

MFS INVESTMENT GRADE MUNICIPAL TRUST
Form N-CSRS
July 29, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5785

MFS INVESTMENT GRADE MUNICIPAL TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

Registrant's telephone number, including area code: (617) 954-5000

Date of fiscal year end: November 30

Date of reporting period: May 31, 2010

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ITEM 1. REPORTS TO STOCKHOLDERS.

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Semiannual report

MFS® Investment Grade Municipal Trust

5/31/10

CXH-SEM

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MFS® Investment Grade Municipal Trust

New York Stock Exchange Symbol: **CXH**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CEO

Dear Shareholders:

After having suffered their biggest declines since the Great Depression, most global markets experienced an impressive resurgence during the latter months of 2009 and the first quarter of 2010. The global economy was able to reap the benefits of two major trends. The first of these was the massive efforts of governments and central banks to increase liquidity in the financial system as they sought to prevent the credit crisis from further affecting the banking system. The second was the move by companies around the world to cut costs and operations to prepare for rapidly changing market conditions. We believe that these moves not only shortened the length of the downturn but also set the stage for recovery.

Even with the significant market gains of 2009 and the early part of 2010, the recovery is unrolling at a moderate pace, with rebounds in the manufacturing sector and corporate America leading the way. Central bankers are proceeding with caution and many have held benchmark interest rates unchanged as they debate the best way to withdraw stimulus measures without disrupting the fragile growth process. Complicating that debate late in the period was the emergence of the European debt crisis and worries about whether this crisis could derail the global recovery.

While hurdles remain, we believe that the global economy is proceeding on the road to recovery. As always, we continue to be mindful of the many challenges faced at the individual, national, and international levels. It is at times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with advisors to identify and research investment opportunities. At MFS®, we take particular pride in how well mutual funds can help investors by providing the diversification that is important in any type of market climate.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

July 15, 2010

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

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Healthcare Revenue Hospitals	19.5%
Universities Colleges	18.3%
State & Local Agencies	12.6%
Utilities Investor Owned	8.0%
Healthcare Revenue Long Term Care	5.4%

Portfolio structure reflecting equivalent exposure of derivative positions (i)(j)**Composition including fixed income credit quality (a)(i)**

AAA	18.7%
AA	22.8%
A	17.1%
BBB	28.6%
BB	3.1%
B	1.0%
CCC	0.4%
Other	8.3%

Portfolio facts (i)

Average Duration (d)	13.5
Average Effective Maturity (m)	17.4 yrs.

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Portfolio Composition continued

- (a) Included in the rating categories are: debt securities and the underlying bonds of non-primary inverse floaters, which have long-term public ratings. All rated securities are assigned a rating in accordance with the following ratings hierarchy: If a security is rated by Moody's, then that rating is used; if not rated by Moody's, then a Standard & Poor's rating is used; if not rated by S&P, then a Fitch rating is used. Any equity securities are listed separately. The Other category includes cash, other assets, liabilities (including any derivative offsets), short-term and unrated debt securities. Ratings from Moody's (e.g., Aaa) are shown in the S&P and Fitch scale (e.g. AAA). All ratings are subject to change.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value.
- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if applicable. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value.
- (j) For the purpose of managing the fund's duration, the fund holds short treasury futures with a bond equivalent exposure of (11.8)%, which reduce the fund's interest exposure but not its credit exposure.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity. From time to time Cash & Other Net Assets may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Percentages are based on net assets, including the value of auction preferred shares, as of 5/31/10, unless otherwise noted.

The portfolio is actively managed and current holdings may be different.

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MARKET ENVIRONMENT

After having suffered through one of the largest and most concentrated downturns since the 1930s, most asset markets staged a remarkable rebound during 2009 and early 2010. This recovery in global activity, which covers this reporting period, has been led importantly by emerging Asian economies, but broadening to include most of the global economy to varying degrees. Primary drivers of the recovery included an unwinding of the inventory destocking that took place earlier, the production of manufacturing and capital goods, as well as massive fiscal and monetary stimulus.

During the worst of the credit crisis, policy makers globally loosened monetary and fiscal policy on a massive scale. Having reached their lower bound on policy rates prior to the beginning of the reporting period, several central banks were implementing quantitative easing as a means to further loosen monetary policy to offset the continuing fall in global economic activity. However, by the beginning of the period, there were ever-broadening signs that the global macroeconomic deterioration had passed, which caused the subsequent rise in asset valuations. As most asset prices rebounded during the period and the demand for liquidity waned, the debate concerning the existence of asset bubbles and the need for monetary exit strategies had begun, creating added uncertainty regarding the forward path of policy rates. Late in the period, though, heightened risk surrounding the public-debt profiles of several of the peripheral European countries caused risky asset valuations to retrench considerably.

Headline risk will likely continue to be a source of volatility in the municipal bond market as issuers prepare and finalize their 2011 fiscal year budgets. Heightened sensitivity to sovereign risk issues has exacerbated the market's concerns about the state of municipal finance, giving rise to comparisons to peripheral European issuers that we feel divert investor attention from the fundamental solvency and sustainability of the majority of municipal issuers. We think it will take time for spending cuts to catch up with reduced revenue and for deficits to abate, and we recognize the challenges posed by unfunded liabilities, exhaustion of Federal stimulus monies, and a variety of other factors. Nevertheless, we feel that municipal bond issuers' revenues are beginning to stabilize.

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INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND

Investment Objective

The fund's investment objective is to seek high current income exempt from federal income tax, but may also consider capital appreciation. The fund's objective may be changed without shareholder approval.

Principal Investment Strategies

The fund invests, under normal market conditions, at least 80% of its net assets, including assets attributable to preferred shares and borrowings for investment purposes, in tax-exempt bonds and tax-exempt notes. This policy may not be changed without shareholder approval. Tax-exempt bonds and tax-exempt notes are municipal instruments, the interest of which is exempt from federal income tax. Interest from the fund's investments may be subject to the federal alternative minimum tax. MFS may also invest in taxable instruments.

MFS normally invests at least 80% of the fund's net assets, including assets attributable to preferred shares and borrowings for investment purposes, in investment grade debt instruments. Investment grade debt instruments are those that are rated at the time of purchase in one of the top four rating categories by Moody's; or if not rated by Moody's, by S&P; or if not rated by Moody's or S&P, by Fitch. If a debt instrument is unrated, MFS may assign a rating which it considers to be equivalent to that of a major credit rating.

MFS may also invest in lower quality debt instruments.

MFS may invest 25% or more of the fund's total assets in municipal instruments that finance similar projects, such as those relating to education, healthcare, housing, utilities, water, or sewers.

MFS may invest a relatively high percentage of the fund's assets in the debt instruments of a single issuer or a small number of issuers.

MFS may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments.

MFS uses a bottom-up investment approach in buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of instruments and their issuers in light of current market, economic, political, and regulatory conditions. Factors considered may include the instrument's credit quality, collateral characteristics, and indenture provisions, and the issuer's management ability, capital structure, leverage, and ability to meet its current obligations. Quantitative analysis of the structure of the instrument and its features may also be considered.

The fund uses leverage through the issuance of preferred shares and/or the creation of tender option bonds, and then investing the proceeds pursuant to

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Investment Objective, Principal Investment Strategies and Risks of the Fund continued

its investment strategies. If approved by the fund's Board of Trustees, the fund may use leverage by other methods.

MFS may engage in active and frequent trading in pursuing the fund's principal investment strategies.

In response to market, economic, political, or other conditions, MFS may depart from the fund's principal investment strategies by temporarily investing for defensive purposes.

Principal Risks

The portfolio's yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Municipal instruments can be volatile and significantly affected by adverse tax or court rulings, legislative or political changes and the financial condition of the issuers and/or insurers of municipal instruments. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could become taxable and the security could decline significantly in value. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicators upon whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. To the extent that investments are purchased with the proceeds from the issuance of preferred shares, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. To the extent that the fund participates in the creation of tender option bonds, it will hold more concentrated positions in individual securities and so its performance may be more volatile than the performance of more diversified funds. A tender option bond issue may terminate upon the occurrence of certain enumerated events, which would result in a reduction in the fund's leverage. In connection with the creation of tender option bonds and for other investment purposes, the fund may invest in inverse floating rate instruments, whose potential income return is inversely related to changes in a floating interest rate. Inverse floating rate instruments may provide investment leverage and be more volatile than other debt instruments. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov> and on the MFS Web site at mfs.com.

In accordance with Section 23(c) of the Investment Company Act of 1940, the fund hereby gives notice that it may from time to time repurchase common and/or preferred shares of the fund in the open market at the option of the Board of Trustees and on such terms as the Trustees shall determine.

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PORTFOLIO MANAGERS PROFILES

Michael Dawson Investment Officer of MFS; employed in the investment area of MFS since 1998. Portfolio Manager of the fund since June 2007.

Geoffrey Schechter Investment Officer of MFS; employed in the investment area of MFS since 1993. Portfolio Manager of the fund since June 2007.

OTHER NOTES

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. Generally, purchases are made at the market price unless that price exceeds the net asset value (the shares are trading at a premium). If the shares are trading at a premium, purchases will be made at a price of either the net asset value or 95% of the market price, whichever is greater. You can also buy shares on a quarterly basis in any amount \$100 and over. The Plan Agent will purchase shares under the Cash Purchase Plan on the 15th of January, April, July, and October or shortly thereafter.

If shares are registered in your own name, new shareholders will automatically participate in the Plan, unless you have indicated that you do not wish to participate. If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you may wish to request that your shares be re-registered in your own name so that you can participate. There is no service charge to reinvest distributions, nor are there brokerage charges for shares issued directly by the fund. However, when shares are bought on the New York Stock Exchange or otherwise on the open market, each participant pays a pro rata share of the transaction expenses, including commissions. Dividends and capital gains distributions are taxable whether received in cash or reinvested in additional shares the automatic reinvestment of distributions does not relieve you of any income tax that may be payable (or required to be withheld) on the distributions.

You may withdraw from the Plan at any time by going to the Plan Agent's website at www.computershare.com, by calling 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078. Please have available the name of the fund and your account number. For certain types of registrations, such as corporate accounts, instructions must be submitted in writing. Please call for additional details. When you withdraw from the Plan, you can receive the value of the reinvested shares in one of three ways: your full shares will be held in your account, the Plan Agent will sell your shares and send the proceeds to you, or you may transfer your full shares to your investment professional who can hold or sell them. Additionally, the Plan Agent will sell your fractional shares and send the proceeds to you.

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078.

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5/31/10 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Municipal Bonds - 147.4%

Issuer	Shares/Par	Value (\$)
Airport & Port Revenue - 0.1%		
Maryland Economic Development Corp. Rev. (Terminal Project), B, 5.75%, 2035	\$ 150,000	\$ 152,393
General Obligations - General Purpose - 4.3%		
Chicago, IL (Emergency Telecommunications Systems), FGIC, 5.5%, 2023	\$ 1,000,000	\$ 1,143,900
Chicago, IL, A, AMBAC, 6.25%, 2014	1,480,000	1,701,068
Highlands Ranch, CO, Metropolitan District, AGM, 6.5%, 2011	650,000	690,846
Highlands Ranch, CO, Metropolitan District, ETM, AGM, 6.5%, 2011 (c)	725,000	771,030
Luzerne County, PA, AGM, 6.75%, 2023	370,000	399,929
State of California, 5.75%, 2019	70,000	70,666
		\$ 4,777,439
General Obligations - Schools - 6.6%		
Beverly Hills, CA, Unified School District, Capital Appreciation (Election of 2008), 0%, 2031	\$ 130,000	\$ 42,974
Beverly Hills, CA, Unified School District, Capital Appreciation (Election of 2008), 0%, 2032	235,000	72,620
Beverly Hills, CA, Unified School District, Capital Appreciation (Election of 2008), 0%, 2033	470,000	136,197
Frenship, TX, Independent School District, AGM, 5%, 2033	1,000,000	1,035,010
Los Angeles, CA, Unified School District, D, 5%, 2034	95,000	96,591
Modesto, CA, High School District (Stanislaus County), Capital Appreciation, A, FGIC, 0%, 2019	1,350,000	879,701
Pomona, CA, Unified School District, A, NATL, 6.45%, 2022	1,000,000	1,162,790
San Lorenzo, CA, Unified School District, Alameda County, Election 2004, B, FGIC, 4.75%, 2037	640,000	642,662
St. Johns, MI, Public Schools, FGIC, 5.1%, 2025	1,000,000	1,159,410
West Contra Costa, CA, Unified School District, B, NATL, 6%, 2024	250,000	269,178
Will County, IL, School District (Channahon), AMBAC, 8.5%, 2015	1,400,000	1,795,556
		\$ 7,292,689
Healthcare Revenue - Hospitals - 27.6%		
Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), A, 5.375%, 2040	\$ 405,000	\$ 319,176
Birmingham, AL, Baptist Medical Center, Special Care Facilities Rev. (Baptist Health Systems, Inc.), A, 5%, 2030	485,000	425,689

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Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
Brunswick, GA, Hospital Authority Rev. (Glynn-Brunswick Memorial Hospital), 5.625%, 2034	\$ 165,000	\$ 171,268
California Health Facilities Financing Authority Rev. (Catholic Healthcare West), I, 4.95%, 2026 (b)	200,000	217,746
California Health Facilities Financing Authority Rev. (St. Joseph Health System), A, 5.75%, 2039	195,000	203,533
California Statewide Communities Development Authority Rev. (Children's Hospital), 5%, 2047	575,000	460,564
California Statewide Communities Development Authority Rev. (Enloe Medical Center), CHCLI, 5.75%, 2038	360,000	361,364
California Statewide Communities Development Authority Rev. (St. Joseph Health System), FGIC, 5.75%, 2047	255,000	258,685
Cullman County, AL, Health Care Authority (Cullman Regional Medical Center), A, 6.75%, 2029	355,000	366,214
District of Columbia Hospital Rev. (Children's Hospital Obligated Group), AGM, 5.25%, 2045	265,000	266,200
Harris County, TX, Health Facilities Development Corp., Hospital Rev. (Memorial Hermann Healthcare Systems), B, 7%, 2027	205,000	232,033
Harris County, TX, Health Facilities Development Corp., Hospital Rev. (Memorial Hermann Healthcare Systems), B, 7.25%, 2035	250,000	284,095
Health Care Authority for Baptist Health, AL, D, 5%, 2021	850,000	814,623
Illinois Finance Authority Rev. (Children's Memorial Hospital), A, ASSD GTY, 5.25%, 2047	540,000	539,077
Illinois Finance Authority Rev. (Edward Hospital), A, AMBAC, 5.5%, 2040	470,000	473,173
Illinois Finance Authority Rev. (KishHealth Systems Obligated Group), 5.75%, 2028	380,000	392,137
Illinois Finance Authority Rev. (Provena Health), A, 7.75%, 2034	400,000	459,576
Illinois Finance Authority Rev. (Resurrection Health), 6.125%, 2025	460,000	474,840
Illinois Finance Authority Rev. (Silver Cross Hospital & Medical Centers), 6.875%, 2038	395,000	413,431
Indiana Health & Educational Facilities Finance Authority, Hospital Rev. (Clarian Health), A, 5%, 2039	390,000	365,723
Indiana Health & Educational Facilities Finance Authority, Hospital Rev. (Community Foundation of Northwest Indiana), 5.5%, 2037	705,000	698,211
Indiana Health & Educational Financing Authority Rev. (Community Foundation of Northwest Indiana), A, 6%, 2034	150,000	153,636
Johnson City, TN, Health & Educational Facilities Board Hospital Rev. (Mountain States Health Alliance), A, 5.5%, 2036	845,000	817,698
Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Baptist Healthcare System), A, 5.375%, 2024	255,000	276,841

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Baptist Healthcare System), A , 5.625%, 2027	\$ 85,000	\$ 92,333
Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Owensboro Medical Health System), A , 6.375%, 2040	440,000	451,968
Lake County, OH, Hospital Facilities Rev. (Lake Hospital), C , 6%, 2043	265,000	269,179
Louisiana Public Facilities Authority Hospital Rev. (Lake Charles Memorial Hospital), 6.375%, 2034	415,000	392,217
Louisville & Jefferson County, KY, Metropolitan Government Healthcare Systems Rev. (Norton Healthcare, Inc.), 5.25%, 2036	385,000	376,903
Lufkin, TX, Health Facilities Development Corp. Rev. (Memorial Health System), 5.5%, 2032	45,000	42,027
Lufkin, TX, Health Facilities Development Corp. Rev. (Memorial Health System), 5.5%, 2037	45,000	41,404
Maryland Health & Higher Educational Facilities Authority Rev. (Anne Arundel Health System), A , 6.75%, 2039	175,000	200,975
Maryland Health & Higher Educational Facilities Authority Rev. (Mercy Medical Center), A , 5.5%, 2042	300,000	292,056
Maryland Health & Higher Educational Facilities Authority Rev. (Washington County Hospital), 6%, 2043	95,000	96,378
Massachusetts Health & Educational Facilities Authority Rev. (Boston Medical Center), 5.25%, 2038	110,000	97,771
Massachusetts Health & Educational Facilities Authority Rev. (Milford-Whitinsville Regional), C , 5.75%, 2013	355,000	355,440
Massachusetts Health & Educational Facilities Authority Rev. (Quincy Medical Center), A , 6.5%, 2038	165,000	145,862
Massachusetts Health & Educational Facilities Authority Rev. (South Shore Hospital), F , 5.75%, 2029	370,000	376,360
New Hampshire Business Finance Authority Rev. (Elliot Hospital Obligated Group), A , 6%, 2027	445,000	456,454
New Hampshire Health & Education Facilities Authority Rev. (Catholic Medical Center), A , 6.125%, 2012 (c)	440,000	492,703
New Hampshire Health & Education Facilities Authority Rev. (Catholic Medical Center), A , 6.125%, 2032	60,000	60,544
New Hampshire Health & Education Facilities Authority Rev. (Memorial Hospital at Conway), 5.25%, 2036	300,000	264,132
New Jersey Health Care Facilities, Financing Authority Rev. (St. Peter s University Hospital), 5.75%, 2037	415,000	419,245
New York Dormitory Authority Rev. (North Shore Long Island Jewish Group), 5.5%, 2013 (c)	100,000	113,435

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
New York Dormitory Authority Rev., Non-State Supported Debt (Bronx-Lebanon Hospital Center), LOC, 6.5%, 2030	\$ 165,000	\$ 184,495
New York Dormitory Authority Rev., Non-State Supported Debt (Bronx-Lebanon Hospital Center), LOC, 6.25%, 2035	100,000	109,832
New York Dormitory Authority Rev., Non-State Supported Debt (Mt. Sinai NYU Health), 5.5%, 2026	200,000	200,492
Northampton County, PA, General Purpose Authority Hospital Rev. (St. Luke s Hospital), A , 5.5%, 2035	100,000	99,721
Northampton County, PA, General Purpose Authority Hospital Rev. (St. Luke s Hospital), A , 5.5%, 2040	115,000	113,986
Orange County, FL, Health Facilities Authority Hospital Rev. (Orlando Regional Healthcare), 5.75%, 2012 (c)	150,000	168,261
Orange County, FL, Health Facilities Authority Hospital Rev. (Orlando Regional Healthcare), C , ETM, NATL, 6.25%, 2013 (c)	1,740,000	2,011,562
Palomar Pomerado Health Care District, CA, COP, 6.75%, 2039	340,000	363,661
Philadelphia, PA, Hospitals & Higher Education Facilities Authority Rev. (Temple University Health System), A , 6.625%, 2023	335,000	335,067
Philadelphia, PA, Hospitals & Higher Education Facilities Authority Rev. (Temple University Health System), A , 5.5%, 2030	395,000	354,291
Rhode Island Health & Educational Building Corp. Rev., Hospital Financing (Lifespan Obligated Group), A , ASSD GTY, 7%, 2039	855,000	968,570
Rhode Island Health & Educational Building Corp., Hospital Financing (Lifespan Obligated Group), 6.375%, 2012 (c)	435,000	476,864
Richmond, IN, Hospital Authority Rev. (Reid Hospital & Health Center Services), A , 6.625%, 2039	525,000	567,163
Royal Oak, MI, Hospital Finance Authority Rev. (William Beaumont Hospital), 8.25%, 2039	230,000	274,645
Scioto County, OH, Hospital Facilities Rev. (Southern Ohio Medical Center), 5.75%, 2038	555,000	569,164
Skagit County, WA, Public Hospital District No. 001 Rev. (Skagit Valley Hospital), 5.75%, 2032	535,000	527,039
South Carolina Jobs & Economic Development Authority (Bon Secours - Venice Healthcare Corp.), 5.5%, 2012 (c)	110,000	122,064
South Carolina Jobs & Economic Development Authority (Bon Secours - Venice Healthcare Corp.), 5.5%, 2023	390,000	394,524
South Lake County, FL, Hospital District Rev. (South Lake Hospital), A , 6%, 2029	105,000	107,884
South Lake County, FL, Hospital District Rev. (South Lake Hospital), A , 6.25%, 2039	155,000	159,320
Southwestern, IL, Development Authority Rev. (Anderson Hospital), 5.375%, 2015	380,000	381,919

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Hospitals - continued		
Southwestern, IL, Development Authority Rev. (Anderson Hospital), 5.125%, 2036	\$ 1,000,000	\$ 898,410
St. Paul, MN, Housing & Redevelopment Authority Healthcare Facilities Rev. (Healthpartners Obligated Group), 5.25%, 2023	325,000	327,464
St. Paul, MN, Housing & Redevelopment Authority Healthcare Facilities Rev. (Healthpartners Obligated Group), 5.25%, 2036	615,000	580,099
Sullivan County, TN, Health, Educational & Housing Facilities Board Hospital Rev. (Wellmont Health Systems Project), C, 5.25%, 2026	1,365,000	1,292,054
Sullivan County, TN, Health, Educational & Housing Facilities Board Hospital Rev. (Wellmont Health Systems Project), C, 5.25%, 2036	135,000	120,546
Sumner County, TN, Health, Educational & Housing Facilities Board Rev. (Sumner Regional Health Systems, Inc.), A, 5.5%, 2046	1,000,000	860,000
Tarrant County, TX, Cultural Education Facilities Finance Corp. (Scott & White Memorial Hospital), A, 5.5%, 2031	85,000	90,052
Tyler, TX, Health Facilities Development Corp. (East Texas Medical Center), A, 5.25%, 2032	265,000	248,726
Tyler, TX, Health Facilities Development Corp. (East Texas Medical Center), A, 5.375%, 2037	220,000	206,087
Washington Health Care Facilities Authority Rev. (Highline Medical Center), FHA, 6.25%, 2036	700,000	763,868
Washington Health Care Facilities Authority Rev. (Virginia Mason Medical Center), A, 6.25%, 2042	570,000	586,553
West Virginia Hospital Finance Authority, Hospital Rev. (Thomas Health System), 6.5%, 2038	285,000	273,249
Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), 6.4%, 2033	175,000	179,389
Wisconsin Health & Educational Facilities Authority Rev. (Fort Healthcare, Inc. Project), 5.375%, 2018	385,000	394,032
Wisconsin Health & Educational Facilities Authority Rev. (ProHealth Care, Inc. Obligated Group), 6.625%, 2032	195,000	204,157
Wisconsin Health & Educational Facilities Authority Rev. (ProHealth Care, Inc. Obligated Group), 6.625%, 2039	100,000	108,694
Wisconsin Health & Educational Facilities Authority Rev. (Wheaton Franciscan Services), 5.25%, 2034	695,000	616,708
		\$ 30,723,531
Healthcare Revenue - Long Term Care - 7.6%		
ABAG Finance Authority for Non-Profit Corps., CA, Rev. (Casa de las Campanas), 6%, 2037	\$ 70,000	\$ 70,745
Abilene, TX, Health Facilities Development Corp., Retirement Facilities Rev. (Sears Methodist Retirement Systems, Inc.), A, 7%, 2033	500,000	442,615
Bucks County, PA, Industrial Development Authority Retirement Community Rev. (Ann's Choice, Inc.), A, 6.125%, 2025	500,000	472,145

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Long Term Care - continued		
Capital Projects Finance Authority, FL (Glenridge on Palmer Ranch), A , 8%, 2012 (c)	\$ 500,000	\$ 574,095
Chartiers Valley, PA, Industrial & Commercial Development Authority Rev. (Friendship Village South), A , 5.25%, 2013	500,000	519,330
Chester County, PA, Industrial Development Authority Rev. (RHA Nursing Home), 8.5%, 2032	705,000	635,057
Cumberland County, PA, Municipal Authority Rev. (Diakon Lutheran Social Ministries), 6.125%, 2029	570,000	578,123
Fulton County, GA, Residential Care Facilities, Elderly Authority Rev. (Canterbury Court), A , 6.125%, 2034	250,000	224,573
Fulton County, GA, Residential Care Facilities, Elderly Authority Rev. (Lenbrook Square Foundation, Inc.), A , 5%, 2029	270,000	190,995
Hamden, CT, Facility Rev. (Whitney Center Project), A , 7.625%, 2030	35,000	36,504
Hamden, CT, Facility Rev. (Whitney Center Project), A , 7.75%, 2043	205,000	213,833
Hawaii Department of Budget & Finance, Special Purpose Rev. (15 Craigside Project), A , 9%, 2044	115,000	128,923
Illinois Finance Authority Rev. (Hoosier Care, Inc.), A , 7.125%, 2034	420,000	362,036
Illinois Finance Authority Rev. (Smith Village), A , 6.25%, 2035	500,000	424,955
Illinois Health Facilities Authority Rev. (Lutheran Senior Ministries, Inc.), 7.375%, 2011 (c)	250,000	272,893
Illinois Health Facilities Authority Rev. (Smith Crossing), A , 7%, 2032	250,000	229,933
La Verne, CA, COP (Brethren Hillcrest Homes), B , 6.625%, 2025	350,000	350,165
Massachusetts Development Finance Agency Rev. (Loomis Communities, Inc.), A , 5.625%, 2015	150,000	147,933
Montgomery County, PA, Industrial Development Authority Rev. (Whitemarsh Continuing Care), 6.125%, 2028	200,000	162,562
Montgomery County, PA, Industrial Development Authority Rev. (Whitemarsh Continuing Care), 6.25%, 2035	300,000	231,996
New Jersey Economic Development Authority Rev. (Lions Gate), A , 5.75%, 2025	310,000	278,321
New Jersey Economic Development Authority Rev. (Lions Gate), A , 5.875%, 2037	100,000	84,090
Savannah, GA, Economic Development Authority, First Mortgage (Marshes of Skidway), A , 7.4%, 2024	250,000	250,463
Shelby County, TN, Health, Educational & Housing Facilities Board Rev. (Germantown Village), A , 7.25%, 2034	150,000	146,643
South Carolina Jobs & Economic Development Authority, Health Facilities Rev. (Wesley Commons), 5.3%, 2036	250,000	196,200

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Healthcare Revenue - Long Term Care - continued		
Suffolk County, NY, Industrial Development Agency, Civic Facilities Rev. (Gurwin Jewish Phase II), 6.7%, 2039	\$ 490,000	\$ 415,216
Tarrant County, TX, Cultural Education Facilities Finance Corp. Retirement Facility (Air Force Village), 6.125%, 2029	40,000	40,155
Tarrant County, TX, Cultural Education Facilities Finance Corp. Retirement Facility (Air Force Village), 6.375%, 2044	315,000	314,332
Tarrant County, TX, Cultural Education Facilities Finance Corp. Retirement Facility (Stayton at Museum Way), 8.25%, 2044	500,000	499,395
		\$ 8,494,226
Healthcare Revenue - Other - 0.3%		
Massachusetts Health & Educational Facilities Authority Rev. (Civic Investments, Inc.), A , 9%, 2012 (c)	\$ 250,000	\$ 290,203
Human Services - 0.2%		
Massachusetts Development Finance Agency Rev. (Evergreen Center, Inc.), 5%, 2024	\$ 250,000	\$ 232,038
Industrial Revenue - Airlines - 0.4%		
Clayton County, GA, Development Authority Special Facilities Rev. (Delta Airlines, Inc.), A , 8.75%, 2029	\$ 125,000	\$ 133,854
Clayton County, GA, Development Authority Special Facilities Rev. (Delta Airlines, Inc.), B , 9%, 2035	95,000	99,165
Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines, Inc.), 5.5%, 2030	105,000	71,001
New York, NY, City Industrial Development Agencies Rev. (American Airlines, Inc.), 7.5%, 2016	115,000	116,789
		\$ 420,809
Industrial Revenue - Chemicals - 1.0%		
Brazos River, TX, Harbor Navigation District (Dow Chemical Co.), B-2 , 4.95%, 2033	\$ 590,000	\$ 560,500
Michigan Strategic Fund Ltd. Obligation Rev. (Dow Chemical Co.), 6.25%, 2014	525,000	586,472
		\$ 1,146,972
Industrial Revenue - Environmental Services - 1.3%		
California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Republic Services, Inc.), B , 5.25%, 2023 (b)	\$ 135,000	\$ 140,684
California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), A , 5%, 2022	305,000	303,926
California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), C , 5.125%, 2023	335,000	333,539

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Industrial Revenue - Environmental Services - continued		
Mission, TX, Economic Development Corp., Solid Waste Disposal Rev. (Allied Waste N.A., Inc.), A , 5.2%, 2018	\$ 650,000	\$ 652,984
		\$ 1,431,133
Industrial Revenue - Other - 2.5%		
California Statewide Communities, Development Authority Facilities (Microgy Holdings Project), 9%, 2038 (a)	\$ 26,773	\$ 2,677
Gulf Coast, TX, Industrial Development Authority Rev. (CITGO Petroleum Corp.), 8%, 2028	250,000	250,585
Houston, TX, Industrial Development Corp. (United Parcel Service, Inc.), 6%, 2023	315,000	302,772
Indianapolis, IN, Airport Authority Rev., Special Facilities (FedEx Corp.), 5.1%, 2017	250,000	262,428
Michigan Strategic Fund Ltd. Obligation Rev. (Michigan Sugar Co., Carrollton), 6.55%, 2025	250,000	214,835
New Jersey Economic Development Authority Rev. (GMT Realty LLC), B , 6.875%, 2037	500,000	409,035
Pennsylvania Economic Development Financing Authority, Finance Authority Facilities Rev. (Amtrak), A , 6.25%, 2031	180,000	182,830
Toledo Lucas County, OH, Authority Port Rev., Facilities (CSX, Inc. Project), 6.45%, 2021	1,000,000	1,124,030
		\$ 2,749,192
Industrial Revenue - Paper - 1.1%		
Camden, AL, Industrial Development Board Exempt Facilities Rev., B (Weyerhaeuser Co.), 6.375%, 2013 (c)	\$ 275,000	\$ 318,843
Escambia County, FL, Environmental Improvement Rev. (International Paper Co.), A , 5.75%, 2027	250,000	242,240
Rockdale County, GA, Development Authority Project Rev. (Visy Paper Project), A , 6.125%, 2034	320,000	297,965
Sabine River Authority Rev., Louisiana Water Facilities (International Paper Co.), 6.2%, 2025	310,000	314,858
		\$ 1,173,906
Miscellaneous Revenue - Entertainment & Tourism - 0.9%		
Brooklyn, NY, Arena Local Development Corp. (Barclays Center Project), 6%, 2030	\$ 200,000	\$ 206,356
Brooklyn, NY, Arena Local Development Corp. (Barclays Center Project), 6.25%, 2040	130,000	133,901
Brooklyn, NY, Arena Local Development Corp. (Barclays Center Project), 6.375%, 2043	90,000	92,718
Cow Creek Band of Umpqua Tribe of Indians, OR, C , 5.625%, 2026 (n)	350,000	259,004

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Miscellaneous Revenue - Entertainment & Tourism - continued		
New York Liberty Development Corp. Rev. (National Sports Museum), A , 6.125%, 2019 (d)	\$ 220,000	\$ 660
New York, NY, City Industrial Development Agency Rev. (Queens Baseball Stadium), ASSD GTY, 6.125%, 2029	65,000	72,690
New York, NY, City Industrial Development Agency Rev. (Queens Baseball Stadium), ASSD GTY, 6.375%, 2039	45,000	49,734
New York, NY, City Industrial Development Agency Rev. (Queens Baseball Stadium), ASSD GTY, 6.5%, 2046	195,000	217,205
		\$ 1,032,268
Miscellaneous Revenue - Other - 2.0%		
Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2017	\$ 95,000	\$ 93,034
Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2019	190,000	181,401
Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2020	155,000	146,292
Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2024	90,000	82,845
Dallas, TX, Civic Center Convention Complex Rev., ASSD GTY, 5.25%, 2034	465,000	482,833
New Orleans, LA, Aviation Board Gulf Opportunity Zone CFC Rev. (Consolidated Rental Car), A , 6.25%, 2030	185,000	192,709
Oklahoma Industries Authority Rev. (Oklahoma Medical Research Foundation Project), 5.5%, 2029	600,000	625,782
Summit County, OH, Port Authority Building Rev. (Seville Project), A , 5.1%, 2025	415,000	355,335
V Lakes Utility District, MS, Water Systems Rev., 7%, 2037	85,000	75,291
		\$ 2,235,522
Multi-Family Housing Revenue - 4.7%		
Broward County, FL, Housing Finance Authority Rev. (Chaves Lakes Apartments Ltd.), A , 7.5%, 2040	\$ 500,000	\$ 485,845
Capital Trust Agency, FL, Housing Rev. (Atlantic Housing Foundation), B , 7%, 2032	355,000	150,449
Charter Mac Equity Issuer Trust, FHLMC, 6.3%, 2019 (n)	500,000	523,990
Charter Mac Equity Issuer Trust, B , FHLMC, 7.6%, 2050 (b)(n)	500,000	516,850
Clay County, FL, Housing Finance Authority Rev. (Madison Commons Apartments), A , 7.45%, 2040	235,000	222,637
District of Columbia Housing Finance Agency (Henson Ridge), E , FHA, 5.1%, 2037	500,000	492,790
Durham, NC, Durham Housing Authority Rev. (Magnolia Pointe Apartments), 5.65%, 2038 (b)	370,988	294,824

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Portfolio of Investments (unaudited) continued

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Multi-Family Housing Revenue - continued		
Minneapolis, MN, Student Housing Rev. (Riverton Community Housing Project), A, 5.7%, 2040	\$ 250,000	\$ 195,995
MuniMae TE Bond Subsidiary LLC, 5.5%, 2049 (b)(z)	1,000,000	634,240
New Mexico Mortgage Finance Authority, Multi-Family Housing Rev. (Sun Pointe Apartments), E, FHA, 4.8%, 2040	500,000	483,695
Resolution Trust Corp., Pass-Through Certificates, 1993, 9.75%, 2016 (z)	227,741	216,192
Tacoma, WA, Housing Authority Multi-Family Rev. (Redwood/Juniper, Pine Tree Harbor, & Conifer South), GNMA, 5.05%, 2037	1,040,000	1,011,379
		\$ 5,228,886
Sales & Excise Tax Revenue - 1.4%		
Bolingbrook, IL, Sales Tax Rev., 6.25%, 2024	\$ 250,000	\$ 158,388
Massachusetts Bay Transportation Authority, Sales Tax Rev., A-1, 5.25%, 2029	350,000	412,115
Tampa Bay, FL, Sports Authority Rev. (Sales Tax-Tampa Bay Arena), NATL, 5.75%, 2025	1,000,000	1,041,950
		\$ 1,612,453
Single Family Housing - Local - 0.8%		
Chicago, IL, Single Family Mortgage Rev., A, GNMA, 7.15%, 2031	\$ 15,000	\$ 15,595
Minneapolis & St. Paul Housing Authority Rev. (City Living), A-2, GNMA, 5%, 2038	404,190	398,151
Pittsburgh, PA, Urban Redevelopment Authority Rev., C, GNMA, 4.8%, 2028	500,000	507,480
		\$ 921,226
Single Family Housing - State - 2.8%		
California Housing Finance Agency Rev., G, 5.5%, 2042	\$ 385,000	\$ 389,123
Colorado Housing & Finance Authority, A, 5.5%, 2029	1,080,000	1,143,072
Colorado Housing & Finance Authority, B-2, 7.25%, 2031	30,000	30,972
Maine Housing Authority Mortgage, A-2, 4.95%, 2027	500,000	499,405
Montana Board Housing (Single Family Mortgage), A, 5%, 2036	730,000	714,407
North Dakota Housing Finance Agency Rev., A, 4.85%, 2021	310,000	313,915
		\$ 3,090,894
Solid Waste Revenue - 1.8%		
Delaware County, PA, Industrial Development Authority Rev. (American Ref-Fuel), A, 6.1%, 2013	\$ 675,000	\$ 676,917
Massachusetts Industrial Finance Agency, Resource Recovery Rev. (Ogden Haverhill Associates), A, 5.45%, 2012	1,250,000	1,265,475
Pennsylvania Economic Development Financing Authority, Sewer Sludge Disposal Rev. (Philadelphia Biosolids Facility), 6.25%, 2032	55,000	58,500
		\$ 2,000,892

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
State & Agency - Other - 0.2%		
Commonwealth of Puerto Rico (Mepsi Campus), A , 6.25%, 2024	\$ 100,000	\$ 97,318
Commonwealth of Puerto Rico (Mepsi Campus), A , 6.5%, 2037	100,000	92,566
		\$ 189,884
State & Local Agencies - 17.8%		
Andover, MN, Economic Development Authority Public Facilities Lease Rev. (Andover Community Center), 5%, 2014 (j)	\$ 245,000	\$ 270,725
Andover, MN, Economic Development Authority Public Facilities Lease Rev. (Andover Community Center), 5%, 2014 (j)	355,000	392,275
Berkeley County, SC, School District Installment Lease (Securing Assets for Education), 5%, 2028	500,000	506,870
Dorchester County, SC, School District No. 2, Growth Remedy Opportunity Tax Hike, 5.25%, 2029	250,000	259,613
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A , 5%, 2045	420,000	378,311
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, B , 5.5%, 2013 (c)	500,000	563,365
Indiana Office Building Commission Correction Facilities Program Rev. (Women s Prison), B , AMBAC, 6.25%, 2016	2,820,000	3,199,769
Lancaster, SC, Educational Assistance Program, Inc., School District Lancaster County Project, 5%, 2026	550,000	558,393
Laurens County, SC, School District No. 55, Installment Purchase Rev., 5.25%, 2030	350,000	333,130
Los Angeles County, CA, Schools (Regionalized Business Service Corp.) Capital Appreciation Pooled Financing, A , AMBAC, 0%, 2021	2,135,000	1,071,877
Metropolitan Government of Nashville & Davidson County, TN, Health & Educational Facilities Board Rev. (Meharry Medical College), AMBAC, 6%, 2016	1,575,000	1,737,351
New York Dormitory Authority Rev. (City University) A , 5.75%, 2018	5,000,000	5,708,700
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Absolute Return Buffered Return Notes Linked to the
Lesser Performing of One
Exchange Traded Fund and One Equity Index, Due
May 21, 2021
Royal Bank of Canada

SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 11, 2016 under “Supplemental Discussion of U.S. Federal Income Tax Consequences.” The discussions below and in the accompanying product prospectus supplement do not address the tax consequences applicable to holders subject to Section 451(b) of the Code.

Under Section 871(m) of the Code, a “dividend equivalent” payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Assets or the Notes (for example, upon an equity index rebalancing), and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Assets or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about May 23, 2018, which is the third (3rd) business day following the Pricing Date (this settlement cycle being referred to as “T+3”). See “Plan of Distribution” in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the prospectus dated January 8, 2016. We expect to deliver the Notes on a date that is greater than two business days following the Pricing Date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

The value of the Notes shown on your account statement may be based on RBCCM’s estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately 6 months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM’s estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the

underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

No Prospectus (as defined in Directive 2003/71/EC, as amended (the "Prospectus Directive")) will be prepared in connection with the Notes. Accordingly, the Notes may not be offered to the public in any member state of the European Economic Area (the "EEA"), and any purchaser of the Notes who subsequently sells any of the Notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and a "retail investor" means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1)

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of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”), for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Assets. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Assets, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Pricing Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.

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