RBC Global Asset Management

RBC Canadian Core Real Estate Fund
Quarterly Report – Q4 2020

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Performance Comparison as of December 31, 2020 (%, annualized)	3 Mo	YTD	1 Yr	2 Yr	3 Yr	5 Yr	SI
RBC Canadian Core Real Estate Fund	**0.98**	**-0.67**	**-0.67**	**-**	**-**	**-**	**0.26**
*Custom Benchmark**	*1.76*	*4.89*	*4.89*	-	-	-	*5.06*

Series O returns. Returns are gross of fees and are denominated in Canadian dollars. Inception date: October 31, 2019.
*Benchmark: Canadian CPI (seasonally-adjusted, 1-month lag) + 400 bps.

Fund Profile

RBC Canadian Core Real Estate Fund (the "Fund") is an open-ended investment trust that makes direct private equity real estate investments in commercial real estate in Canada. The Fund's investment objective is to provide investors with returns composed of income and capital appreciation by investing in a diversified portfolio of high quality, income producing real properties located in major Canadian markets.

The Fund held its initial opening on October 31, 2019 ("Tranche I") and its second opening on October 30, 2020 ("Tranche II"). Over this time, the Fund has acquired ownership interests in 48 assets with a gross asset value (GAV) totaling $2.6B from British Columbia Investment Management Corporation (BCI) and its real estate operating business, QuadReal Property Group (QuadReal). The phased investment process is expected to continue in 2021. BCI will continue to own the remaining ownership interest in each individual asset, providing long-term performance alignment among investors.

Executive Summary

For the three months ending December 31, 2020, the Fund generated a total return of 0.98% (gross of management fees), [a] bringing its total return for calendar year 2020 to -0.67%. In 2020, the Fund distributed a cumulative total of $0.30 per unit, with the most recent quarterly distribution in October totaling $0.083 per unit. The latest distribution equates to an annualized income yield of 3.4%.

Since its inception on October 31, 2019, the Fund has generated a total return of 0.26%, as resilient occupancy and cash flow levels have helped to mitigate the impact of valuation declines in pockets of the portfolio that were disproportionately impacted by the pandemic.

The Fund successfully completed the Tranche II acquisition in October 2020, bringing the Fund's GAV to $2.6B, diversified across 48 assets in 10 cities (the "Portfolio"). As planned, the Fund continued to increase its share of the Portfolio through the Tranche II follow-on investment, effectively "averaging in" with respect to asset prices, as it progresses to its target of 50% ownership of the Portfolio alongside BCI. The total value of the Portfolio (at 100%) is $7.6B, with the remaining $5.0B interest being held by BCI, creating significant ownership and operational alignment at the property level. The benefit of this alignment was particularly evident during 2020.

Despite the challenging environment, the Fund continued to deliver stability across its key performance metrics, the highlights of which are summarized as follows:

Performance Highlights

- Total return since inception of 0.26%[1]
- Total return year to date of -0.67% inclusive of a 3.1% distribution yield[2]
- Current "roll forward" distribution yield of 3.4%[3]
- December rent collection levels of 97% and full year bad debt expense of 2%[4]
- In-place occupancy of 93.9% and committed occupancy of 95.0%[5]
- Overall leverage of 22% (70% fixed/30% floating) with strong liquidity

[1]Oct. 31, 2019 through Dec. 31, 2020
[2]Jan. 1 through Dec. 31, 2020
[3]Computed by annualizing Oct. 31, 2020 distribution as percentage of Oct. 31, 2020 NAV
[4]As percentage of actual gross revenues, for the full year 2020
[5]As of Dec. 31, 2020; committed occupancy is in-place occupancy adjusted for leases signed but not yet commenced

[a] Series O

Subsequent Events

- The RBC Real Estate team ("Manager") recently finalized the Fund's strategic plan for 2021 through 2023. This plan, which is developed annually based on a three-year rolling forecast window, requires the Manager to determine an overall strategic direction for the Fund by integrating detailed asset-level operating plans with investment and capitalization strategies. The planning process reaffirmed that the Fund is well-positioned to generate compelling long-term performance through effective management both at the asset level and at the portfolio level. Notably, the Fund's strong and diversified foundation has positioned it to execute on an investment plan that will continue to move the property sector and geographic weightings towards their medium-term targets (specifically, higher residential and industrial weightings from an asset class perspective; and higher GTA, Montreal, and Ottawa weightings from a geographic perspective).
- The Fund's private real estate Q4 2020 valuations were finalized in mid-January 2021. The GAV of the portfolio was essentially unchanged from the prior quarter, although there was some variation across asset classes and geographies. Notably, value increases in the Fund's Vancouver office assets were offset by value declines in the Calgary office and enclosed retail segments. Value changes in other sectors and locations were broadly stable, as in-place economic fundamentals underpinning real asset values remained consistent from the previous quarter.
- The January 31, 2021 distribution will be $0.083 per unit, unchanged from the October 2020 distribution. Annualizing the January distribution and using the December 31 NAV, the distribution level is equivalent to an income yield of 3.4%.

Market Review

The strong monetary and fiscal responses continued globally through the end of 2020, as COVID challenged health care systems and economies. With the roll-out of vaccines, optimism for an approaching recovery is in place although there are certain to be new challenges to face in 2021. The economic impact of COVID has been very uneven with wealth being simultaneously created and lost. According to one report, many Canadian households have bolstered their financial position from stimulus support and savings from non-essential spending like travel and leisure, and are now sitting on $90B of surplus funds.[b] This increase in savings, combined with ultra-low interest rates, has driven a reactive housing boom with peak single-residential pricing levels across the country. The question is the sustainability of these reactive trends.

Discussion around inflationary pressure has emerged given the extreme levels of stimulus. While conditions may eventually lead to inflationary pressure, inflation levels remain low by historical standards, and the conditions that would lead to problematically high inflation have yet to appear. Further, if inflation results from a return to healthy economic growth, this will be very positive for investments that are positively correlated.

In terms of commercial real estate, transaction volumes have softened materially. The combined Q2 and Q3 2020 transaction volumes in North America were down 60% over the same period last year, while Europe and Asia held up better, with volumes down 40% and 30%, respectively.[c] In Canada, the most active markets were Toronto,

Vancouver, and Montreal, with the most active sectors being land, multifamily, industrial, and office. Overall, there remains significant capital targeting the real estate sector. As of October 2020, there were 1,013 closed-end private real estate market funds globally with ~$300B in available capital, compared to 634 closed-end funds with ~$220B of capital as of January 2019.[d] A survey of market participants indicated an ongoing flight to quality, with investors focused on the strong assets and core markets, while making price adjustments for riskier opportunities.[e] Overall real estate sentiment remains relatively constructive due to low interest rate levels, the uncertain inflation outlook and high valuation levels within the public markets.

Given the uncertain pace with which pandemic mobility constraints will be relaxed, the Fund's focus remains on maintaining strong tenant relations, high occupancy levels and financial flexibility heading into 2021. We anticipate that the next six months will provide only a modest recovery, with transaction activity limited to the higher quality assets and the most liquid markets. While the current low levels of interest rates continue to provide valuation support

[b] Financial Post - November 17 2020 - Canadian households and businesses sitting on $170 billion excess cash hoard: CIBC
[c] CBRE Q3 2020
[d] PREQUIN Q3 2020 quarterly update
[e] ULI Emerging Trends in Real Estate US and Canada 2021 – November 2020

for all assets, traditional real estate tenant metrics such as covenant strength and term are particularly important in the current environment. The Fund's assets generally feature a lease maturity profile that extends to greater than five years, and are therefore significantly less vulnerable to near term market disruption.

Performance and Positioning

Fund Performance

The Fund's overall 2020 performance reflected the resiliency of its cash flow supported by strong tenant covenants and leasing. The tables below illustrate the Fund's distribution return and total returns.

Distributions						
Series O, as of Dec 31, 2020	**Oct. 31/19**	**Jan. 31/20**	**Apr. 30/20**	**Jul. 31/20**	**Oct. 30/20**	**2020 Total**
Unit Price (Series O)	$10.000	$10.061	$9.527	$9.673	$9.645	
Distribution/Unit	-	$0.067	$0.067	$0.083	$0.083	
Distribution %	-	0.66%	0.70%	0.85%	0.85%	3.10%

The January 31, 2021 distribution is projected to be $0.083 per unit, representing an annualized distribution yield of 3.4% based on the December 31, 2020 unit value.

Total Returns (3m ending)						
Series O, as of Dec 31, 2020	**Q4/19**	**Q1/20**	**Q2/20**	**Q3/20**	**Q4/20***	**2020 Total**
NAV Return	0.98%	0.43%	-5.70%	1.59%	0.11%	-3.67%
Distribution Return	0.00%	0.66%	0.70%	0.85%	0.85%	3.10%
Total Return[1]	**0.98%**	**1.10%**	**-5.03%**	**2.46%**	**0.98%**	**-0.67%**

Series O returns. Total returns are gross-of-fees and reported in Canadian dollars. Inception date: October 31, 2019.
**Excluding Q4 2020 private market valuations, which will be reflected the NAV during the third week of January (Q1 2021). No significant change to NAV is expected.*
[1]Geometric average of NAV return and distribution return over time.

Asset-Level Performance

The Fund's performance varied by property type throughout the year, a reflection of the severe market distortion created by COVD-19. All asset classes, with the exception of industrial, saw reduced levels of new leasing activity as decisions were delayed due to the uncertain economic outlook and the practical challenges created by physical lockdown measures and government mandated closures. Unsurprisingly, the industrial sector continues to outperform due to accelerating e-commerce distribution needs.

Among the four core property sectors, COVID-19 has had the most adverse effect on retail, and more specifically, on the fashion-based enclosed shopping centre segment. The Fund's total enclosed mall exposure at the end of 2020

was 5%, while its total exposure to fashion-based enclosed malls was 2%. The Fund also had zero exposure to healthcare facilities, hotels, and student housing, all of which have shorter-term leases and were particularly hard hit from shelter-in-place orders.

Private Market Valuations (% q/q change, rounded)					
	Q1/20*	**Q2/20***	**Q3/20***	**Q4/20****	**2020 Total****
Office	-5%	1%	0%	0%	-5%
Retail	-7%	0%	-1%	0%	-8%
Industrial	-3%	2%	3%	0%	3%
Residential	-1%	3%	-1%	-1%	1%
Total	**-5%**	**1%**	**0%**	**0%**	**-4%**

**Tranche I only*
***Tranche I and II. Please note these Q4 values will be incorporated in NAV in mid-Jan 2021.*

- The strongest performing sector was industrial
- The weakest performing sector was retail (more specifically, the fashion-based, enclosed shopping centre segment of retail)
- Stabilized income, positive leasing momentum and steady valuations contributed to a more normalized H2

Portfolio Allocations

The Fund's mid-term target allocations reflect the portfolio composition that best positions the Fund to continue to generate attractive long-term risk-adjusted returns and are in line with our initial long term expectations for the evolution of the portfolio. These allocations are determined based on a continuous assessment of the following three factors:

- Projected long-term net operating income growth
- Projected job and population growth
- Projected long-term capital flows

Portfolio Composition – by Property Type	Dec. 31/19*	Dec. 31/20**	Mid Term Target
Office	58%	55%	40-50%
Retail	18%	16%	10-20%
Industrial	13%	13%	20-30%
Residential	12%	16%	15-25%

Portfolio Composition – by Geography	Dec. 31/19*	Dec. 31/20**	Mid Term Target
GTA/Ottawa/Montreal	49%	47%	50-60%
Vancouver/Victoria	24%	25%	25-35%
Calgary/Edmonton	26%	22%	10-20%
Other	1%	7%	0-10%

**Based on Q3 2019 valuations*
***Based on Q3 2020 valuations*

The Fund's portfolio composition both by asset class and by geography evolved as expected over the course of 2020 towards a slightly more diversified allocation.

The investment priorities for 2021, in addition to the planned Tranche III acquisition schedule, will focus on industrial and multi-residential assets across the GTA, Ottawa, Montréal, and Vancouver markets. We are fortunate to have a strong existing portfolio, with the opportunity to add in areas where we see long term potential. Execution of the investment program will be achieved through future annual (tranche) acquisitions of pre-identified BCI assets, the potential addition of new BCI assets, third-party acquisitions and a targeted development program.

Operating Performance

The Fund's stable occupancy through the year was a direct result of its high quality tenant base, which comprises approximately 1,000 commercial tenants and 2,800 residential units diversified across 10 markets. This resilience supported the consistent cash flow generated by the portfolio throughout the year.

In-Place Occupancy (Tranche I & Tranche II) - 2020

2020	Q1	Q2	Q3	Q4
Office	92.0%	92.3%	92.3%	91.7%
Retail	98.8%	97.5%	97.3%	98.1%
Industrial	97.5%	95.9%	95.0%	95.0%
Residential	96.7%	94.1%	92.9%	92.4%
Total	**95.4%**	**94.5%**	**94.0%**	**93.9%**

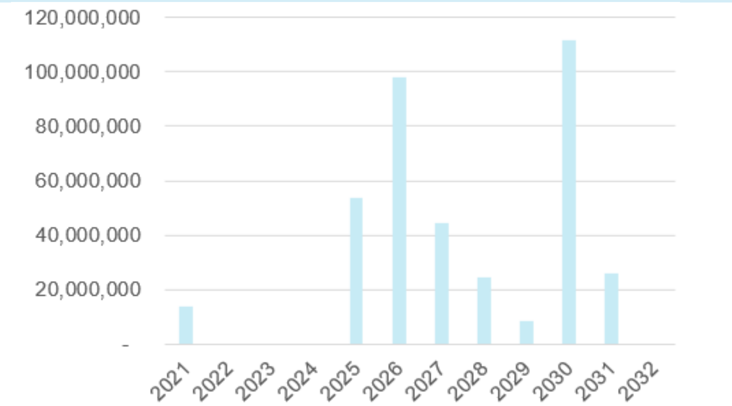
**Committed occupancy is in-place occupancy adjusted for leases signed but not yet commenced.*

- Portfolio occupancy of 94% to 95% throughout the year
- Tenant collections remained 90%+ during the year with monthly office collections never falling below 95%
- The Fund entered into several large new leases at rental rates above in place rents that increase Q4 occupancy from 93.9% to 95.0% on a committed basis*

Financing

The Fund's capitalization plan remained consistent in 2020 and will be the same through 2021: maintain overall leverage levels between 20-30% (currently 22%) with a target to the higher end of the range; maintain floating rate debt at a ratio of approximately 25% of total debt (currently 30%); and appropriately ladder fixed-rate, long-term financing.

Debt Maturity Profile (Fund share, $)



- The Fund has a weighted average debt term of seven years
- During 2020, the Fund executed on financing of three office assets, securing 5, 7, and 10-year maturities at an average interest rate of 2.6%
- The Fund extended mortgages on two multi-residential assets for a term of five years at an interest rate below 1.5%
- The Fund will look to continue its long-term financing program in 2021, locking in favourable rates when compelling opportunities arise

Sector Trends

Office

The Toronto and Vancouver office markets entered 2020 in a very strong position, with the majority of Class A buildings owned by well-capitalized pension funds and insurance companies and with market vacancies among the lowest in North America driven by strong demand by the technology sector. This strength provided a shock absorber for the market given the challenges created during 2020. The overall downtown Class A vacancy rates (inclusive of sublease space) in Toronto and Vancouver ended the year at 5.5% and 4.2%, respectively. These were both low vacancy levels relative to other North American markets, and contributed to a stable rent environment throughout the year.

While the percentage growth in the sublet market has continued to attract headlines, the Class A sublet markets in downtown Toronto and Vancouver remain within normalized bands (approximately 2.0%) that are generally consistent with normal market conditions. The majority of the sublet space has been coming from the “small tenant” and “off core” markets,[f] typical during a market adjustment as these tenants are more likely to face short-term financial pressure to downsize or move.

The Fund’s property manager, QuadReal, has been very effective in managing the assets through the pandemic, while prioritizing health and safety. This strengthened tenant relationships and led to positive leasing during a challenging year. The result was a committed occupancy level that strengthened through the year. [g]

The subject of flexible working arrangements will continue to be discussed through 2021, but notably, discussion should become more balanced when occupancy restrictions ease. Flexible work has been a decade-long trend and has been adopted in some form by virtually every office-based business that is able to provide this type of support, including for those working from home or on business travel which was extremely prevalent. Studies have consistently shown that a balance between office and WFA produces the best results,[h] and the results of surveys conducted during the lockdown have been consistent with this finding.

However, employee productivity has dropped meaningfully since the lockdown commenced, by approximately 23% according to one report.[i] Several reasons are likely for this drop, including the shock to households from shelter-in-place orders, school closures, and other factors impacting day-to-day routines. From a business perspective as well, crucial activities such as collaborating, onboarding, learning & developing, and maintaining culture, best enabled within a physical office, are difficult to perform. Going forward, it is anticipated that work involving execution tasks (i.e. back office) are more likely to be performed remotely while strategic, talent management, business development, and creative processes will remain on-site.[j]

[f] CBRE Q4 2020
[g] Committed occupancy is in-place occupancy adjusted for leases signed but not yet commenced
[h] WFA: work from anywhere
[i] Colliers November 2020 - Office Recovery: Space Needs and Productivity
[j] ULI EY Future of Work – October 2020

While the WFA debate continues, another sectoral trend taking shape is the re-thinking of modern office space, particularly as it relates to attracting and retaining high performing individuals. One study showed that existing office space lacks a number of features that could boost productivity including adding creative settings, learning & development spaces, quiet/private spaces for focused work, outdoor spaces and areas for socializing.[k] These are new features that could results in increased office demand for the most aggressive and entrepreneurial businesses.

Another prevalent office sector trend is the impact of the tech sector, which continues to play a major role in the office market. While Facebook, Microsoft, and Google have confirmed their continued support for a flexible work environment, they have also expanded their real estate footprint by more than 25% in 2020, their fastest rate over the past decade. No other sector, not even the financial services companies of the 1980s or the manufacturing companies of the 1960s, have had such a strong take up of real estate space.[l]

Overall, as companies balance their real estate costs (typically a small percentage of the total operating expenses of larger companies) with the requirements to maintain both the productivity of their workforce and their ability to attract and retain top talent, we believe that it is unlikely that the overall Canadian Class A office space will see material declines in demand or a significant long-term increase in vacancy rates.

Retail

Although the increasing penetration of e-commerce was well underway globally before COVID-19, mandated lockdowns in many geographies throughout 2020 served to rapidly accelerate this trend. In the context of commercial real estate, the critical question is the extent to which this trend will impact physical shopping traffic in the longer term. Short-term evidence from shopping centres that reopened following a lockdown at some point last year – a number of which saw levels of customer traffic rapidly return to strong pre-lockdown volumes – lends credence to the possibility of a quick bounce back driven by an urge among certain consumers to simply “get out” after being locked down.

Another unknown, but key, variable for the retail sector is the allocation of consumer spending, as forced closures and traffic restrictions have created short-term distortions in consumption patterns. Although total spending levels are close to pre-pandemic levels, the composition of this spending remains significantly different, with consumer staples, groceries, liquor, drugstore, and home goods dominating, while fashion, entertainment, recreation, and restaurants (food and beverage) are materially softening. What is unknown is the degree of permanence of this shift, a question that remains to be answered against the distorted window that 2020 provides.

The Commercial Rent Assistance program (CECRA) did its job supporting challenged businesses in 2020, including a number of small retailers. Unfortunately, the complexity of the program administration resulted in less than 40% of the available program funding being utilized. The Fund’s property manager QuadReal was proactive with its tenancy base, establishing a custom platform to help tenants access the government program. Although the tenants supported represented <1% of total fund gross leasable area (GLA), it illustrated a very strong social and governance effort from QuadReal and reinforced important long-term tenant relationships. While the CECRA program ended in September, new programs are in place to continue to provide support directly to tenants where needed. This will help to bridge the gap to full recovery.

Retail remains one of the most flexible asset classes and well located properties in major population centers are most likely to recover quickly and adapt its uses and tenancies to the new normal.

Industrial

One of the Fund’s investment priorities for 2021 and beyond will be to increase its industrial allocation, with a focus on new generation distribution assets located in the GTA, Ottawa, Montréal, and Vancouver markets.

The industrial sector remains in high demand from both tenant and capital perspectives and carries strong momentum into 2021. Vacancy rates in both Toronto and Vancouver are near all-time lows, which has pushed rental rates higher. The demand for distribution space is the primary growth driver, and this condition is expected to drive strong absorption in locations that are central to large population centres. An additional potential long-term driver is on-shoring (domestic supply chain control), although this has yet to surface in a meaningful way.

[k] Jones Lang LaSalle October 2020 – From Productivity to Human Performance
[l] WSJ Property Report - Stock-Market Titans Amazon, Google and Facebook Also Lift Commercial Real Estate; November 24, 2020

While the positive performance of the industrial sector was a definite highlight in 2020, we expect this trend to continue, albeit at a more modest pace into the future. Looking forward, while mid-to-long term returns will ultimately revert to be in lock step with general economic conditions, as the surge in on-line sales and distribution needs level off, it remains an asset class with an attractive long-term outlook. This does however, reinforce the importance of investing discipline.

Multi-Residential

A second investment priority for the Fund going forward will be increasing its exposure to multi-residential assets, with a focus on the GTA and Vancouver markets.

The multi-residential sector has traditionally been very resilient during economic downturns. The relative affordability and flexibility of renting has historically created stable underlying demand, therefore delivering stable performance for investors. The short term conditions created by the pandemic were very different – an unemployment shock, government subsidies and controls, a freeze on immigration, ultra-low rates and a surge in home buying. As a result, the multi-residential market's performance in 2020 softened.

Mid-to-long term, the strong fundamentals (most notably population growth and constrained land supply) remain in place and will again become the key performance drivers for the multi-residential sector once the initial economic shock of the pandemic settles. We expect the sector's performance resilience to continue to be very beneficial to a diversified portfolio, particularly if the overall economy takes time to fully recover. This is a key element of our investment thesis.

Overall, capital market interest continues to be very strong, cap rate spreads to government bond yields remain at or near historic highs, and low interest rate levels have created a very accommodative financing environment.

Other Notable Items

In 2020, QuadReal attained Canada's top ranking in GRESB's (Global Real Estate Sustainability Benchmark) annual assessment in the diversified portfolio category.[m] QuadReal achieved first place in Canada and North America, as well as second place globally. The assets in the Fund comprised 35% of the portfolio that contributed to QuadReal's overall rating.

Outlook

Whether looking backward or forward, comparisons to any 2020 statistic will forever be distorted by the pandemic and the reactionary measures it provoked. Certain trends will prove short lived, while some will become part of the norm. The globe was forced to shelter in place, work from home, and shop online. Long-standing paradigms around social interaction, productivity, and urbanization were abruptly challenged, and the short-term volatility this created reinforced the importance of diversification and discipline when setting an investment strategy – many who reacted and retreated missed the rally that followed, a potent reminder that there is no simple algorithm for predicting human behaviour.

The Fund's diversification and discipline place it in a very strong position heading into 2021. Its core asset profile, high occupancy levels, and conservative balance sheet will allow the Fund to focus on operating performance, executing its investment program, and further strengthening its ability to generate consistent long-term returns.

We believe that the long-term outlook for real assets, including real estate, remains attractive on a risk-adjusted basis. We remain confident in the long-term resilience of neighbourhoods and Canada's major cities, as well-located real estate will always be needed, even if the specific use of individual assets may shift over time. Long-term performance will demand investment discipline and superior operating skill, areas in which the Fund has long-term competitive advantages from its partnership with BCI and QuadReal.

While continued uncertainty will undoubtedly be a theme in 2021, optimism and activity should gradually return as we readjust to our return to a more "normal life", and the Fund is well positioned for the challenges and opportunities that lie ahead.

[m] Global Real Estate Sustainability Benchmark (GRESB) is a Netherlands-based foundation that assesses environment, social (including health & wellness) and governance parameters across 1,229 real estate portfolios and covers USD$4.8 trillion in AUM.

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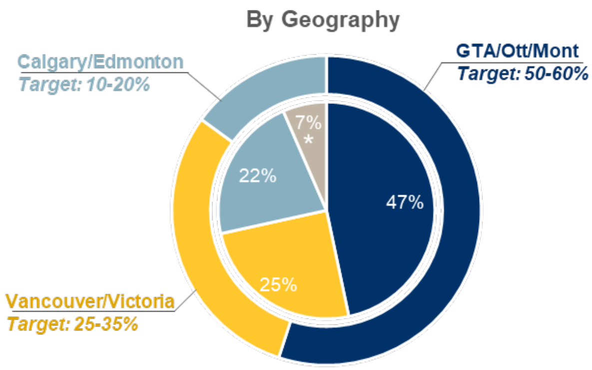
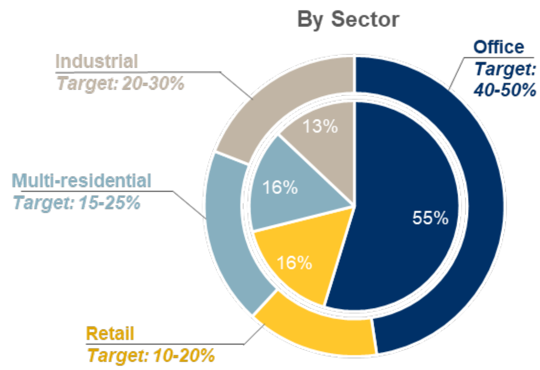
Appendix: RBC Canadian Core Real Estate Fund – Portfolio Structure

As of December 31, 2020

Geographic Breakdown[1]



Property Type Breakdown[1]



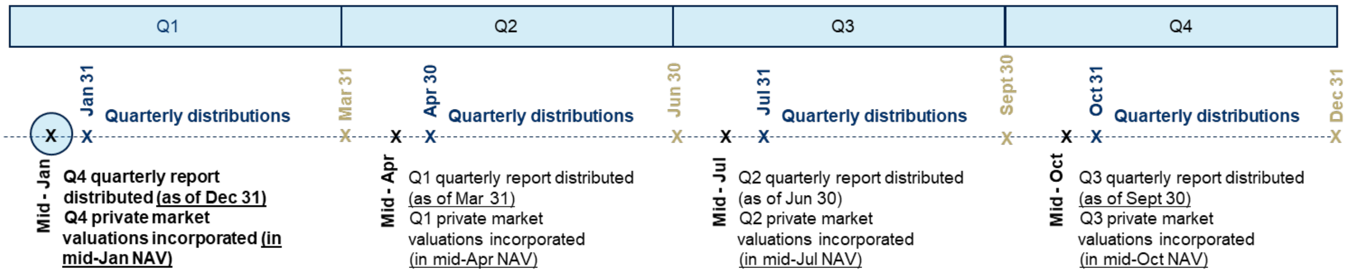
Inner pie depicts current allocations and outer ring depicts mid-term targets.
[1] Exposure as of December 31, 2020 based on September 30, 2020 QuadReal market valuations. Portfolio characteristics are subject to change.
*'Other' includes Hamilton, Kitchener, Cambridge, and Red Deer

Portfolio Profile	
Gross Assets[2]	$2.65B
Net Assets[2]	$2.08B
Number of 50%-owned properties	29
Number of 5%-owned properties	19
Loan-to-value	22%

[2] Exposure as of December 31, 2020 based on September 30, 2020 QuadReal market valuations. Portfolio characteristics are subject to change.

Timeline

The timeline below illustrates the typical progression of recurring quarterly events.



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