                            | 2 431 677                   | 103 860                               | 0.07                                         | 0.07                                      | 51.04                                       | 0.16                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.55% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

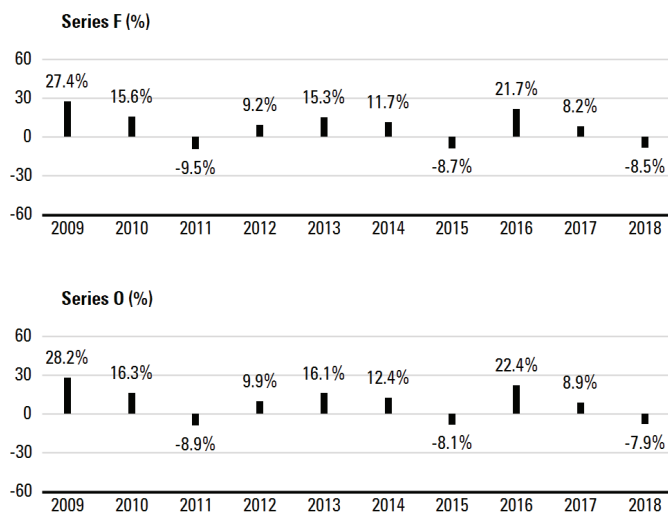
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

## 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, or 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P/TSX Capped Composite Total Return Index

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | -8.5         | 6.4             | 4.2             | 7.5              | —                  |
| Benchmark | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O  | -7.9         | 7.1             | 4.9             | 8.2              | —                  |
| Benchmark | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 31.0                 |
| Energy                 | 18.8                 |
| Industrials            | 10.1                 |
| Materials              | 8.1                  |
| Consumer Staples       | 5.9                  |
| Real Estate            | 5.1                  |
| Communication Services | 5.0                  |
| Utilities              | 4.7                  |
| Consumer Discretionary | 4.2                  |
| Information Technology | 2.1                  |
| Underlying Funds       | 1.8                  |
| Health Care            | 0.5                  |
| Cash/Other             | 2.7                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| Royal Bank of Canada                        | 7.2                  |
| Toronto-Dominion Bank                       | 4.7                  |
| Bank of Nova Scotia                         | 4.7                  |
| Enbridge Inc.                               | 4.3                  |
| Suncor Energy Inc.                          | 3.0                  |
| Canadian National Railway Co.               | 2.9                  |
| Manulife Financial Corporation              | 2.6                  |
| TransCanada Corp.                           | 2.6                  |
| Brookfield Asset Management Inc., Class A   | 2.6                  |
| Nutrien Ltd.                                | 2.5                  |
| Canadian Natural Resources Ltd.             | 2.4                  |
| Cash & Cash Equivalents                     | 2.4                  |
| Bank of Montreal                            | 2.3                  |
| Canadian Imperial Bank of Commerce          | 1.9                  |
| BCE Inc.                                    | 1.9                  |
| Alimentation Couche-Tard Inc.               | 1.9                  |
| RBC Canadian Small & Mid-Cap Resources Fund | 1.8                  |
| Sun Life Financial Inc.                     | 1.6                  |
| Pembina Pipeline Corp.                      | 1.5                  |
| Magna International Inc., Class A           | 1.4                  |
| Teck Resources Ltd., Class B                | 1.3                  |
| Canadian Pacific Railway Ltd.               | 1.3                  |
| Thomson Reuters Corp.                       | 1.3                  |
| George Weston Ltd.                          | 1.3                  |
| Brookfield Property Partners LP             | 1.2                  |
| Top 25 Holdings                             | 62.6                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.

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



CANADIAN EQUITY

**RBC PRIVATE CANADIAN  
GROWTH EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: Guardian Capital LP, Toronto, Ontario

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term growth primarily through capital appreciation by investing in common stock and equivalent securities of Canadian corporations.

To achieve its objective, the Fund uses a qualitative approach to invest in larger capitalization, well-recognized and soundly managed Canadian companies. It invests in companies that have attractive earnings growth, value, quality and risk characteristics. The Fund diversifies its assets across the S&P/TSX industry sectors, with minimum and maximum exposures.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$152 million as of December 31, 2018, from \$201 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series O units lost 11.6%, which underperformed the 8.9% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The Fund's concentration in mid-cap stocks had a negative impact on relative performance, as these companies fell significantly more in a particularly bad fourth quarter than companies with larger market capitalizations. Another factor in the underperformance was stock selection in the Energy sector, the worst-performing sector. Shares of companies that provide oilfield services and explore for and produce crude oil were hurt by falling oil prices and relatively low prices for Canadian output given a lack of pipeline access. Encana, NuVista Energy, Trican Well Service and CES Energy Solutions were Energy-sector stocks that hurt the Fund's returns. Shares of NuVista and Encana were also negatively affected by announced acquisitions. A lack of exposure to Communication Services, Real Estate and Utilities – all sectors with attractive dividend yields – held back returns as well.

Among the stocks that contributed to returns were CGI, Mitel Networks, Waste Connections and Loblaw. The decision to hold Canadian Pacific Railway instead of Canadian National Railway also boosted returns.

During the year, the Fund added nine stocks and sold eight. The additions were Agnico Eagle Mines; Boyd Group Income Fund; Brookfield Asset Management; Canopy Growth; Constellation Software; HEXO; Jamieson Wellness; Loblaw; and Suncor Energy. The deletions were Bank of Montreal; BRP; Enbridge Inc.; IGM Financial; Mitel Networks; Seven Generations Energy; Torex Gold; and Trican Well Service.

### Recent Developments

The U.S.-China trade conflict appears to be determining the direction of financial markets, in the view of the sub-advisor. Assuming the two sides can reach an agreement, the sub-advisor believes that the bull market can continue as long as valuations remain attractive and longer-term interest rates do not rise too high or too quickly.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$16,000 (2017 – \$20,000) or 12% (2017 – 13%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |         | Annual Distributions <sup>2</sup>          |                   |                          |                      |         | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------|--------------------------------------------|-------------------|--------------------------|----------------------|---------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total   | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total   |                                     |
|                               |                                        |                                                  |                   |                               |                                 |         |                                            |                   |                          |                      |         |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |         |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 222.44                                 | 4.60                                             | (2.02)            | 4.09                          | (61.57)                         | (54.90) | (0.01)                                     | (2.54)            | —                        | —                    | (2.55)  | 192.69                              |
| Dec. 31, 2017                 | 214.81                                 | 4.50                                             | (1.99)            | (2.42)                        | 9.68                            | 9.77    | (0.02)                                     | (2.41)            | —                        | —                    | (2.43)  | 222.44                              |
| Dec. 31, 2016                 | 182.83                                 | 4.02                                             | (1.81)            | 9.59                          | 23.40                           | 35.20   | —                                          | (2.12)            | (1.33)                   | —                    | (3.45)  | 214.81                              |
| Dec. 31, 2015                 | 213.33                                 | 4.17                                             | (1.97)            | 9.65                          | (28.36)                         | (16.51) | —                                          | (2.01)            | (11.75)                  | —                    | (13.76) | 182.83                              |
| Dec. 31, 2014                 | 197.77                                 | 3.67                                             | (1.98)            | 12.19                         | 2.87                            | 16.75   | —                                          | (1.70)            | —                        | —                    | (1.70)  | 213.33                              |
| Series O                      |                                        |                                                  |                   |                               |                                 |         |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 223.86                                 | 4.60                                             | (0.12)            | 4.09                          | (32.33)                         | (23.76) | (0.02)                                     | (4.48)            | —                        | —                    | (4.50)  | 193.91                              |
| Dec. 31, 2017                 | 216.24                                 | 4.53                                             | (0.12)            | (2.44)                        | 9.79                            | 11.76   | (0.04)                                     | (4.35)            | —                        | —                    | (4.39)  | 223.86                              |
| Dec. 31, 2016                 | 184.12                                 | 4.05                                             | (0.11)            | 9.66                          | 24.92                           | 38.52   | —                                          | (3.97)            | (1.33)                   | —                    | (5.30)  | 216.24                              |
| Dec. 31, 2015                 | 215.22                                 | 4.21                                             | (0.12)            | 9.74                          | (28.63)                         | (14.80) | —                                          | (3.93)            | (12.12)                  | —                    | (16.05) | 184.12                              |
| Dec. 31, 2014                 | 199.48                                 | 3.70                                             | (0.12)            | 12.28                         | 2.89                            | 18.75   | —                                          | (3.56)            | —                        | —                    | (3.56)  | 215.22                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>192.69</b>                    | <b>13 627</b>               | <b>71</b>                             | <b>0.93</b>                                  | <b>0.93</b>                               | <b>30.59</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017        | 222.44                           | 5 470                       | 25                                    | 0.93                                         | 0.93                                      | 18.80                                       | 0.08                                      |
| Dec. 31, 2016        | 214.81                           | 5 738                       | 27                                    | 0.93                                         | 0.93                                      | 57.21                                       | 0.15                                      |
| Dec. 31, 2015        | 182.83                           | 5 611                       | 31                                    | 0.93                                         | 0.93                                      | 38.37                                       | 0.14                                      |
| Dec. 31, 2014        | 213.33                           | 7 007                       | 33                                    | 0.93                                         | 0.93                                      | 33.67                                       | 0.09                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>193.91</b>                    | <b>138 129</b>              | <b>712</b>                            | <b>0.06</b>                                  | <b>0.06</b>                               | <b>30.59</b>                                | <b>0.07</b>                               |
| Dec. 31, 2017        | 223.86                           | 195 520                     | 873                                   | 0.05                                         | 0.05                                      | 18.80                                       | 0.08                                      |
| Dec. 31, 2016        | 216.24                           | 212 730                     | 984                                   | 0.06                                         | 0.06                                      | 57.21                                       | 0.15                                      |
| Dec. 31, 2015        | 184.12                           | 173 438                     | 942                                   | 0.06                                         | 0.06                                      | 38.37                                       | 0.14                                      |
| Dec. 31, 2014        | 215.22                           | 212 613                     | 988                                   | 0.06                                         | 0.06                                      | 33.67                                       | 0.09                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.75% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

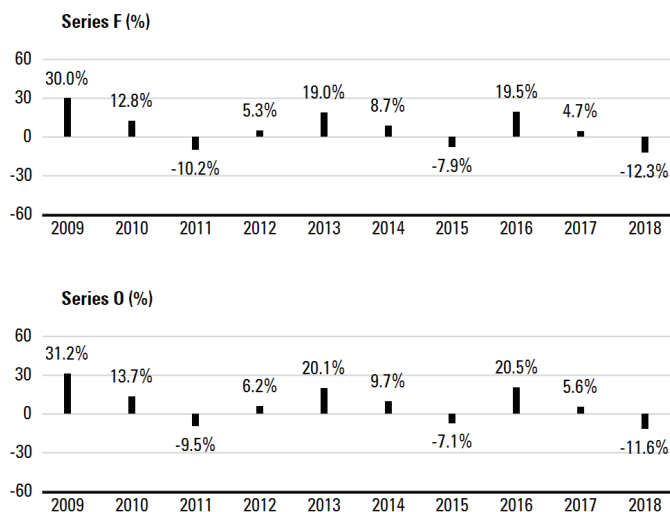
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### S&P/TSX Capped Composite Total Return Index

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | -12.3        | 3.1             | 1.9             | 6.1              | —                  |
| Benchmark | -8.9         | 6.4             | 4.1             | 7.9              | —                  |
| Series O  | -11.6        | 4.0             | 2.8             | 7.1              | —                  |
| Benchmark | -8.9         | 6.4             | 4.1             | 7.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P/TSX Capped Composite Total Return Index** This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 27.8                 |
| Industrials            | 15.5                 |
| Materials              | 13.9                 |
| Energy                 | 13.7                 |
| Information Technology | 11.8                 |
| Consumer Staples       | 6.7                  |
| Consumer Discretionary | 4.4                  |
| Health Care            | 1.1                  |
| Cash/Other             | 5.1                  |

### Top 25 Holdings

|                                           | % of Net Asset Value |
|-------------------------------------------|----------------------|
| Royal Bank of Canada                      | 6.9                  |
| Bank of Nova Scotia                       | 6.4                  |
| Toronto-Dominion Bank                     | 6.3                  |
| Cash & Cash Equivalents                   | 4.9                  |
| Canadian Pacific Railway Ltd.             | 4.7                  |
| CGI Group Inc., Class A                   | 4.2                  |
| Waste Connections Inc.                    | 4.2                  |
| Open Text Corp.                           | 4.0                  |
| Manulife Financial Corporation            | 3.6                  |
| Alimentation Couche-Tard Inc.             | 3.5                  |
| Canadian Natural Resources Ltd.           | 3.4                  |
| SNC-Lavalin Group Inc.                    | 3.3                  |
| CCL Industries, Class B                   | 3.0                  |
| Nutrien Ltd.                              | 2.8                  |
| Pembina Pipeline Corp.                    | 2.7                  |
| Brookfield Asset Management Inc., Class A | 2.6                  |
| Intact Financial Corp.                    | 2.1                  |
| West Fraser Timber Co. Ltd.               | 2.0                  |
| Loblaw Companies Ltd.                     | 1.9                  |
| Constellation Software Inc.               | 1.8                  |
| Encana Corp.                              | 1.8                  |
| Boyd Group Income Fund                    | 1.8                  |
| Agnico Eagle Mines Ltd.                   | 1.7                  |
| Kinaxis Inc.                              | 1.7                  |
| Goldcorp Inc.                             | 1.7                  |
| Top 25 Holdings                           | 83.0                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



CANADIAN EQUITY

**RBC PRIVATE CANADIAN  
MID-CAP EQUITY POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 pursues long-term total returns consisting primarily of capital appreciation by focusing on equity securities of mid-sized Canadian companies that offer above-average prospects for growth. The Fund may also invest in smaller capitalization companies that have adequate liquidity.

The Fund focuses on companies with a history of high growth in sales and earnings, and with above-average prospects for continued growth. The Fund selects companies with strong management, focused business models and a competitive advantage. The Fund typically invests across major industry sectors within minimum and maximum exposures for each sector.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$190 million as of December 31, 2018, from \$207 million at the end of 2017. The decrease was due to investment losses, partially offset by net inflows.

Over the past year, the Fund's Series O units lost 8.6%, which outperformed the 11.1% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The S&P/TSX Composite Index, Canada's equity benchmark, lagged many global markets in 2018 as a result of headwinds such as falling energy prices, poor competitiveness, a cooling housing market and trade uncertainty. In the Energy sector, a number of proposed crude-oil pipelines are stalled due to regulatory delays and/or the opposition of environmental activists. In the housing market, regulatory changes to mortgage underwriting have cooled housing activity. On the trade front, protectionism fears have eased following trade renegotiations culminating in Canada, the U.S. and Mexico agreeing to a deal that, if approved by U.S. Congress, would supplant the North American Free Trade Agreement.

The portfolio benefited from both asset weighting and security selection in 2018, led by companies in the Materials sector. Kirkland Lake Gold stock gained in reaction to strong operating

results and the company's willingness to return capital to shareholders. Also positive for relative returns was a position in Aurora Cannabis, which aided performance as the shares benefited in the lead-up to the legalization of cannabis in Canada. Another major contributor to returns was a significant cash position, which enabled the Fund to sidestep some of the negative impact of the market decline. The Fund also benefited from the cash position by increasing investments at more favourable valuations at the very end of the year.

Exposure to Kelt Exploration held back returns. The company, which focuses on exploration, development and production of crude oil and natural gas, reported disappointing earnings amid lower-than-expected production levels.

### Recent Developments

The portfolio manager's GDP growth forecast for 2019 is below consensus but nevertheless represents a slight increase from prior estimates thanks to the tentative resolution of trade negotiations. The portfolio manager expects the overall pace of interest-rate increases in Canada to lag that of the U.S. Economic competitiveness is a cause for concern because Canada's tax rates and regulatory and environmental framework are seen as less business-friendly than in the U.S. The federal government's recent decision to allow accelerated depreciation may help level the playing field.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$65,000 (2017 – \$42,000) or 9% (2017 – 10%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.01                                  | 0.58                                             | (0.18)            | 0.85                          | (3.57)                          | (2.32) | (0.04)                                     | (0.32)            | (1.05)                   | —                    | (1.41) | 22.23                               |
| Dec. 31, 2017                 | 23.81                                  | 0.53                                             | (0.18)            | 0.76                          | 1.82                            | 2.93   | (0.03)                                     | (0.29)            | (0.57)                   | —                    | (0.89) | 26.01                               |
| Dec. 31, 2016                 | 19.20                                  | 0.44                                             | (0.16)            | 2.12                          | 2.87                            | 5.27   | (0.05)                                     | (0.22)            | (0.35)                   | —                    | (0.62) | 23.81                               |
| Dec. 31, 2015                 | 22.50                                  | 0.59                                             | (0.15)            | (1.01)                        | (2.21)                          | (2.78) | (0.09)                                     | (0.35)            | —                        | —                    | (0.44) | 19.20                               |
| Dec. 31, 2014                 | 22.50                                  | 0.54                                             | (0.18)            | 2.04                          | (0.80)                          | 1.60   | (0.05)                                     | (0.32)            | (1.45)                   | —                    | (1.82) | 22.50                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 26.28                                  | 0.58                                             | (0.03)            | 0.85                          | (3.79)                          | (2.39) | (0.06)                                     | (0.44)            | (1.08)                   | —                    | (1.58) | 22.46                               |
| Dec. 31, 2017                 | 24.05                                  | 0.53                                             | (0.03)            | 0.76                          | 1.95                            | 3.21   | (0.05)                                     | (0.43)            | (0.57)                   | —                    | (1.05) | 26.28                               |
| Dec. 31, 2016                 | 19.40                                  | 0.45                                             | (0.03)            | 2.13                          | 2.83                            | 5.38   | (0.07)                                     | (0.34)            | (0.35)                   | —                    | (0.76) | 24.05                               |
| Dec. 31, 2015                 | 22.74                                  | 0.55                                             | (0.02)            | (0.94)                        | (2.06)                          | (2.47) | (0.11)                                     | (0.47)            | —                        | —                    | (0.58) | 19.40                               |
| Dec. 31, 2014                 | 22.70                                  | 0.53                                             | (0.03)            | 2.02                          | (0.79)                          | 1.73   | (0.06)                                     | (0.44)            | (1.45)                   | —                    | (1.95) | 22.74                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>22.23</b>                     | <b>2 478</b>                | <b>111</b>                            | <b>0.70</b>                                  | <b>0.70</b>                               | <b>92.62</b>                                | <b>0.30</b>                               |
| Dec. 31, 2017        | 26.01                            | 2 984                       | 115                                   | 0.71                                         | 0.71                                      | 56.30                                       | 0.23                                      |
| Dec. 31, 2016        | 23.81                            | 2 645                       | 111                                   | 0.71                                         | 0.71                                      | 103.19                                      | 0.35                                      |
| Dec. 31, 2015        | 19.20                            | 2 777                       | 145                                   | 0.71                                         | 0.71                                      | 92.80                                       | 0.28                                      |
| Dec. 31, 2014        | 22.50                            | 3 662                       | 163                                   | 0.71                                         | 0.71                                      | 76.52                                       | 0.23                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>22.46</b>                     | <b>187 361</b>              | <b>8 343</b>                          | <b>0.11</b>                                  | <b>0.11</b>                               | <b>92.62</b>                                | <b>0.30</b>                               |
| Dec. 31, 2017        | 26.28                            | 204 151                     | 7 768                                 | 0.11                                         | 0.11                                      | 56.30                                       | 0.23                                      |
| Dec. 31, 2016        | 24.05                            | 151 507                     | 6 300                                 | 0.11                                         | 0.11                                      | 103.19                                      | 0.35                                      |
| Dec. 31, 2015        | 19.40                            | 114 159                     | 5 885                                 | 0.11                                         | 0.11                                      | 92.80                                       | 0.28                                      |
| Dec. 31, 2014        | 22.74                            | 291 632                     | 12 826                                | 0.11                                         | 0.11                                      | 76.52                                       | 0.23                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.55% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

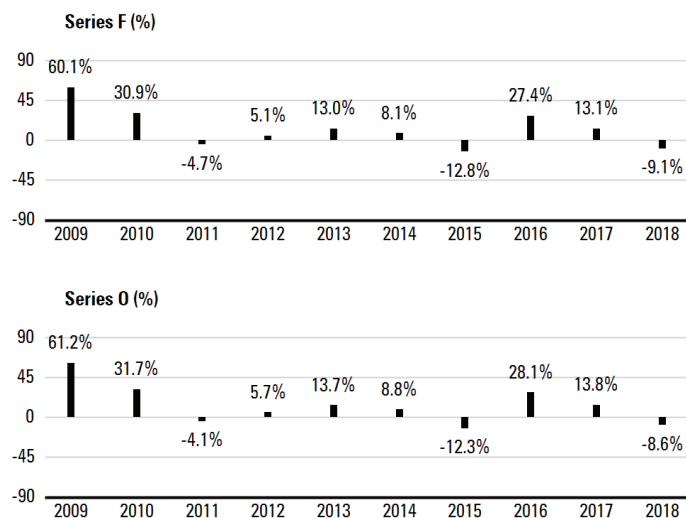
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

## 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, or 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P/TSX MidCap Index

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | -9.1         | 9.4             | 4.3             | 11.3             | —                  |
| Benchmark | -11.1        | 6.5             | 1.0             | 8.9              | —                  |
| Series O  | -8.6         | 10.0            | 4.9             | 12.0             | —                  |
| Benchmark | -11.1        | 6.5             | 1.0             | 8.9              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**S&P/TSX MidCap Index** This is a customized index of mid-sized Canadian companies, with weights adjusted across economic sectors.





## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Energy                 | 17.8                 |
| Materials              | 16.3                 |
| Industrials            | 14.8                 |
| Real Estate            | 13.3                 |
| Financials             | 9.4                  |
| Utilities              | 8.9                  |
| Consumer Staples       | 5.3                  |
| Consumer Discretionary | 5.0                  |
| Information Technology | 3.5                  |
| Communication Services | 2.1                  |
| Health Care            | 2.1                  |
| Cash/Other             | 1.5                  |

### Top 25 Holdings

|                                                            | % of Net Asset Value |
|------------------------------------------------------------|----------------------|
| Kirkland Lake Gold Ltd.                                    | 4.5                  |
| Brookfield Property Partners LP                            | 2.5                  |
| Algonquin Power & Utilities Corp.                          | 2.3                  |
| Parex Resources Inc.                                       | 2.3                  |
| Tourmaline Oil Corp.                                       | 2.3                  |
| Husky Energy Inc.                                          | 2.3                  |
| B2Gold Corp.                                               | 2.3                  |
| George Weston Ltd.                                         | 2.2                  |
| Air Canada                                                 | 2.2                  |
| Allied Properties Real Estate Investment Trust             | 2.2                  |
| CAE Inc.                                                   | 2.1                  |
| Onex Corporation                                           | 2.1                  |
| Power Financial Corp.                                      | 1.9                  |
| Enerplus Corp.                                             | 1.9                  |
| Atco Ltd., Class I, Non-Voting                             | 1.9                  |
| Canadian Apartment Properties Real Estate Investment Trust | 1.8                  |
| Parkland Fuel Corp.                                        | 1.7                  |
| Brookfield Renewable Partners LP                           | 1.7                  |
| Lundin Mining Corp.                                        | 1.6                  |
| First Capital Realty Inc.                                  | 1.6                  |
| Ritchie Bros. Auctioneers Inc.                             | 1.6                  |
| BlackBerry Ltd.                                            | 1.6                  |
| Toromont Industries Ltd.                                   | 1.5                  |
| OceanaGold Corp.                                           | 1.5                  |
| FirstService Corp.                                         | 1.5                  |
| Top 25 Holdings                                            | 51.1                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



U.S. EQUITY

**RBC PRIVATE U.S. LARGE-CAP VALUE  
EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: Westwood Management Corp., Dallas, Texas

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns primarily through capital appreciation by investing in common stocks and equivalent securities of U.S. corporations trading below their intrinsic value.

The Fund typically invests in U.S. and non-U.S. companies that are constituents of the Russell 1000 or S&P 500 indices. The Fund is diversified across major industry sectors, within minimum and maximum exposures.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$328 million as of December 31, 2018, from \$371 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund's Series O units gained 2.2%, which underperformed the 3.4% rise in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Stocks rose at the start of 2018, as investors celebrated legislation that boosted corporate-profit expectations. However, volatility returned as investors became concerned that robust U.S. economic growth would prompt the U.S. Federal Reserve to raise interest rates too quickly and risk snuffing out the expansion. Another headwind for growth that helped to push financial markets lower later in the year was the U.S.-China trade dispute, which intensified as the year progressed.

Relative performance was aided by strong security selection across the Utilities, Real Estate and Materials sectors. Top individual contributors included Motorola Solutions, which benefited from increasing the portion of revenue from services and software rather than equipment. Abbott Laboratories continued to benefit from recent acquisitions and its medical-device business. Booz Allen Hamilton rose on increased federal spending and growth by clients that specialize in information-technology services. Hormel Foods rallied as the company focused on branded products to help offset lower profits from commodity meats. Dr Pepper Snapple agreed to be acquired at a significant premium by Keurig Green Mountain.

Unfavourable security selection in the Information Technology, Communication Services and Consumer Discretionary sectors hurt the Fund's relative performance. Individual stocks that hurt returns included AT&T, amid investor concern regarding competition in its wireless segment and uncertainty about the company's entertainment business. FedEx shares declined on weaker-than-expected profits in the company's express segment and broader investor concerns about the impact of moderating global economic growth. General Mills shares were hurt by disappointing sales of snack foods, yogurt and cereal, but this was offset somewhat by the positive impact of cost controls. Western Alliance Bancorp shares fell after the company reported disappointing profit margins. Halliburton faced lower crude prices, which reduced demand for the company's oilfield services.

### Recent Developments

Looking to 2019, corporate earnings growth remains positive, though it is decelerating, after the boost from the lower tax rate as well as the increasing wage pressures from a tight labour market. Tariff and trade uncertainty create headwinds for companies looking to make long-term commitments on capital expenditures, keeping productivity subdued. Companies with pricing power can deal better with such headwinds. The sub-advisor continues to focus on high-quality businesses that offer underappreciated growth prospects and that the sub-advisor believes would fall less than the market in the event of a downturn.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$3,000 (2017 – \$2,000) or 3% (2017 – 2%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |         | Annual Distributions <sup>2</sup>          |                   |                          |                      |         | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|---------|--------------------------------------------|-------------------|--------------------------|----------------------|---------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total   | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total   |                                     |
|                               |                                        |                                                  |                   |                               |                                 |         |                                            |                   |                          |                      |         |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |         |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 285.54                                 | 6.22                                             | (3.63)            | 35.77                         | (68.12)                         | (29.76) | (0.02)                                     | (2.33)            | (24.20)                  | —                    | (26.55) | 262.11                              |
| Dec. 31, 2017                 | 261.64                                 | 4.92                                             | (3.28)            | 29.71                         | 3.77                            | 35.12   | (0.02)                                     | (1.59)            | (6.39)                   | —                    | (8.00)  | 285.54                              |
| Dec. 31, 2016                 | 245.73                                 | 4.49                                             | (2.87)            | 25.67                         | (15.64)                         | 11.65   | —                                          | (1.46)            | —                        | —                    | (1.46)  | 261.64                              |
| Dec. 31, 2015                 | 209.30                                 | 4.03                                             | (2.75)            | 25.30                         | 11.39                           | 37.97   | —                                          | (1.24)            | —                        | —                    | (1.24)  | 245.73                              |
| Dec. 31, 2014                 | 172.64                                 | 3.24                                             | (2.22)            | 17.13                         | 19.43                           | 37.58   | —                                          | (1.14)            | —                        | —                    | (1.14)  | 209.30                              |
| Series O                      |                                        |                                                  |                   |                               |                                 |         |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 288.88                                 | 6.22                                             | (0.30)            | 35.79                         | (34.18)                         | 7.53    | (0.05)                                     | (5.73)            | (24.60)                  | —                    | (30.38) | 264.97                              |
| Dec. 31, 2017                 | 264.86                                 | 4.97                                             | (0.27)            | 30.01                         | 0.44                            | 35.15   | (0.06)                                     | (4.72)            | (6.55)                   | —                    | (11.33) | 288.88                              |
| Dec. 31, 2016                 | 248.81                                 | 4.56                                             | (0.24)            | 26.06                         | (10.83)                         | 19.55   | —                                          | (4.23)            | —                        | —                    | (4.23)  | 264.86                              |
| Dec. 31, 2015                 | 211.98                                 | 4.08                                             | (0.23)            | 25.64                         | 11.55                           | 41.04   | —                                          | (3.89)            | —                        | —                    | (3.89)  | 248.81                              |
| Dec. 31, 2014                 | 174.78                                 | 3.28                                             | (0.19)            | 17.34                         | 19.67                           | 40.10   | —                                          | (3.17)            | —                        | —                    | (3.17)  | 211.98                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>262.11</b>                    | <b>10 775</b>               | <b>41</b>                             | <b>1.21</b>                                  | <b>1.21</b>                               | <b>33.15</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 285.54                           | 1 359                       | 5                                     | 1.20                                         | 1.20                                      | 25.53                                       | 0.03                                      |
| Dec. 31, 2016        | 261.64                           | 1 017                       | 4                                     | 1.19                                         | 1.19                                      | 36.01                                       | 0.03                                      |
| Dec. 31, 2015        | 245.73                           | 1 323                       | 5                                     | 1.19                                         | 1.19                                      | 29.26                                       | 0.03                                      |
| Dec. 31, 2014        | 209.30                           | 1 237                       | 6                                     | 1.19                                         | 1.19                                      | 41.09                                       | 0.05                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>264.97</b>                    | <b>316 890</b>              | <b>1 196</b>                          | <b>0.10</b>                                  | <b>0.10</b>                               | <b>33.15</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 288.88                           | 369 250                     | 1 278                                 | 0.10                                         | 0.10                                      | 25.53                                       | 0.03                                      |
| Dec. 31, 2016        | 264.86                           | 370 299                     | 1 398                                 | 0.10                                         | 0.10                                      | 36.01                                       | 0.03                                      |
| Dec. 31, 2015        | 248.81                           | 367 833                     | 1 478                                 | 0.10                                         | 0.10                                      | 29.26                                       | 0.03                                      |
| Dec. 31, 2014        | 211.98                           | 342 337                     | 1 615                                 | 0.10                                         | 0.10                                      | 41.09                                       | 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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 1.00% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

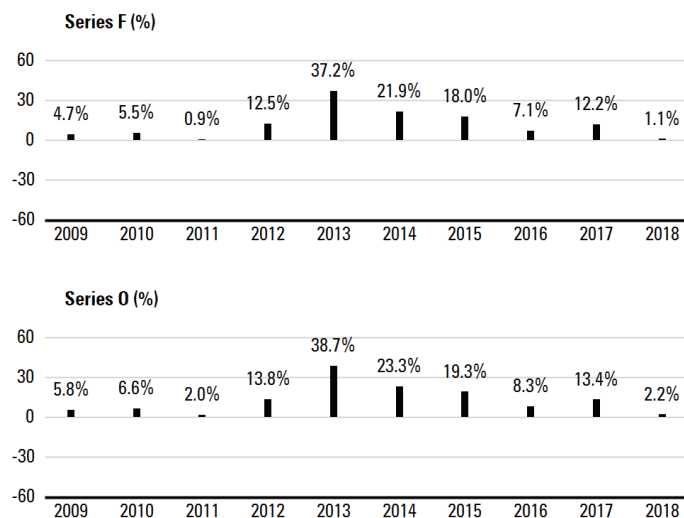
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the Russell 1000 Total Return Net Index (CAD).

The old benchmark (the "Old benchmark") is the Russell 1000 Value Index (CAD).

The change in benchmark better reflects the composition of the Fund.

|               | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F      | 1.1          | 6.7             | 11.8            | 11.6             | —                  |
| New benchmark | 3.4          | 8.6             | 13.8            | 14.6             | —                  |
| Old benchmark | -0.4         | 6.5             | 11.4            | 12.5             | —                  |
| Series O      | 2.2          | 7.9             | 13.1            | 12.9             | —                  |
| New benchmark | 3.4          | 8.6             | 13.8            | 14.6             | —                  |
| Old benchmark | -0.4         | 6.5             | 11.4            | 12.5             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTIONS

**Russell 1000 Total Return Net Index (CAD)** This index measures the Canadian-dollar performance of the large-cap segment of the U.S. equity universe and includes 1,000 of the largest securities based on market capitalization.

**Russell 1000 Value Index (CAD)** This index measures the Canadian dollar performance of companies in the Russell 1000 Index that have lower price-to-book ratios and lower forecasted growth values.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 21.2                 |
| Health Care            | 16.4                 |
| Industrials            | 12.6                 |
| Information Technology | 10.0                 |
| Consumer Staples       | 7.9                  |
| Utilities              | 7.8                  |
| Communication Services | 7.7                  |
| Energy                 | 6.6                  |
| Real Estate            | 5.1                  |
| Consumer Discretionary | 2.1                  |
| Cash/Other             | 2.6                  |

### Top 25 Holdings

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| Bank of America Corp.           | 3.7                  |
| CVS Health Corp.                | 3.7                  |
| JPMorgan Chase & Co.            | 3.7                  |
| AT&T Inc.                       | 3.5                  |
| Johnson & Johnson               | 3.5                  |
| Honeywell International Inc.    | 3.1                  |
| Becton Dickinson & Co.          | 2.6                  |
| Medtronic Plc.                  | 2.5                  |
| Cash & Cash Equivalents         | 2.5                  |
| Chubb Ltd.                      | 2.2                  |
| The Walt Disney Company         | 2.1                  |
| Wells Fargo & Company           | 2.1                  |
| Abbott Laboratories             | 2.1                  |
| Home Depot Inc.                 | 2.1                  |
| Oracle Corporation              | 2.1                  |
| Boeing Co.                      | 2.1                  |
| U.S. Bancorp                    | 2.1                  |
| Chevron Corp.                   | 2.1                  |
| Union Pacific Corp.             | 2.1                  |
| UnitedHealth Group Incorporated | 2.1                  |
| Alphabet Inc., Class A          | 2.0                  |
| Intercontinental Exchange, Inc. | 2.0                  |
| Microsoft Corp.                 | 2.0                  |
| Arthur J. Gallagher & Co.       | 2.0                  |
| General Mills Inc.              | 2.0                  |
| Top 25 Holdings                 | 62.0                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



U.S. EQUITY

**RBC PRIVATE U.S. LARGE-CAP VALUE  
EQUITY CURRENCY NEUTRAL POOL**

*December 31, 2018*

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

Sub-Advisor (*for the underlying fund*): Westwood Management Corp.,  
Dallas, Texas

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns primarily through capital appreciation by investing primarily in one or more mutual funds managed by RBC GAM or an affiliate. The assets are invested in common stocks and equivalent securities of U.S. corporations trading below their potential intrinsic value. The Fund also seeks to minimize exposure to currency fluctuations between the U.S. and Canadian dollars.

To achieve its investment objective, the Fund invests most of its assets in the RBC Private U.S. Large-Cap Value Equity Pool (the “underlying fund”), and uses currency hedges to minimize currency exposure. The underlying fund typically invests in U.S. and non-U.S. companies that are constituents of the Russell 1000 or S&P 500 indices. The underlying fund is diversified across major industry sectors, within minimum and maximum exposures.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying fund. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium-to-high investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value fell to \$16 million as of December 31, 2018, from \$20 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund’s Series O units lost 7.3%, which underperformed the 6.1% decline in the benchmark. The Fund’s return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Stocks rose at the start of 2018, as investors celebrated legislation that boosted corporate-profit expectations. However, volatility returned as investors became concerned that robust U.S. economic growth would prompt the U.S. Federal Reserve to raise interest rates too quickly and risk snuffing out the expansion. Another headwind for growth that helped to push financial markets lower later in the year was the U.S.-China trade dispute, which intensified as the year progressed.

Relative performance was aided by strong security selection across the Utilities, Real Estate and Materials sectors. Top individual contributors included Motorola Solutions, which benefited from increasing the portion of revenue from services and software rather than equipment. Abbott Laboratories continued to benefit from recent acquisitions and its medical-device business. Booz Allen Hamilton rose on increased federal spending and growth by clients that specialize in information-technology services. Hormel Foods rallied as the company focused on branded products to help offset lower profits from commodity meats. Dr Pepper Snapple agreed to be acquired at a significant premium by Keurig Green Mountain.

Unfavourable security selection in the Information Technology, Communication Services and Consumer Discretionary sectors hurt the Fund’s relative performance. Individual stocks that hurt returns included AT&T, amid investor concern regarding competition in its wireless segment and uncertainty about the company’s entertainment business. FedEx shares declined on weaker-than-expected profits in the company’s express segment and broader investor concerns about the impact of moderating global economic growth. General Mills shares were hurt by disappointing sales of snack foods, yogurt and cereal, but this was offset somewhat by the positive impact of cost controls. Western Alliance Bancorp shares fell after the company reported disappointing profit margins. Halliburton faced lower crude prices, which reduced demand for the company’s oilfield services.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the Canadian dollar and the U.S. dollar. This policy had a negative impact on the Fund during 2018, as investors did not benefit from the rise in the U.S. dollar versus the Canadian dollar.

### **Recent Developments**

Looking to 2019, corporate-earnings growth remains positive, though it is decelerating, after the boost from lower tax rates as well as increasing wage pressures from a tight labour market. Tariff and trade uncertainty create headwinds for companies looking to make long-term commitments on capital expenditures, keeping productivity subdued. Companies with pricing power can deal better with such headwinds. The sub-advisor continues to focus on high-quality businesses that offer underappreciated growth prospects and that the sub-advisor believes would fall less than the market in the event of a downturn.



## **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 18.22                                  | 0.35                                             | (0.01)            | 1.84                          | (3.45)                          | (1.27) | —                                          | (0.34)            | (1.67)                   | —                    | (2.01) | 14.87                               |
| Dec. 31, 2017                 | 16.40                                  | 0.30                                             | (0.01)            | 1.97                          | 1.04                            | 3.30   | —                                          | (0.29)            | (1.21)                   | —                    | (1.50) | 18.22                               |
| Dec. 31, 2016                 | 15.06                                  | 0.25                                             | (0.01)            | 3.09                          | (0.89)                          | 2.44   | —                                          | (0.23)            | —                        | —                    | (0.23) | 16.40                               |
| Dec. 31, 2015                 | 16.10                                  | 0.27                                             | (0.01)            | 1.15                          | (1.32)                          | 0.09   | —                                          | (0.26)            | (0.75)                   | —                    | (1.01) | 15.06                               |
| Dec. 31, 2014                 | 14.51                                  | 0.23                                             | (0.01)            | 3.63                          | (2.20)                          | 1.65   | —                                          | (0.24)            | —                        | —                    | (0.24) | 16.10                               |

<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.

## Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>14.87</b>                     | <b>15 741</b>               | <b>1 059</b>                          | <b>0.15</b>                                  | <b>0.16</b>                               | <b>18.61</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 18.22                            | 19 765                      | 1 085                                 | 0.15                                         | 0.16                                      | 16.92                                       | 0.02                                      |
| Dec. 31, 2016        | 16.40                            | 18 486                      | 1 127                                 | 0.15                                         | 0.16                                      | 132.44                                      | 0.03                                      |
| Dec. 31, 2015        | 15.06                            | 15 781                      | 1 048                                 | 0.15                                         | 0.18                                      | 48.03                                       | 0.03                                      |
| Dec. 31, 2014        | 16.10                            | 15 612                      | 970                                   | 0.15                                         | 0.17                                      | 5.56                                        | 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.

<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.

## Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

## PAST PERFORMANCE

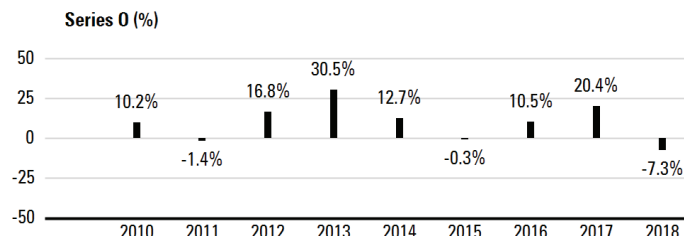
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, or optional 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.



## PAST PERFORMANCE (cont.)

### 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The new benchmark (the "New benchmark") is the Russell 1000 Total Return Net Index (hedged to CAD).

The old benchmark (the "Old benchmark") is the Russell 1000 Value Total Return Net Index (hedged to CAD).

The change in benchmark better reflects the composition of the Fund.

|               | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|---------------|--------------|-----------------|-----------------|------------------|--------------------|
| Series 0      | -7.3         | 7.3             | 6.7             | —                | 9.7                |
| New benchmark | -6.1         | 8.2             | 7.8             | —                | 11.0               |
| Old benchmark | -9.6         | 6.1             | 5.4             | —                | 9.4                |

The returns of each series may vary because of differences in management fees and expenses. The New benchmark and Old benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the New benchmark and Old benchmark index.

Series 0 units have been available for sale to unitholders since January 11, 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTIONS

**Russell 1000 Total Return Net Index (hedged to CAD)** This index measures the performance of the large-cap segment of the U.S. equity universe and includes 1,000 of the largest securities based on market capitalization. The index is hedged to Canadian dollars.

**Russell 1000 Value Total Return Net Index (hedged to CAD)** This index measures the performance of companies in the Russell 1000 Index that have lower price-to-book ratios and lower forecasted growth values. The index is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Financials             | 21.2                 |
| Health Care            | 16.4                 |
| Industrials            | 12.6                 |
| Information Technology | 10.0                 |
| Consumer Staples       | 7.9                  |
| Utilities              | 7.8                  |
| Communication Services | 7.7                  |
| Energy                 | 6.6                  |
| Real Estate            | 5.1                  |
| Consumer Discretionary | 2.1                  |
| Cash/Other             | 2.6                  |

### Top 25 Holdings\*

|                                 | % of Net Asset Value |
|---------------------------------|----------------------|
| Bank of America Corp.           | 3.7                  |
| CVS Health Corp.                | 3.7                  |
| JPMorgan Chase & Co.            | 3.7                  |
| AT&T Inc.                       | 3.5                  |
| Johnson & Johnson               | 3.5                  |
| Honeywell International Inc.    | 3.1                  |
| Becton Dickinson & Co.          | 2.6                  |
| Medtronic Plc.                  | 2.5                  |
| Cash & Cash Equivalents         | 2.5                  |
| Chubb Ltd.                      | 2.2                  |
| The Walt Disney Company         | 2.1                  |
| Wells Fargo & Company           | 2.1                  |
| Abbott Laboratories             | 2.1                  |
| Home Depot Inc.                 | 2.1                  |
| Oracle Corporation              | 2.1                  |
| Boeing Co.                      | 2.1                  |
| U.S. Bancorp                    | 2.1                  |
| Chevron Corp.                   | 2.1                  |
| Union Pacific Corp.             | 2.1                  |
| UnitedHealth Group Incorporated | 2.1                  |
| Alphabet Inc., Class A          | 2.0                  |
| Intercontinental Exchange, Inc. | 2.0                  |
| Microsoft Corp.                 | 2.0                  |
| Arthur J. Gallagher & Co.       | 2.0                  |
| General Mills Inc.              | 2.0                  |
| Top 25 Holdings                 | 62.0                 |

\* The Fund invests substantially all of its assets directly in the RBC Private U.S. Large-Cap Value Equity Pool. The above are the Top 25 holdings of the RBC Private U.S. Large-Cap Value Equity Pool.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.

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



U.S. EQUITY

**RBC PRIVATE U.S. GROWTH  
EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: Brown Advisory, LLC, Baltimore, Maryland

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 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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## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

### **Investment Objective and Strategies**

The Fund seeks long-term growth primarily through capital appreciation by investing in common stocks and equivalent securities of U.S. corporations that offer above-average prospects for growth.

The Fund identifies opportunities using detailed, bottom-up fundamental research performed through the analysis of a company's financial statements, long-term business model and industry attractiveness. The Fund diversifies across major industry sectors. The Fund invests in companies with an attractive combination of large and sustainable market opportunities, experienced and credible management, proprietary products or services, healthy financial position and attractive valuations relative to their long-term growth opportunity.

### **Risk**

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund's net asset value rose to \$407 million as of December 31, 2018, from \$376 million at the end of 2017. The increase was due to investment returns, partially offset by net redemptions.

Over the past year, the Fund's Series O units gained 15.8%, which outperformed the 7.0% rise in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The portfolio outperformed its benchmark due largely to strong stock selection in the Health Care sector, given an environment of mostly rising interest rates, inflationary pressures and global trade tensions. Dexcom, which manufactures glucose-monitoring devices, was one of the best-performing stocks in the portfolio, and, in the view of the sub-advisor, has a significant opportunity to win market share. Shares of Intuitive Surgical, which has a near-monopoly on robotic instruments used in minimally invasive surgery, continued to exceed expectations.

The new Communication Services sector held back portfolio returns the most, given holdings in Electronic Arts, Charter Communications and Facebook. Electronic Arts experienced several setbacks during the year, but the Fund kept the position because the

reasons for the investment remain intact and management of the gaming-software company has shown it can recover from obstacles. Charter Communications, on the other hand, was eliminated from the portfolio. The telecommunications company failed to deliver on the sub-advisor's growth expectations. The sub-advisor eliminated Facebook from the portfolio during 2018 amid slowing growth and criticism of the company's approach to user privacy.

The Fund focuses on fast-growing companies that tend to offer little or no dividend. This lack of exposure to high-dividend-yield companies was good for the Fund's relative returns during the period because these companies underperformed as interest rates rose for most of the year.

### **Recent Developments**

The sub-advisor has no recent developments to report.

### **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.

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***Registrars***

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***Custodian***

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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 184.40                                 | 0.92                                             | (2.60)            | 25.63                         | (32.59)                         | (8.64) | —                                          | —                 | —                        | —                    | —      | 211.21                              |
| Dec. 31, 2017                 | 151.86                                 | 0.89                                             | (2.06)            | 10.58                         | 29.19                           | 38.60  | —                                          | —                 | —                        | —                    | —      | 184.40                              |
| Dec. 31, 2016                 | 161.98                                 | 0.65                                             | (1.82)            | 15.95                         | (23.45)                         | (8.67) | —                                          | —                 | —                        | —                    | —      | 151.86                              |
| Dec. 31, 2015                 | 127.74                                 | 0.95                                             | (1.75)            | 18.45                         | 17.31                           | 34.96  | —                                          | —                 | —                        | —                    | —      | 161.98                              |
| Dec. 31, 2014                 | 110.30                                 | 0.77                                             | (1.38)            | 10.26                         | 7.23                            | 16.88  | —                                          | —                 | —                        | —                    | —      | 127.74                              |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 190.77                                 | 0.95                                             | (0.17)            | 26.51                         | 3.92                            | 31.21  | (0.05)                                     | (0.70)            | —                        | —                    | (0.75) | 220.22                              |
| Dec. 31, 2017                 | 156.05                                 | 0.91                                             | (0.14)            | 10.84                         | 24.05                           | 35.66  | (0.03)                                     | (0.75)            | —                        | —                    | (0.78) | 190.77                              |
| Dec. 31, 2016                 | 165.20                                 | 0.67                                             | (0.12)            | 16.30                         | (25.78)                         | (8.93) | —                                          | (0.57)            | —                        | —                    | (0.57) | 156.05                              |
| Dec. 31, 2015                 | 129.64                                 | 0.97                                             | (0.12)            | 18.74                         | 17.58                           | 37.17  | —                                          | (0.91)            | —                        | —                    | (0.91) | 165.20                              |
| Dec. 31, 2014                 | 111.37                                 | 0.78                                             | (0.09)            | 10.40                         | 7.33                            | 18.42  | —                                          | (0.70)            | —                        | —                    | (0.70) | 129.64                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>211.21</b>                    | <b>13 031</b>               | <b>62</b>                             | <b>1.19</b>                                  | <b>1.19</b>                               | <b>25.51</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 184.40                           | 2 562                       | 14                                    | 1.19                                         | 1.19                                      | 32.25                                       | 0.02                                      |
| Dec. 31, 2016        | 151.86                           | 1 043                       | 7                                     | 1.20                                         | 1.20                                      | 31.76                                       | 0.03                                      |
| Dec. 31, 2015        | 161.98                           | 941                         | 6                                     | 1.19                                         | 1.19                                      | 30.59                                       | 0.03                                      |
| Dec. 31, 2014        | 127.74                           | 592                         | 5                                     | 1.19                                         | 1.19                                      | 20.88                                       | 0.02                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>220.22</b>                    | <b>394 227</b>              | <b>1 790</b>                          | <b>0.08</b>                                  | <b>0.08</b>                               | <b>25.51</b>                                | <b>0.01</b>                               |
| Dec. 31, 2017        | 190.77                           | 373 078                     | 1 956                                 | 0.08                                         | 0.08                                      | 32.25                                       | 0.02                                      |
| Dec. 31, 2016        | 156.05                           | 339 941                     | 2 178                                 | 0.08                                         | 0.08                                      | 31.76                                       | 0.03                                      |
| Dec. 31, 2015        | 165.20                           | 394 114                     | 2 386                                 | 0.08                                         | 0.08                                      | 30.59                                       | 0.03                                      |
| Dec. 31, 2014        | 129.64                           | 340 987                     | 2 630                                 | 0.08                                         | 0.08                                      | 20.88                                       | 0.02                                      |

<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.

<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.





## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 1.00% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

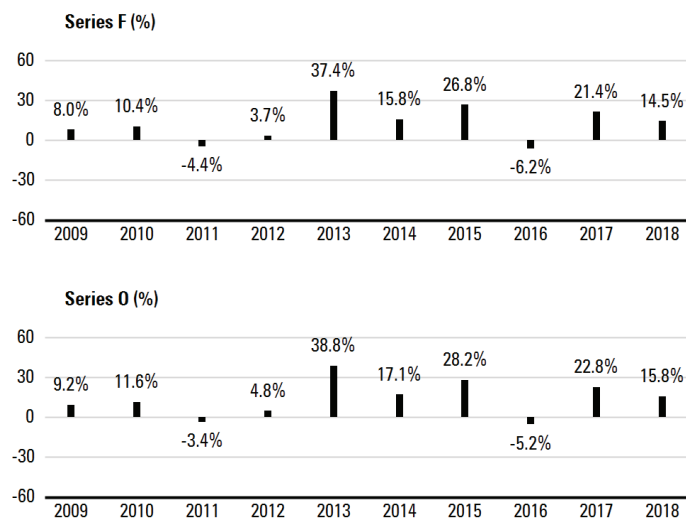
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### Russell 1000 Growth Index (CAD)

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series F  | 14.5      | 9.2          | 13.9         | 12.0          | —               |
| Benchmark | 7.0       | 10.7         | 16.1         | 16.6          | —               |
| Series O  | 15.8      | 10.5         | 15.1         | 13.2          | —               |
| Benchmark | 7.0       | 10.7         | 16.1         | 16.6          | —               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**Russell 1000 Growth Index (CAD)** This index measures the Canadian dollar performance of companies in the Russell 1000 Index that have higher price-to-book ratios and higher forecasted growth values.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 33.5                 |
| Health Care            | 21.5                 |
| Industrials            | 11.2                 |
| Consumer Discretionary | 10.3                 |
| Communication Services | 6.6                  |
| Consumer Staples       | 5.9                  |
| Real Estate            | 3.6                  |
| Materials              | 3.4                  |
| Cash/Other             | 4.0                  |

### Top 25 Holdings

|                                                                | % of Net Asset Value |
|----------------------------------------------------------------|----------------------|
| Zoetis Inc.                                                    | 4.6                  |
| Amazon.com, Inc.                                               | 4.6                  |
| Visa Inc., Class A                                             | 4.6                  |
| Intuitive Surgical Inc.                                        | 4.2                  |
| PayPal Holdings Inc.                                           | 4.0                  |
| Cash & Cash Equivalents                                        | 4.0                  |
| Intuit Inc.                                                    | 3.9                  |
| Thermo Fisher Scientific Inc.                                  | 3.8                  |
| Salesforce.com Inc.                                            | 3.7                  |
| Alphabet Inc., Class C                                         | 3.7                  |
| SBA Communications Corp., Class A Real Estate Investment Trust | 3.6                  |
| Roper Technologies Inc.                                        | 3.6                  |
| Sherwin-Williams Co.                                           | 3.4                  |
| Danaher Corp.                                                  | 3.2                  |
| Fortive Corp.                                                  | 3.2                  |
| DexCom Inc.                                                    | 3.1                  |
| Booking Holdings Inc.                                          | 3.0                  |
| Microsoft Corp.                                                | 3.0                  |
| Costco Wholesale Corp.                                         | 3.0                  |
| Electronic Arts Inc.                                           | 2.9                  |
| Estée Lauder Companies Inc., Class A                           | 2.9                  |
| Adobe Inc.                                                     | 2.9                  |
| Amphenol Corp., Class A                                        | 2.9                  |
| Cintas Corp.                                                   | 2.8                  |
| Autodesk Inc.                                                  | 2.7                  |
| Top 25 Holdings                                                | 87.3                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



U.S. EQUITY

**RBC PRIVATE U.S. LARGE-CAP  
CORE EQUITY POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting primarily of capital appreciation by investing in common stocks of U.S. corporations.

The Fund typically invests in large-cap companies that belong to the Standard & Poor's 500 Index. The Fund will be diversified across industries and, in aggregate, normally will have lower price-to-earnings, price-to-book, and price-to-cash-flow ratios than the Standard & Poor's 500 Index. Equities are also selected based on expectations of improved fundamentals that could result from restructurings, management changes and new-product cycles.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value was \$2.2 billion as of December 31, 2018, unchanged from the end of 2017.

Over the past year, the Fund's Series O units gained 3.8%, which matched the 3.8% rise in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The Fund's performance in 2018 was largely driven by the Health Care sector. The Fund's overweight position in the pharmaceuticals company Eli Lilly was a boost to relative returns after the company reported positive results in a mid-stage clinical trial for its experimental diabetes drug. Overweight exposure to the health-care equipment company Abbott Laboratories was also positive for the Fund's relative performance.

The Consumer Discretionary sector was the worst-performing sector, hurt by an overweight position in Mohawk Industries. The manufacturer of flooring products, including carpets and ceramic tile, was exposed to a slower housing market and rising costs for the raw materials used to make its products.

### Recent Developments

While the portfolio manager's base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the "Fed") – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### 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., 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 Investor Services Trust ("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 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.

### ***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$94,000 (2017 – \$126,000) or 10% (2017 – 8%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |       | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|-------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.32                                  | 0.39                                             | (0.18)            | 1.48                          | (1.10)                          | 0.59  | —                                          | (0.20)            | (1.28)                   | —                    | (1.48) | 22.54                               |
| Dec. 31, 2017                 | 21.27                                  | 0.34                                             | (0.17)            | 1.80                          | 1.32                            | 3.29  | —                                          | (0.17)            | (0.99)                   | —                    | (1.16) | 23.32                               |
| Dec. 31, 2016                 | 20.89                                  | 0.45                                             | (0.16)            | (0.17)                        | 0.61                            | 0.73  | —                                          | (0.30)            | —                        | —                    | (0.30) | 21.27                               |
| Dec. 31, 2015                 | 18.58                                  | 0.37                                             | (0.19)            | 1.93                          | 1.00                            | 3.11  | —                                          | (0.11)            | (0.99)                   | —                    | (1.10) | 20.89                               |
| Dec. 31, 2014                 | 16.31                                  | 0.29                                             | (0.16)            | 2.18                          | 1.72                            | 4.03  | —                                          | (0.11)            | (1.57)                   | —                    | (1.68) | 18.58                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |       |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 23.57                                  | 0.40                                             | (0.03)            | 1.50                          | (0.95)                          | 0.92  | —                                          | (0.35)            | (1.31)                   | —                    | (1.66) | 22.78                               |
| Dec. 31, 2017                 | 21.51                                  | 0.34                                             | (0.03)            | 1.82                          | 1.27                            | 3.40  | (0.01)                                     | (0.31)            | (1.01)                   | —                    | (1.33) | 23.57                               |
| Dec. 31, 2016                 | 21.11                                  | 0.46                                             | (0.02)            | (0.18)                        | 0.73                            | 0.99  | —                                          | (0.43)            | —                        | —                    | (0.43) | 21.51                               |
| Dec. 31, 2015                 | 18.78                                  | 0.35                                             | (0.02)            | 1.83                          | 0.94                            | 3.10  | —                                          | (0.28)            | (1.01)                   | —                    | (1.29) | 21.11                               |
| Dec. 31, 2014                 | 16.48                                  | 0.29                                             | (0.02)            | 2.20                          | 1.73                            | 4.20  | —                                          | (0.26)            | (1.57)                   | —                    | (1.83) | 18.78                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>22.54</b>                     | <b>27 560</b>               | <b>1 223</b>                          | <b>0.74</b>                                  | <b>0.74</b>                               | <b>58.31</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017        | 23.32                            | 24 226                      | 1 039                                 | 0.74                                         | 0.74                                      | 81.28                                       | 0.08                                      |
| Dec. 31, 2016        | 21.27                            | 20 497                      | 963                                   | 0.82                                         | 0.82                                      | 70.35                                       | 0.07                                      |
| Dec. 31, 2015        | 20.89                            | 19 219                      | 920                                   | 0.89                                         | 0.89                                      | 90.05                                       | 0.12                                      |
| Dec. 31, 2014        | 18.58                            | 11 902                      | 641                                   | 0.90                                         | 0.90                                      | 76.82                                       | 0.10                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>22.78</b>                     | <b>2 214 149</b>            | <b>97 189</b>                         | <b>0.11</b>                                  | <b>0.11</b>                               | <b>58.31</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017        | 23.57                            | 2 210 157                   | 93 782                                | 0.11                                         | 0.11                                      | 81.28                                       | 0.08                                      |
| Dec. 31, 2016        | 21.51                            | 1 915 981                   | 89 080                                | 0.11                                         | 0.11                                      | 70.35                                       | 0.07                                      |
| Dec. 31, 2015        | 21.11                            | 1 751 255                   | 82 966                                | 0.11                                         | 0.11                                      | 90.05                                       | 0.12                                      |
| Dec. 31, 2014        | 18.78                            | 675 585                     | 35 974                                | 0.11                                         | 0.11                                      | 76.82                                       | 0.10                                      |

<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.

<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.

Effective June 30, 2016, the management fees were changed in respect of Series F units of the Fund. If the changes to the management fees would have been in effect throughout 2016, the adjusted MER for each series of the Fund would be: Series F — 0.74%.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 0.60% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

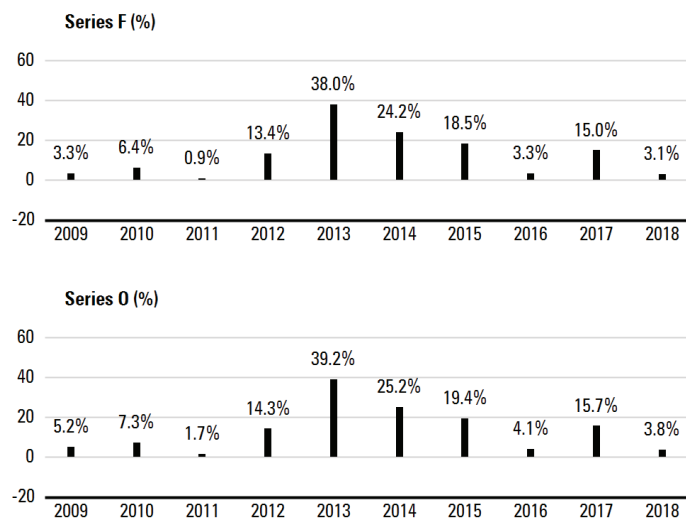
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

## 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, or 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### S&P 500 Total Return Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | 3.1          | 7.0             | 12.5            | 12.1             | —                  |
| Benchmark | 3.8          | 8.8             | 14.1            | 14.4             | —                  |
| Series O  | 3.8          | 7.7             | 13.3            | 13.0             | —                  |
| Benchmark | 3.8          | 8.8             | 14.1            | 14.4             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**S&P 500 Total Return Index (CAD)** This index is a capitalization-weighted index measuring the Canadian dollar performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 20.7                 |
| Health Care            | 17.2                 |
| Financials             | 13.8                 |
| Communication Services | 9.6                  |
| Consumer Discretionary | 8.4                  |
| Consumer Staples       | 7.6                  |
| Industrials            | 6.9                  |
| Energy                 | 5.3                  |
| Materials              | 2.7                  |
| Utilities              | 2.2                  |
| Real Estate            | 2.0                  |
| Cash/Other             | 3.6                  |

### Top 25 Holdings

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Microsoft Corp.                  | 4.2                  |
| Alphabet Inc., Class C           | 3.6                  |
| Cash & Cash Equivalents          | 3.5                  |
| Apple Inc.                       | 3.2                  |
| Amazon.com, Inc.                 | 3.0                  |
| JPMorgan Chase & Co.             | 2.2                  |
| Johnson & Johnson                | 2.0                  |
| Exxon Mobil Corp.                | 1.9                  |
| Berkshire Hathaway Inc., Class B | 1.9                  |
| Bank of America Corp.            | 1.9                  |
| UnitedHealth Group Incorporated  | 1.9                  |
| Facebook Inc., Class A           | 1.8                  |
| Visa Inc., Class A               | 1.5                  |
| Merck & Co. Inc.                 | 1.5                  |
| Verizon Communications Inc.      | 1.5                  |
| Cisco Systems Inc.               | 1.4                  |
| Abbott Laboratories              | 1.4                  |
| Union Pacific Corp.              | 1.3                  |
| Wells Fargo & Company            | 1.3                  |
| Pfizer Inc.                      | 1.3                  |
| Eli Lilly & Co.                  | 1.2                  |
| Medtronic Plc.                   | 1.2                  |
| The Procter & Gamble Co.         | 1.2                  |
| The Walt Disney Company          | 1.1                  |
| Anthem Inc.                      | 1.1                  |
| Top 25 Holdings                  | 48.1                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.





U.S. EQUITY

**RBC PRIVATE U.S. LARGE-CAP CORE  
EQUITY CURRENCY NEUTRAL POOL**

*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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns consisting primarily of capital appreciation by investing primarily in one or more mutual funds managed by RBC GAM or an affiliate. The assets are invested in common stocks of U.S. corporations. The Fund also seeks to minimize the exposure of currency fluctuations between the U.S. and Canadian dollars.

To achieve its objective, the Fund invests most of its assets in the RBC Private U.S. Large-Cap Core Equity Pool (the “underlying fund”), and uses currency hedges to minimize currency exposure. The underlying fund typically invests in large-cap companies that belong to the Standard & Poor’s 500 Index. The underlying fund will be diversified across industries and, in aggregate, normally will have lower price-to-earnings, price-to-book, and price-to-cash-flow ratios than the Standard & Poor’s 500 Index. Equities are also selected based on expectations of improved fundamentals that could result from restructurings, management changes and new-product cycles.

### **Risk**

The Fund has multiple risks, which are similar to the risks of investing in the underlying fund. The Fund is suitable for investors who plan to hold their investments for the long term and can tolerate medium investment risk.

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### **Results of Operations**

The Fund’s net asset value fell to \$49 million as of December 31, 2018, from \$60 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund’s Series O units lost 5.7%, which matched the 5.7% decline in the benchmark. The Fund’s return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

U.S. stocks fell overall in 2018 due to a significant pullback in the fourth quarter of the year. From April to September, U.S. stocks enjoyed a stretch of strong returns driven primarily by earnings growth. However, volatility emerged in October amid concern that rising interest rates would generate headwinds for economic and earnings growth. The recent market pullback has arguably priced in

most apparent challenges, in the view of the portfolio manager, as reduced stock-market valuations mean that future returns will not be entirely reliant on earnings growth.

The Fund’s performance in 2018 was largely driven by the Health Care sector. The Fund’s overweight position in the pharmaceuticals company Eli Lilly was a boost to relative returns after the company reported positive results in a mid-stage clinical trial for its experimental diabetes drug. Overweight exposure to the health-care equipment company Abbott Laboratories was also positive for the Fund’s relative performance.

The Consumer Discretionary sector was the worst-performing sector, hurt by an overweight position in Mohawk Industries. The manufacturer of flooring products, including carpets and ceramic tile, was exposed to a slower housing market and rising costs for the raw materials used to make its products.

It is the policy of the Fund to maintain currency hedges at all times in order to neutralize exchange-rate movements between the U.S. dollar and the Canadian dollar. This policy had a negative impact on the Fund in 2018.

### **Recent Developments**

While the portfolio manager’s base case is for stocks to rise modestly over the next year, there are several scenarios that could lead to different outcomes. A policy mistake by the U.S. Federal Reserve (the “Fed”) – raising interest rates too fast, for example – or an escalation of protectionist moves by the Trump administration, which could increase the costs of goods, are the most likely causes of a downturn, given the potential for both to stamp out the expansion, in the view of the portfolio manager. In the upside scenario, the expansion would remain intact through 2021, perhaps because the Fed soon pauses its plan to hike rates or the Trump administration reaches a trade agreement with China.

### **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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 15.47                                  | 0.22                                             | (0.01)            | 0.96                          | (1.91)                          | (0.74) | —                                          | (0.21)            | (0.70)                   | —                    | (0.91) | 13.66                               |
| Dec. 31, 2017                 | 13.60                                  | 0.20                                             | (0.01)            | 2.04                          | 0.87                            | 3.10   | (0.01)                                     | (0.19)            | (1.04)                   | —                    | (1.24) | 15.47                               |
| Dec. 31, 2016                 | 13.01                                  | 0.26                                             | (0.01)            | 1.34                          | 0.69                            | 2.28   | —                                          | (0.28)            | —                        | —                    | (0.28) | 13.60                               |
| Dec. 31, 2015                 | 13.19                                  | 0.18                                             | (0.01)            | —                             | (0.15)                          | 0.02   | —                                          | (0.17)            | —                        | —                    | (0.17) | 13.01                               |
| Dec. 31, 2014                 | 12.96                                  | 0.20                                             | (0.01)            | 1.49                          | 0.26                            | 1.94   | —                                          | (0.18)            | (1.54)                   | —                    | (1.72) | 13.19                               |

<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.

## Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>13.66</b>                     | <b>49 375</b>               | <b>3 614</b>                          | <b>0.17</b>                                  | <b>0.17</b>                               | <b>17.87</b>                                | <b>0.04</b>                               |
| Dec. 31, 2017        | 15.47                            | 59 769                      | 3 864                                 | 0.17                                         | 0.17                                      | 13.71                                       | 0.08                                      |
| Dec. 31, 2016        | 13.60                            | 65 291                      | 4 802                                 | 0.17                                         | 0.17                                      | 112.19                                      | 0.07                                      |
| Dec. 31, 2015        | 13.01                            | 15 162                      | 1 165                                 | 0.17                                         | 0.20                                      | 40.21                                       | 0.12                                      |
| Dec. 31, 2014        | 13.19                            | 8 271                       | 627                                   | 0.16                                         | 0.20                                      | 28.77                                       | 0.10                                      |

<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.

<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.

## Management Fees

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

The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

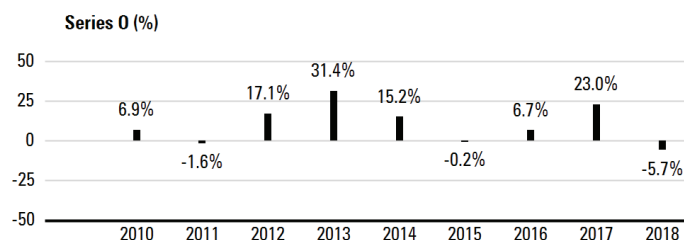


## PAST PERFORMANCE

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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

S&P 500 Total Return Index (hedged to CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series 0  | -5.7         | 7.4             | 7.3             | —                | 9.7                |
| Benchmark | -5.7         | 8.4             | 8.1             | —                | 11.0               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series 0 units have been available for sale to unitholders since January 11, 2010.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**S&P 500 Total Return Index (hedged to CAD)** This index is a capitalization-weighted index measuring the performance of 500 widely held common stocks representing all major industries in the United States. The index gives investors a broad measure of the overall performance of the U.S. stock market and is hedged to Canadian dollars.

## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2018

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 20.7                 |
| Consumer Discretionary | 17.2                 |
| Financials             | 13.8                 |
| Real Estate            | 9.6                  |
| Health Care            | 8.4                  |
| Consumer Staples       | 7.6                  |
| Industrials            | 6.9                  |
| Energy                 | 5.3                  |
| Utilities              | 2.7                  |
| Materials              | 2.2                  |
| Communication Services | 2.0                  |
| Cash/Other             | 3.6                  |

### Top 25 Holdings\*

|                                  | % of Net Asset Value |
|----------------------------------|----------------------|
| Microsoft Corp.                  | 4.2                  |
| Alphabet Inc., Class C           | 3.6                  |
| Cash & Cash Equivalents          | 3.5                  |
| Apple Inc.                       | 3.2                  |
| Amazon.com, Inc.                 | 3.0                  |
| JPMorgan Chase & Co.             | 2.2                  |
| Johnson & Johnson                | 2.0                  |
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| Berkshire Hathaway Inc., Class B | 1.9                  |
| Bank of America Corp.            | 1.9                  |
| UnitedHealth Group Incorporated  | 1.9                  |
| Facebook Inc., Class A           | 1.8                  |
| Visa Inc., Class A               | 1.5                  |
| Merck & Co. Inc.                 | 1.5                  |
| Verizon Communications Inc.      | 1.5                  |
| Cisco Systems Inc.               | 1.4                  |
| Abbott Laboratories              | 1.4                  |
| Union Pacific Corp.              | 1.3                  |
| Wells Fargo & Company            | 1.3                  |
| Pfizer Inc.                      | 1.3                  |
| Eli Lilly & Co.                  | 1.2                  |
| Medtronic Plc.                   | 1.2                  |
| The Procter & Gamble Co.         | 1.2                  |
| The Walt Disney Company          | 1.1                  |
| Anthem Inc.                      | 1.1                  |
| Top 25 Holdings                  | 48.1                 |

\* The Fund invests substantially all of its assets directly in the RBC Private U.S. Large-Cap Core Equity Pool. The above are the Top 25 holdings of the RBC Private U.S. Large-Cap Core Equity Pool.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.

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



U.S. EQUITY

**RBC PRIVATE U.S. SMALL-CAP  
EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: Kennedy Capital Management, Inc., St. Louis, Missouri

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 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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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Fund seeks to provide long-term growth, primarily through capital appreciation, by investing in a portfolio of common stocks and equivalent securities of small- to mid-capitalization U.S. companies.

The Fund typically invests in companies that trade regularly on major U.S. stock exchanges. Investments are primarily within the Russell 2000 Index and are diversified across major industry sectors within minimum and maximum exposures. The Fund may not purchase or sell derivatives instruments, including options, futures and forwards.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$167 million as of December 31, 2018, from \$187 million at the end of 2017. The decrease was due to net redemptions.

Over the past year, the Fund's Series O units lost 1.6%, which outperformed the 3.4% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

U.S. equity markets were strong through the first nine months of 2018. The last three months, however, were weak. Concerns about rising interest rates, trade disputes and other geopolitical issues took their toll on the markets. The sub-advisor takes these types of macroeconomic issues into consideration when making investment decisions, but does not specifically attempt to "trade" on them. The sub-advisor strives to stay focused on bottom-up stock selection.

Several of the Fund's holdings performed well in 2018, including BioTelemetry and Omnicell, which were the top contributors to relative performance. Both stocks are in the Health Care sector, which was the Fund's best-performing sector. The Fund's holdings in the Industrials sector also did well.

Among the stocks that had a negative impact on relative performance was Winnebago Industries, which hurt returns the most in 2018. The stock is in the Consumer Discretionary sector. On a relative

basis, the Financials sector was the Fund's worst-performing area, with returns held back by investments in BrightSphere Investment, Ameris Bancorp and ConnectOne Bancorp. Consumer Discretionary was the second-worst sector in terms of relative returns.

In 2018, the sub-advisor reduced the Fund's weighting in the Industrials sector, given a belief that slowing economic growth would lead to slowing orders and lower earnings. Exposure was increased to the Health Care sector and reduced somewhat to the Real Estate sector.

### Recent Developments

Two of the sub-advisor's goals at the beginning of 2018 were to tilt the portfolio toward value stocks and away from growth equities and to reduce exposure to highly indebted companies, given rising interest rates. The sub-advisor was able to achieve the second goal.

However, little progress was made toward the first goal, as the poor performance of the Fund's early value-stock purchases discouraged the sub-advisor from further increasing exposure to value stocks.

The Fund has underweight positions in the Energy, Consumer Discretionary, Real Estate and Commercial Services sectors, and overweight positions in Health Care and Information Technology.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |         | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|---------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total   |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |         |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 129.91                                 | 1.37                                             | (2.03)            | 18.48                         | (20.50)                         | (2.68) | —                                          | —                 | (19.18)                  | —                    | (19.18) | 106.68                              |
| Dec. 31, 2017                 | 134.92                                 | 1.21                                             | (1.97)            | 12.19                         | (8.47)                          | 2.96   | —                                          | —                 | (9.99)                   | —                    | (9.99)  | 129.91                              |
| Dec. 31, 2016                 | 117.16                                 | 1.44                                             | (1.84)            | 16.56                         | 12.75                           | 28.91  | —                                          | —                 | (11.00)                  | —                    | (11.00) | 134.92                              |
| Dec. 31, 2015                 | 117.16                                 | 1.45                                             | (2.01)            | 24.46                         | (3.49)                          | 20.41  | —                                          | —                 | (19.28)                  | —                    | (19.28) | 117.16                              |
| Dec. 31, 2014                 | 126.13                                 | 1.02                                             | (1.95)            | 21.70                         | (14.09)                         | 6.68   | —                                          | —                 | (16.80)                  | —                    | (16.80) | 117.16                              |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 143.13                                 | 1.51                                             | (0.17)            | 20.41                         | (24.15)                         | (2.40) | (0.08)                                     | (1.19)            | (21.69)                  | —                    | (22.96) | 117.71                              |
| Dec. 31, 2017                 | 147.85                                 | 1.33                                             | (0.17)            | 13.42                         | (7.14)                          | 7.44   | (0.04)                                     | (1.16)            | (11.05)                  | —                    | (12.25) | 143.13                              |
| Dec. 31, 2016                 | 127.78                                 | 1.57                                             | (0.15)            | 18.08                         | 12.51                           | 32.01  | —                                          | (1.44)            | (11.81)                  | —                    | (13.25) | 147.85                              |
| Dec. 31, 2015                 | 127.33                                 | 1.55                                             | (0.16)            | 26.09                         | (3.72)                          | 23.76  | —                                          | (1.38)            | (21.17)                  | —                    | (22.55) | 127.78                              |
| Dec. 31, 2014                 | 134.82                                 | 1.13                                             | (0.15)            | 24.15                         | (15.69)                         | 9.44   | —                                          | (1.02)            | (16.80)                  | —                    | (17.82) | 127.33                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>106.68</b>                    | <b>410</b>                  | <b>4</b>                              | <b>1.47</b>                                  | <b>1.47</b>                               | <b>68.69</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017        | 129.91                           | 541                         | 4                                     | 1.48                                         | 1.48                                      | 48.94                                       | 0.11                                      |
| Dec. 31, 2016        | 134.92                           | 476                         | 4                                     | 1.49                                         | 1.49                                      | 50.99                                       | 0.13                                      |
| Dec. 31, 2015        | 117.16                           | 396                         | 3                                     | 1.53                                         | 1.53                                      | 58.71                                       | 0.16                                      |
| Dec. 31, 2014        | 117.16                           | 8                           | —                                     | 1.51                                         | 1.51                                      | 38.56                                       | 0.11                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>117.71</b>                    | <b>166 374</b>              | <b>1 413</b>                          | <b>0.11</b>                                  | <b>0.11</b>                               | <b>68.69</b>                                | <b>0.10</b>                               |
| Dec. 31, 2017        | 143.13                           | 186 833                     | 1 305                                 | 0.11                                         | 0.11                                      | 48.94                                       | 0.11                                      |
| Dec. 31, 2016        | 147.85                           | 185 021                     | 1 251                                 | 0.11                                         | 0.11                                      | 50.99                                       | 0.13                                      |
| Dec. 31, 2015        | 127.78                           | 170 400                     | 1 334                                 | 0.11                                         | 0.11                                      | 58.71                                       | 0.16                                      |
| Dec. 31, 2014        | 127.33                           | 185 825                     | 1 459                                 | 0.11                                         | 0.11                                      | 38.56                                       | 0.11                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 1.25% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

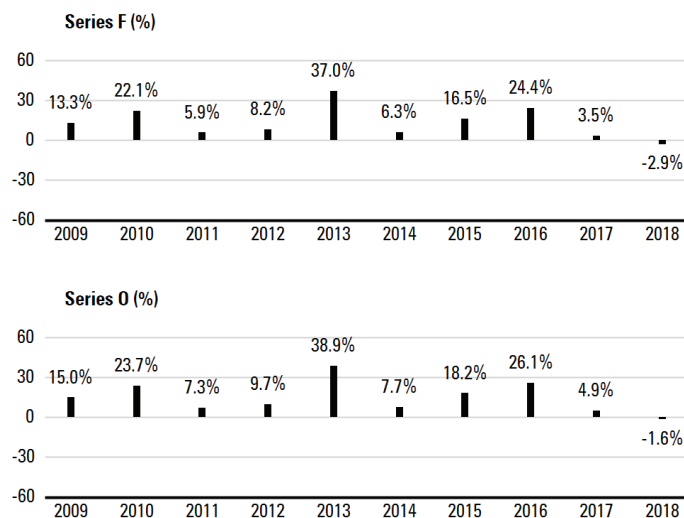
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

## 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, or 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### Russell 2000 Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | -2.9         | 7.7             | 9.1             | 12.9             | —                  |
| Benchmark | -3.4         | 6.9             | 9.8             | 13.3             | —                  |
| Series O  | -1.6         | 9.2             | 10.6            | 14.5             | —                  |
| Benchmark | -3.4         | 6.9             | 9.8             | 13.3             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**Russell 2000 Index (CAD)** This index measures the Canadian dollar performance of the small-cap segment of the U.S. equity universe and includes 2,000 of the smallest securities based on market capitalization.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                        | % of Net Asset Value |
|------------------------|----------------------|
| Information Technology | 22.1                 |
| Health Care            | 21.7                 |
| Industrials            | 14.6                 |
| Financials             | 13.2                 |
| Consumer Discretionary | 7.3                  |
| Materials              | 4.4                  |
| Real Estate            | 3.2                  |
| Utilities              | 2.9                  |
| Energy                 | 1.4                  |
| Consumer Staples       | 0.6                  |
| Cash/Other             | 8.6                  |

### Top 25 Holdings

|                                         | % of Net Asset Value |
|-----------------------------------------|----------------------|
| Cash & Cash Equivalents                 | 8.6                  |
| BioTelemetry Inc.                       | 3.7                  |
| Omniceil Inc.                           | 3.0                  |
| Spire Inc.                              | 2.9                  |
| Euronet Worldwide Inc.                  | 2.9                  |
| EnerSys                                 | 2.8                  |
| LivaNova Plc.                           | 2.7                  |
| Angiodynamics Inc.                      | 2.6                  |
| Woodward Inc.                           | 2.5                  |
| West Pharmaceutical Services Inc.       | 2.5                  |
| FireEye Inc.                            | 2.5                  |
| ESCO Technologies Inc.                  | 2.4                  |
| The Children's Place Inc.               | 2.4                  |
| LogMeIn Inc.                            | 2.4                  |
| Advanced Energy Industries              | 2.3                  |
| Commvault Systems Inc.                  | 2.3                  |
| Dick's Sporting Goods Inc.              | 2.2                  |
| ICU Medical Inc.                        | 2.2                  |
| RPT Realty Real Estate Investment Trust | 2.1                  |
| PROS Holdings Inc.                      | 2.1                  |
| Cubic Corp.                             | 2.1                  |
| WNS Holdings Ltd. ADR                   | 2.0                  |
| John Bean Technologies Corp.            | 1.8                  |
| Union Bankshares Corp.                  | 1.8                  |
| Heritage Commerce Corp.                 | 1.7                  |
| Top 25 Holdings                         | 66.5                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



INTERNATIONAL EQUITY

**RBC PRIVATE EAFE EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: EARNEST Partners, LLC, Atlanta, Georgia

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term growth primarily through capital appreciation by investing in a portfolio of common stocks, American Depositary Receipts ("ADRs") and equivalent securities of major companies domiciled in the developed countries of Europe, Australasia and the Far East ("EAFE").

The Fund selects medium- to large-capitalization companies which, in aggregate, normally exhibit lower price/earnings and price/cash flow ratios than the Morgan Stanley Capital International ("MSCI") EAFE Index. The Fund diversifies by region and sector within certain minimum and maximum exposures and may use derivatives for currency hedging purposes. The Fund may invest up to 20% of its assets in securities of companies not domiciled in EAFE countries, which may include emerging markets.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value rose to \$281 million as of December 31, 2018, from \$278 million at the end of 2017. The increase was due to net inflows, partially offset by investment losses.

Over the past year, the Fund's Series O units lost 6.7%, which underperformed the 6.0% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Global equity markets recorded losses in 2018, with most of the declines coming in the fourth quarter, as concern about the sustainability of economic growth was among the main factors leading to the biggest stock drops in more than a decade. The S&P 500 Index, a broad measure for U.S. large-cap companies, fell 6.3%, and international equity markets, represented by the MSCI EAFE Index, lost 13.3%. Emerging markets outperformed developed markets by about 2 percentage points, so an allocation of just below 20% to emerging markets aided returns versus the benchmark.

The Fund underperformed given a lack of relative exposure to the Consumer Staples and Utilities sectors as well as telecommunications companies – all of which have relatively predictable earnings, higher dividend yields and less exposure to revenue derived outside the U.S. The Fund had outperformed its benchmark through the first 11 months of the year given its preference for faster-growing companies in the Financials and Health Care sectors.

There were no material changes in the portfolio's composition during the period.

### Recent Developments

The sub-advisor has no recent developments to report.

### 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.

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***Registrars***

RBC GAM, RBC Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$8,000 (2017 – \$0) or 5% (2017 – 0%) of the total transaction costs paid for this 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

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### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.13                                  | 0.34                                             | (0.17)            | 0.01                          | (1.24)                          | (1.06) | —                                          | (0.17)            | —                        | —                    | (0.17) | 12.88                               |
| Dec. 31, 2017                 | 12.01                                  | 0.34                                             | (0.16)            | 0.96                          | 1.41                            | 2.55   | —                                          | (0.20)            | —                        | —                    | (0.20) | 14.13                               |
| Dec. 31, 2016                 | 12.13                                  | 0.28                                             | (0.14)            | 0.91                          | (0.96)                          | 0.09   | —                                          | (0.14)            | —                        | —                    | (0.14) | 12.01                               |
| Dec. 31, 2015                 | 10.93                                  | 0.29                                             | (0.15)            | 0.42                          | 0.79                            | 1.35   | —                                          | (0.15)            | —                        | —                    | (0.15) | 12.13                               |
| Dec. 31, 2014                 | 10.91                                  | 0.24                                             | (0.14)            | 0.19                          | (0.17)                          | 0.12   | —                                          | (0.10)            | —                        | —                    | (0.10) | 10.93                               |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 14.17                                  | 0.34                                             | (0.01)            | 0.01                          | (1.26)                          | (0.92) | —                                          | (0.33)            | —                        | —                    | (0.33) | 12.93                               |
| Dec. 31, 2017                 | 12.05                                  | 0.34                                             | (0.01)            | 0.97                          | 1.19                            | 2.49   | —                                          | (0.35)            | —                        | —                    | (0.35) | 14.17                               |
| Dec. 31, 2016                 | 12.17                                  | 0.28                                             | (0.01)            | 0.91                          | (1.23)                          | (0.05) | —                                          | (0.27)            | —                        | —                    | (0.27) | 12.05                               |
| Dec. 31, 2015                 | 10.96                                  | 0.29                                             | (0.01)            | 0.42                          | 0.79                            | 1.49   | —                                          | (0.28)            | —                        | —                    | (0.28) | 12.17                               |
| Dec. 31, 2014                 | 10.95                                  | 0.24                                             | (0.01)            | 0.19                          | (0.17)                          | 0.25   | —                                          | (0.23)            | —                        | —                    | (0.23) | 10.96                               |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>12.88</b>                     | <b>2 378</b>                | <b>185</b>                            | <b>1.22</b>                                  | <b>1.22</b>                               | <b>9.44</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017        | 14.13                            | 2 428                       | 172                                   | 1.21                                         | 1.21                                      | 17.50                                       | 0.08                                      |
| Dec. 31, 2016        | 12.01                            | 6 898                       | 574                                   | 1.22                                         | 1.22                                      | 23.58                                       | 0.11                                      |
| Dec. 31, 2015        | 12.13                            | 6 620                       | 546                                   | 1.23                                         | 1.23                                      | 10.14                                       | 0.05                                      |
| Dec. 31, 2014        | 10.93                            | 5 770                       | 528                                   | 1.22                                         | 1.22                                      | 5.53                                        | 0.03                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>12.93</b>                     | <b>278 337</b>              | <b>21 533</b>                         | <b>0.09</b>                                  | <b>0.09</b>                               | <b>9.44</b>                                 | <b>0.06</b>                               |
| Dec. 31, 2017        | 14.17                            | 275 385                     | 19 429                                | 0.09                                         | 0.09                                      | 17.50                                       | 0.08                                      |
| Dec. 31, 2016        | 12.05                            | 254 669                     | 21 140                                | 0.09                                         | 0.09                                      | 23.58                                       | 0.11                                      |
| Dec. 31, 2015        | 12.17                            | 303 502                     | 24 946                                | 0.09                                         | 0.09                                      | 10.14                                       | 0.05                                      |
| Dec. 31, 2014        | 10.96                            | 292 154                     | 26 647                                | 0.09                                         | 0.09                                      | 5.53                                        | 0.03                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 1.00% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

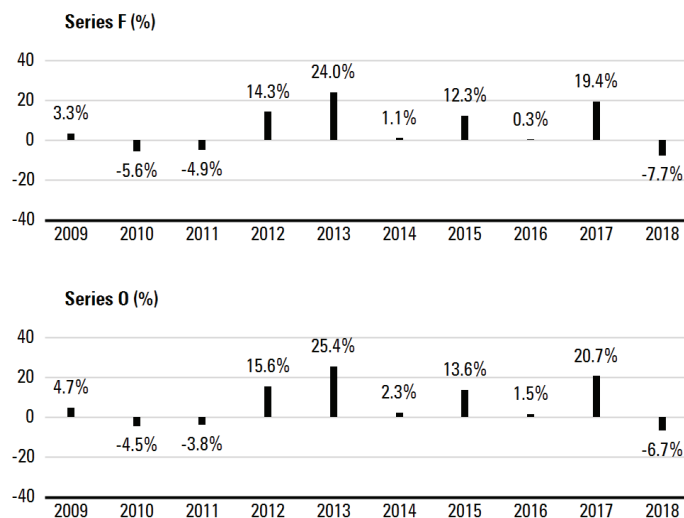
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

## 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, or 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.



## Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

### MSCI EAFE Total Return Net Index (CAD)

|           | Past Year | Past 3 Years | Past 5 Years | Past 10 Years | Since Inception |
|-----------|-----------|--------------|--------------|---------------|-----------------|
| Series F  | -7.7      | 3.4          | 4.7          | 5.1           | —               |
| Benchmark | -6.0      | 2.3          | 5.7          | 7.4           | —               |
| Series O  | -6.7      | 4.6          | 5.8          | 6.4           | —               |
| Benchmark | -6.0      | 2.3          | 5.7          | 7.4           | —               |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

## INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.





## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United Kingdom  | 12.4                 |
| United States   | 10.1                 |
| Japan           | 9.4                  |
| France          | 7.1                  |
| China           | 6.3                  |
| Switzerland     | 5.7                  |
| Germany         | 5.5                  |
| Norway          | 5.1                  |
| Austria         | 3.9                  |
| Italy           | 3.5                  |
| Taiwan          | 3.1                  |
| Spain           | 2.9                  |
| Australia       | 2.7                  |
| Brazil          | 2.3                  |
| Netherlands     | 2.0                  |
| South Korea     | 1.3                  |
| Other Countries | 13.2                 |
| Cash/Other      | 3.5                  |

### Top 25 Holdings

|                                             | % of Net Asset Value |
|---------------------------------------------|----------------------|
| ICON Plc.                                   | 4.2                  |
| Cash & Cash Equivalents                     | 3.5                  |
| Safran S.A.                                 | 3.0                  |
| Nice Ltd. ADR                               | 2.9                  |
| Amadeus IT Group S.A.                       | 2.9                  |
| Diageo Plc.                                 | 2.7                  |
| DnB ASA                                     | 2.4                  |
| Novartis AG                                 | 2.4                  |
| Carnival Corp.                              | 2.4                  |
| Roche Holdings AG Genusscheine              | 2.3                  |
| Unilever Plc.                               | 2.3                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. | 2.2                  |
| Luxottica Group S.p.A. ADR                  | 2.2                  |
| RELX Plc.                                   | 2.1                  |
| Secom Co. Ltd.                              | 2.1                  |
| Denso Corp.                                 | 2.1                  |
| Heineken N.V.                               | 2.0                  |
| Sodexo                                      | 2.0                  |
| Everest Re Group Ltd.                       | 2.0                  |
| ICICI Bank Ltd. ADR                         | 1.9                  |
| DBS Group Holdings Ltd.                     | 1.8                  |
| HSBC Holdings Plc. (U.K. Reg.)              | 1.8                  |
| Vonovia SE                                  | 1.7                  |
| Merck KGaA                                  | 1.7                  |
| Check Point Software Technologies Ltd.      | 1.7                  |
| Top 25 Holdings                             | 58.3                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



INTERNATIONAL EQUITY

**RBC PRIVATE OVERSEAS EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: Edinburgh Partners Limited, Edinburgh, Scotland

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term total returns through capital appreciation by investing in equity securities of companies domiciled primarily in the developed nations of Europe, Australasia and the Far East. It may also invest in equity securities of companies domiciled in other parts of the world, excluding Canada and the U.S.

The Fund diversifies its holdings by region and sector within certain minimum and maximum exposures and may use derivatives for currency hedging purposes. It may invest no more than 20% of its assets in securities of companies domiciled in emerging markets.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value fell to \$187 million as of December 31, 2018, from \$223 million at the end of 2017. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series O units lost 5.8%, which outperformed the 6.0% decline in the benchmark. The Fund's return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

The year marked the start of a global transition away from the policy of quantitative easing, led by the U.S. Federal Reserve, as central banks began to curtail the bond purchases that had helped hold down longer-term interest rates. Europe and Japan were behind the U.S. in this transition, but a preference for reduced central-bank intervention looked clear. The prospect of rising interest rates and the risks to economic growth from an escalating trade dispute between the U.S. and China led to global stock-market declines during 2018.

The Fund's best-performing sector during the year was Information Technology, due to recoveries in the valuations of Lenovo and Nokia. The Fund's underweight position in the poorly performing Energy sector also contributed to returns. The Health Care sector had a negative impact on relative returns as strong performances from AstraZeneca, Roche and Novartis were offset by the negative impact of Bayer and Shanghai Fosun Pharma. Economically sensitive areas such as banks and industrial companies had the most significant negative impact on returns.

Portfolio activity remained at a relatively low level during the year. The sub-advisor sold the Fund's holdings in NTT, Baidu and Takashimaya after their valuations rose, whereas the sale of RBS was driven by increased political risk linked to Brexit. The sub-advisor replaced the French bank BNP with Netherlands-based ING, due to what the sub-advisor considers its better risk profile. Additions to the portfolio included food retailer Ahold Delhaize and telecommunications operators Singtel, China Mobile and Vodafone. These changes reduced the Fund's exposure to the potential for slowing economic growth. Also as a result, the Fund's allocation to Japan was reduced, and increased to Europe. The Fund's overall exposure to banks declined because of weakness in European banks such as Commerzbank and the sale of U.K.-based RBS. Exposure to telecommunications companies increased.

### Recent Developments

It is increasingly clear that the U.S. administration is focused on containing what it considers to be China's unfair trade advantages. President Trump continues to put pressure on China to lower its trade tariffs and reduce the amount of technology that must be shared by Western companies. The ripple effects of these disputes are being felt globally, reducing growth expectations and damaging investor confidence, especially in industrial and financial stocks. Against this backdrop, the sub-advisor believes that a cautious approach is merited.

### 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., 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 Investor Services Trust ("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 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |        | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|--------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total  |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.44                                  | 0.33                                             | (0.13)            | 0.46                          | (1.33)                          | (0.67) | —                                          | (0.19)            | (0.46)                   | —                    | (0.65) | 9.08                                |
| Dec. 31, 2017                 | 9.20                                   | 0.27                                             | (0.13)            | 0.31                          | 1.30                            | 1.75   | —                                          | (0.15)            | (0.23)                   | —                    | (0.38) | 10.44                               |
| Dec. 31, 2016                 | 10.15                                  | 0.31                                             | (0.12)            | 0.51                          | (1.43)                          | (0.73) | —                                          | (0.20)            | (0.50)                   | —                    | (0.70) | 9.20                                |
| Dec. 31, 2015                 | 9.51                                   | 0.33                                             | (0.14)            | 0.52                          | 0.39                            | 1.10   | —                                          | (0.18)            | (0.38)                   | —                    | (0.56) | 10.15                               |
| Dec. 31, 2014                 | 9.42                                   | 0.34                                             | (0.12)            | 0.69                          | (0.52)                          | 0.39   | —                                          | (0.21)            | (0.10)                   | —                    | (0.31) | 9.51                                |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |        |                                     |
| Dec. 31, 2018                 | 10.57                                  | 0.33                                             | (0.02)            | 0.47                          | (1.38)                          | (0.60) | —                                          | (0.31)            | (0.46)                   | —                    | (0.77) | 9.20                                |
| Dec. 31, 2017                 | 9.32                                   | 0.27                                             | (0.02)            | 0.32                          | 1.17                            | 1.74   | —                                          | (0.26)            | (0.23)                   | —                    | (0.49) | 10.57                               |
| Dec. 31, 2016                 | 10.27                                  | 0.31                                             | (0.02)            | 0.52                          | (1.18)                          | (0.37) | —                                          | (0.31)            | (0.50)                   | —                    | (0.81) | 9.32                                |
| Dec. 31, 2015                 | 9.62                                   | 0.34                                             | (0.02)            | 0.53                          | 0.40                            | 1.25   | —                                          | (0.30)            | (0.39)                   | —                    | (0.69) | 10.27                               |
| Dec. 31, 2014                 | 9.53                                   | 0.34                                             | (0.02)            | 0.70                          | (0.53)                          | 0.49   | —                                          | (0.32)            | (0.10)                   | —                    | (0.42) | 9.62                                |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>9.08</b>                      | <b>377</b>                  | <b>42</b>                             | <b>1.26</b>                                  | <b>1.26</b>                               | <b>22.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017        | 10.44                            | 452                         | 43                                    | 1.25                                         | 1.25                                      | 10.55                                       | 0.03                                      |
| Dec. 31, 2016        | 9.20                             | 495                         | 54                                    | 1.28                                         | 1.28                                      | 12.79                                       | 0.06                                      |
| Dec. 31, 2015        | 10.15                            | 738                         | 73                                    | 1.30                                         | 1.30                                      | 29.11                                       | 0.10                                      |
| Dec. 31, 2014        | 9.51                             | 320                         | 34                                    | 1.30                                         | 1.30                                      | 31.31                                       | 0.10                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>9.20</b>                      | <b>186 478</b>              | <b>20 259</b>                         | <b>0.16</b>                                  | <b>0.16</b>                               | <b>22.00</b>                                | <b>0.06</b>                               |
| Dec. 31, 2017        | 10.57                            | 222 855                     | 21 080                                | 0.16                                         | 0.16                                      | 10.55                                       | 0.03                                      |
| Dec. 31, 2016        | 9.32                             | 189 423                     | 20 335                                | 0.16                                         | 0.16                                      | 12.79                                       | 0.06                                      |
| Dec. 31, 2015        | 10.27                            | 276 539                     | 26 925                                | 0.16                                         | 0.16                                      | 29.11                                       | 0.10                                      |
| Dec. 31, 2014        | 9.62                             | 234 818                     | 24 406                                | 0.16                                         | 0.16                                      | 31.31                                       | 0.10                                      |

<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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 1.00% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

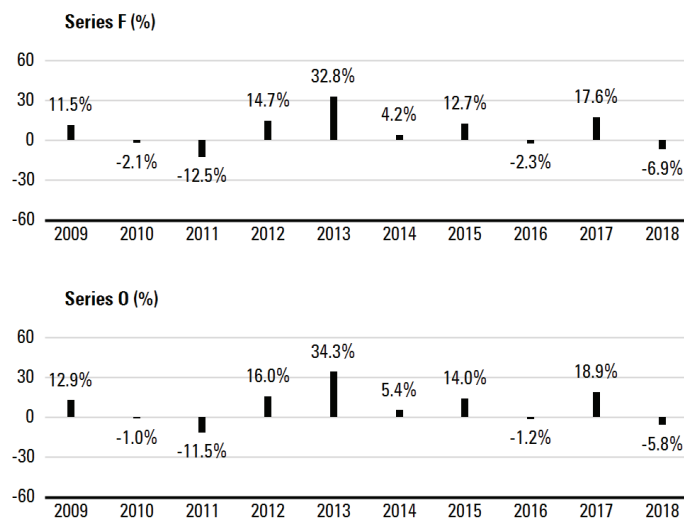
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI EAFE Total Return Net Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | -6.9         | 2.3             | 4.7             | 6.2              | —                  |
| Benchmark | -6.0         | 2.3             | 5.7             | 7.4              | —                  |
| Series O  | -5.8         | 3.4             | 5.9             | 7.4              | —                  |
| Benchmark | -6.0         | 2.3             | 5.7             | 7.4              | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI EAFE Total Return Net Index (CAD)** This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                | % of Net Asset Value |
|----------------|----------------------|
| Japan          | 21.0                 |
| United Kingdom | 17.8                 |
| Switzerland    | 9.2                  |
| China          | 7.4                  |
| Hong Kong      | 7.2                  |
| Germany        | 6.5                  |
| France         | 6.0                  |
| Singapore      | 4.8                  |
| Netherlands    | 4.7                  |
| Spain          | 4.3                  |
| Finland        | 3.1                  |
| Italy          | 2.8                  |
| Norway         | 2.2                  |
| Thailand       | 2.0                  |
| Cash/Other     | 1.0                  |

### Top 25 Holdings

|                                      | % of Net Asset Value |
|--------------------------------------|----------------------|
| Roche Holdings AG Genusscheine       | 4.0                  |
| AstraZeneca Plc.                     | 4.0                  |
| Sanofi                               | 3.3                  |
| China Mobile (Hong Kong) Ltd.        | 3.1                  |
| Nokia OYJ                            | 3.1                  |
| Tesco Plc.                           | 3.1                  |
| Novartis AG                          | 3.0                  |
| Royal Dutch Shell Plc., A Shares     | 2.9                  |
| ENI S.p.A.                           | 2.8                  |
| BP Plc.                              | 2.8                  |
| Lenovo Group Limited                 | 2.7                  |
| Total S.A.                           | 2.7                  |
| Vodafone Group Plc.                  | 2.7                  |
| Telefonica S.A.                      | 2.7                  |
| East Japan Railway Company           | 2.6                  |
| ING Groep N.V.                       | 2.6                  |
| Swire Pacific Ltd. 'A'               | 2.6                  |
| Sumitomo Mitsui Trust Holdings Inc.  | 2.5                  |
| Singapore Telecommunications Ltd.    | 2.5                  |
| Panasonic Corp.                      | 2.5                  |
| Sumitomo Mitsui Financial Group Inc. | 2.5                  |
| Galaxy Entertainment Group Ltd.      | 2.4                  |
| HSBC Holdings Plc. (U.K. Reg.)       | 2.4                  |
| DBS Group Holdings Ltd.              | 2.4                  |
| Commerzbank AG                       | 2.3                  |
| Top 25 Holdings                      | 70.2                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.



GLOBAL EQUITY

**RBC PRIVATE WORLD EQUITY POOL**

*December 31, 2018*

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

Sub-Advisor: Capital Guardian Trust Company, Los Angeles, California

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 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 annual management report of fund performance ("MRFP") contains financial highlights but does not contain 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 seeks to provide long-term growth primarily through capital appreciation by investing in a portfolio of common stocks, American Depositary Receipts (“ADRs”) and equivalent securities of companies domiciled in the U.S. and the developed countries of Europe, Australasia and the Far East (“EAFE”).

The Fund invests in companies considered to have superior management, superior prospects for earnings growth or cash flow, long-term value in a competitive market position, asset value, new product potential and global market expansion. The Fund diversifies by region and sector within minimum and maximum exposures. The Fund will usually not invest more than 10% of the market value of the Fund in emerging markets, defined as those markets not in the MSCI World Equity Index.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund’s net asset value fell to \$290 million as of December 31, 2018, from \$323 million at the end of 2017. The decrease was due to net redemptions, partially offset by investment returns.

Over the past year, the Fund’s Series O units gained 1.4%, which outperformed the 0.5% decline in the benchmark. The Fund’s return is after the deduction of 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 any other series, which may vary because of differences in management fees and expenses.

Global equities weakened in 2018 as a round of selling in the final quarter of the year blunted earlier gains. Equity weakness was most pronounced in non-U.S. stocks, as softer economic conditions in Europe and Asia were aggravated by a simmering trade dispute between the U.S. and China. European stocks were hamstrung by currency trends, economic sluggishness and political flare-ups, while Chinese stocks fell more than 20% amid slowing economic growth. U.S. shares were clipped by fears that problems elsewhere would spread and offset low U.S. unemployment and vibrant consumer confidence.

CME Group, which operates securities exchanges, benefited from increased volatility in financial markets as well as expanding demand for data and analytical services. GoDaddy, an Internet domain

registrar and web-hosting company, experienced heavy demand for its web-design and management services. Safran, a French maker of aircraft engines and biometric security systems, benefited from plane sales boosted by a global travel boom. Shares of AES Corp. advanced as the electric-power distribution company posted strong financial results with accelerating growth in renewable energy projects. Shares of Telefonaktiebolaget LM Ericsson were boosted by investor optimism about the next generation of cellular services and corporate restructuring.

On the downside, the portfolio was negatively impacted by Schlumberger, as the oilfield-services company was burdened by the reluctance of large energy companies to boost infrastructure spending. Shares of Naspers, a global internet and entertainment company, declined amid a sell-off in Tencent, in which Naspers holds a majority position. Las Vegas Sands suffered as strong results at the casino company’s Macau operations were outweighed by fear of potential slowing in China. State Street, the financial-services company, reported lower-than-expected earnings, while the cigarette maker British American Tobacco was hurt by falling demand for cigarettes and increased U.S. regulations.

### Recent Developments

The sub-advisor favours companies that can offer a relative measure of protection if equity markets weaken significantly. One appealing area is health-care services, where spending is expected to rise as the world’s population ages. Another area of interest is subscription-based businesses, a trend that cuts across industries as companies are drawn to the steady revenue and customer loyalty inherent in this business model. Subscriptions provide key revenue in businesses as diverse as streaming video providers, securities exchanges and warehouse-retail stores.

### 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., 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 Investor Services Trust ("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 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.

***Brokers and Dealers***

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$1,000 (2017 – \$0) or 1% (2017 – 0%) of the total transaction costs paid for this 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

| For the Year/<br>Period Ended | Net Assets<br>Beginning of Year/Period | Increase (Decrease) from Operations <sup>1</sup> |                   |                               |                                 |        | Annual Distributions <sup>2</sup>          |                   |                          |                      |         | Net Assets<br>End of<br>Year/Period |
|-------------------------------|----------------------------------------|--------------------------------------------------|-------------------|-------------------------------|---------------------------------|--------|--------------------------------------------|-------------------|--------------------------|----------------------|---------|-------------------------------------|
|                               |                                        | Total<br>Revenue<br>(Loss)                       | Total<br>Expenses | Realized<br>Gains<br>(Losses) | Unrealized<br>Gains<br>(Losses) | Total  | From<br>Income<br>(Excluding<br>Dividends) | From<br>Dividends | From<br>Capital<br>Gains | Return<br>of Capital | Total   |                                     |
|                               |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |         |                                     |
| Series F                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 235.91                                 | 4.93                                             | (3.05)            | 16.46                         | (16.95)                         | 1.39   | (0.02)                                     | (1.83)            | (9.79)                   | —                    | (11.64) | 224.97                              |
| Dec. 31, 2017                 | 205.52                                 | 4.88                                             | (2.84)            | 15.28                         | 21.23                           | 38.55  | (0.02)                                     | (2.10)            | (6.63)                   | —                    | (8.75)  | 235.91                              |
| Dec. 31, 2016                 | 213.17                                 | 5.57                                             | (2.53)            | 10.01                         | (16.45)                         | (3.40) | —                                          | (2.81)            | (3.09)                   | —                    | (5.90)  | 205.52                              |
| Dec. 31, 2015                 | 187.57                                 | 4.07                                             | (2.62)            | 18.77                         | 13.37                           | 33.59  | —                                          | (1.24)            | (6.80)                   | —                    | (8.04)  | 213.17                              |
| Dec. 31, 2014                 | 167.71                                 | 3.33                                             | (2.23)            | 8.76                          | 11.12                           | 20.98  | —                                          | (1.09)            | —                        | —                    | (1.09)  | 187.57                              |
| Series O                      |                                        |                                                  |                   |                               |                                 |        |                                            |                   |                          |                      |         |                                     |
| Dec. 31, 2018                 | 236.42                                 | 4.94                                             | (0.42)            | 16.51                         | (17.44)                         | 3.59   | (0.04)                                     | (4.50)            | (9.89)                   | —                    | (14.43) | 225.34                              |
| Dec. 31, 2017                 | 205.90                                 | 4.89                                             | (0.38)            | 15.32                         | 21.98                           | 41.81  | (0.05)                                     | (4.48)            | (6.63)                   | —                    | (11.16) | 236.42                              |
| Dec. 31, 2016                 | 213.62                                 | 5.58                                             | (0.34)            | 10.04                         | (15.17)                         | 0.11   | —                                          | (5.07)            | (3.09)                   | —                    | (8.16)  | 205.90                              |
| Dec. 31, 2015                 | 188.04                                 | 4.09                                             | (0.35)            | 18.82                         | 13.41                           | 35.97  | —                                          | (3.57)            | (6.83)                   | —                    | (10.40) | 213.62                              |
| Dec. 31, 2014                 | 168.09                                 | 3.33                                             | (0.30)            | 8.78                          | 11.14                           | 22.95  | —                                          | (2.99)            | —                        | —                    | (2.99)  | 188.04                              |

<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.

### Ratios and Supplemental Data

| As at                | Net Asset Value<br>Per Unit (\$) | Net Asset Value<br>(\$000s) | Number of Units<br>Outstanding (000s) | Management<br>Expense Ratio (%) <sup>1</sup> | MER Before<br>Absorption (%) <sup>1</sup> | Portfolio<br>Turnover Rate (%) <sup>2</sup> | Trading<br>Expense Ratio (%) <sup>3</sup> |
|----------------------|----------------------------------|-----------------------------|---------------------------------------|----------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------|
| <b>Series F</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>224.97</b>                    | <b>7 963</b>                | <b>35</b>                             | <b>1.24</b>                                  | <b>1.24</b>                               | <b>30.77</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 235.91                           | 7 814                       | 33                                    | 1.25                                         | 1.25                                      | 30.64                                       | 0.05                                      |
| Dec. 31, 2016        | 205.52                           | 5 622                       | 27                                    | 1.25                                         | 1.25                                      | 22.16                                       | 0.03                                      |
| Dec. 31, 2015        | 213.17                           | 6 652                       | 31                                    | 1.26                                         | 1.26                                      | 27.86                                       | 0.07                                      |
| Dec. 31, 2014        | 187.57                           | 5 806                       | 31                                    | 1.27                                         | 1.27                                      | 27.06                                       | 0.05                                      |
| <b>Series O</b>      |                                  |                             |                                       |                                              |                                           |                                             |                                           |
| <b>Dec. 31, 2018</b> | <b>225.34</b>                    | <b>281 844</b>              | <b>1 251</b>                          | <b>0.17</b>                                  | <b>0.17</b>                               | <b>30.77</b>                                | <b>0.03</b>                               |
| Dec. 31, 2017        | 236.42                           | 315 437                     | 1 334                                 | 0.17                                         | 0.17                                      | 30.64                                       | 0.05                                      |
| Dec. 31, 2016        | 205.90                           | 265 049                     | 1 287                                 | 0.17                                         | 0.17                                      | 22.16                                       | 0.03                                      |
| Dec. 31, 2015        | 213.62                           | 280 279                     | 1 312                                 | 0.17                                         | 0.17                                      | 27.86                                       | 0.07                                      |
| Dec. 31, 2014        | 188.04                           | 246 938                     | 1 313                                 | 0.17                                         | 0.17                                      | 27.06                                       | 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.

<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.



## FINANCIAL HIGHLIGHTS (cont.)

### Management Fees

RBC GAM is the manager, trustee and portfolio manager of the Fund. The management fee with respect to Series F units is 1.00% and is payable by the Fund on a monthly basis and calculated at the annual percentages, before GST/HST, of the daily net asset value of Series F units of the Fund. The management fee in respect of Series F units is for management, investment advisory services, general administration and profit. No amount is paid out of the management fee for distribution services.

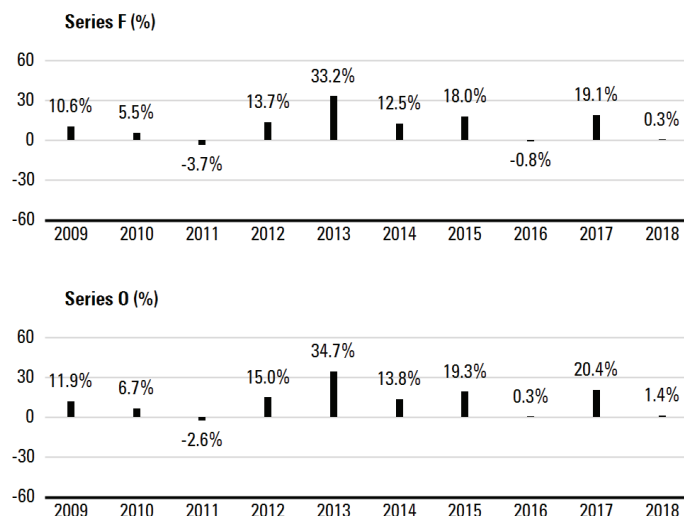
The management fee with respect to Series O units is payable directly to RBC GAM by unitholders or distributors, and therefore is not charged to the Fund.

### 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, or 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmark:

#### MSCI World Total Return Net Index (CAD)

|           | Past<br>Year | Past<br>3 Years | Past<br>5 Years | Past<br>10 Years | Since<br>Inception |
|-----------|--------------|-----------------|-----------------|------------------|--------------------|
| Series F  | 0.3          | 5.8             | 9.5             | 10.4             | —                  |
| Benchmark | -0.5         | 5.7             | 9.9             | 10.8             | —                  |
| Series O  | 1.4          | 7.0             | 10.7            | 11.6             | —                  |
| Benchmark | -0.5         | 5.7             | 9.9             | 10.8             | —                  |

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Inception dates are not provided for series that have been in existence for more than 10 years.

### INDEX DESCRIPTION

**MSCI World Total Return Net Index (CAD)** This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



## SUMMARY OF INVESTMENT PORTFOLIO

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

*As at December 31, 2018*

### Investment Mix

|                 | % of Net Asset Value |
|-----------------|----------------------|
| United States   | 54.7                 |
| France          | 9.8                  |
| Japan           | 6.1                  |
| United Kingdom  | 5.1                  |
| Hong Kong       | 4.1                  |
| Denmark         | 2.7                  |
| Taiwan          | 2.4                  |
| Netherlands     | 2.2                  |
| Switzerland     | 1.7                  |
| Finland         | 0.5                  |
| Other Countries | 8.0                  |
| Cash/Other      | 2.7                  |

### Top 25 Holdings

|                                                   | % of Net Asset Value |
|---------------------------------------------------|----------------------|
| AIA Group Ltd.                                    | 3.5                  |
| CME Group Inc., Class A                           | 3.1                  |
| Broadcom Inc.                                     | 2.8                  |
| Cash & Cash Equivalents                           | 2.6                  |
| JPMorgan Chase & Co.                              | 2.4                  |
| Taiwan Semiconductor Manufacturing Co. Ltd. ADR   | 2.4                  |
| Safran S.A.                                       | 2.3                  |
| Visa Inc., Class A                                | 2.3                  |
| ASML Holding N.V.                                 | 2.2                  |
| GoDaddy Inc.                                      | 2.2                  |
| Las Vegas Sands Corp.                             | 2.1                  |
| American Tower Corp. Real Estate Investment Trust | 1.9                  |
| Royal Dutch Shell Plc. ADR                        | 1.9                  |
| AstraZeneca Plc.                                  | 1.8                  |
| Gilead Sciences Inc.                              | 1.8                  |
| Pernod-Ricard S.A.                                | 1.8                  |
| Deere & Co.                                       | 1.7                  |
| Keyence Corp.                                     | 1.7                  |
| Nestlé S.A.                                       | 1.7                  |
| Airbus SE                                         | 1.6                  |
| Apple Inc.                                        | 1.6                  |
| Enbridge Inc.                                     | 1.6                  |
| Hilton Worldwide Holdings Inc.                    | 1.6                  |
| Reckitt Benckiser Plc.                            | 1.4                  |
| Amazon.com, Inc.                                  | 1.4                  |
| Top 25 Holdings                                   | 51.4                 |

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by calling us at 1-800-662-0652.

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