



RBC Global  
Asset Management

# RBC INSTITUTIONAL CASH FUNDS

## ANNUAL INFORMATION FORM

**Managed by Phillips, Hager & North Investment Management®\***

May 29, 2014

Offering Series I, Series J and Series O units of the following RBC Institutional Cash Funds

RBC Institutional Government – Plus Cash Fund

RBC Institutional Cash Fund

RBC Institutional US\$ Cash Fund

RBC Institutional Long Cash Fund

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.

\* Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the funds and an indirect wholly-owned subsidiary of Royal Bank of Canada.

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## Introduction

Effective November 1, 2010, RBC Asset Management Inc. and its affiliate, Phillips, Hager & North Investment Management Ltd., amalgamated to form one corporate entity, RBC Global Asset Management Inc. ("RBC GAM"), an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). Effective November 1, 2013, RBC GAM amalgamated with its wholly-owned subsidiary, BonaVista Asset Management Ltd., with the resulting entity keeping the RBC GAM name. RBC GAM is the manager of the Funds (as defined below). Phillips, Hager & North Investment Management is a division of RBC GAM, and has its main operating office in Vancouver, British Columbia.

This Annual Information Form contains information about the RBC Institutional Government – Plus Cash Fund, RBC Institutional Cash Fund, RBC Institutional US\$ Cash Fund and RBC Institutional Long Cash Fund and is meant to supplement the information contained in the simplified prospectus of the Funds dated May 29, 2014 (the "Simplified Prospectus"). The principal address of each of the Funds is 20th Floor, 200 Burrard Street, Vancouver, British Columbia, V6C 3N5.

Additional information about each Fund is available in each of the Funds' management report of fund performance and financial statements. These documents are incorporated by reference into this Annual Information Form, which means that they are legally part of this document, just as if they were printed as part of it. You can get a copy of these documents at no cost by:

- › calling us toll-free at 1-877-408-6019;
- › faxing us toll-free at 1-800-666-9899;
- › emailing us at *institutionalcash@phn.com*; or
- › if applicable, contacting another dealer who sells our Funds.

These documents and other information about the Funds are also available:

- › on our website at *www.rbcgam.com*; or
- › at *www.sedar.com*.

In this Annual Information Form, "you" and "your" mean the investor; "PH&N," "we," "us," "our" and "Phillips, Hager & North" mean Phillips, Hager & North Investment Management, a division of RBC GAM; "RBC GAM" means RBC Global Asset Management Inc.; the "Funds" and the "RBC Institutional Cash Funds" mean the mutual funds described in the Simplified Prospectus and each individual mutual fund is referred to as either an "RBC Institutional Cash Fund" or a "Fund." In addition, the RBC Institutional Government – Plus Cash Fund, RBC Institutional Cash Fund and the RBC Institutional US\$ Cash Fund are referred to collectively as the "RBC Short Cash Funds," while the RBC Institutional Long Cash Fund is referred to as the "RBC Long Cash Fund" in this document.

## When the Funds were created

Each of the Funds was created in January 2010 as an open-end mutual fund under the laws of British Columbia pursuant to a master trust agreement of the Funds dated January 26, 2010, which was amended and restated effective May 24, 2011 (the "Trust Agreement"). Although the Funds were created in January 2010, no series of units were offered for sale under a simplified prospectus until June 6, 2011. Before June 6, 2011, units of the Funds were offered for sale in reliance on exemptions from prospectus requirements under applicable securities laws. We may also continue to offer other series of units of the Funds for sale in reliance on exemptions from prospectus requirements under applicable securities laws.

RBC INSTITUTIONAL CASH FUNDS	DATE CREATED
RBC Institutional Government – Plus Cash Fund	January 26, 2010
RBC Institutional Cash Fund	January 26, 2010

RBC INSTITUTIONAL CASH FUNDS	DATE CREATED
RBC Institutional US\$ Cash Fund	January 26, 2010
RBC Institutional Long Cash Fund	January 26, 2010

## Investment restrictions

Each Fund is designed to meet the investment objectives of different investors. Please refer to the Simplified Prospectus of the Funds for a description of the investment objective of each Fund.

The fundamental investment objective of a Fund may not be changed without the consent of a majority of voting unitholders of the Fund. We can make other changes to the investment strategies and activities of a Fund without the consent of unitholders, subject to any required approval of the Canadian securities regulators and/or the Board of Governors in its role as the independent review committee of a Fund.

Subject to the exceptions described below, RBC GAM manages each of the Funds in accordance with the standard mutual fund investment restrictions and practices (the "restrictions") contained in securities legislation, including National Instrument 81-102 – *Mutual Funds* ("NI 81-102") and National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107"). The Funds are dealer managed mutual funds and accordingly are subject to the restrictions set out in section 4.1 of NI 81-102. The restrictions are designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. The exceptions applicable to all Funds described below may only be relied upon by a Fund where consistent with the investment objectives of the Fund.

### *All Funds – related issuer securities*

Generally, the restrictions prevent a Fund from purchasing the securities of a related issuer. A Fund is permitted, however, to purchase the securities of a related issuer if the purchase is made on an exchange on which the securities are listed and traded. This means a Fund can purchase, for example, listed common and preferred shares. RBC GAM has received relief which permits a Fund to purchase debt securities of a related issuer, provided that:

- (i) the purchase occurs in the secondary market;
- (ii) the debt security has an approved credit rating by an approved credit rating organization; and
- (iii) the price payable is not more than the ask price of the security determined as follows:
  - (A) if the purchase occurs on a marketplace, in accordance with the requirements of the marketplace;
  - (B) if the purchase does not occur on a marketplace,
    - (1) the price at which an independent seller is willing to sell; or
    - (2) not more than the price quoted publicly by an independent marketplace or obtained from an independent party.

RBC GAM has also received relief which permits a Fund to purchase debt securities of a related issuer (other than asset-backed securities), with a term to maturity of 365 days or more, offered in the primary market (i.e. from the issuer) (an "offering"), provided that:

- (i) the size of the offering is at least \$100 million;
- (ii) at least two arm's-length purchasers collectively purchase at least 20% of the securities issued in the offering;
- (iii) following the purchase, the Fund does not have more than 5% of its net assets invested in the debt securities of the issuer;

- (iv) following the purchase, the Funds, together with other related funds offered under a prospectus, do not hold more than 20% of the securities issued in the offering; and
- (v) the purchase price is no more than the lowest price paid by any arm's-length purchaser.

***All Funds – principal trading***

Generally, the restrictions prevent a Fund from purchasing securities from or selling securities to a related party acting as principal. A Fund is, however, permitted to engage in such transactions if the bid and ask price are reported by any public quotation. A Fund is also permitted to purchase debt securities from or sell debt securities to another fund, subject to certain conditions in NI 81-102 and NI 81-107. RBC GAM has received relief which permits a Fund to purchase debt securities from or sell debt securities to a related party that is a principal dealer in the Canadian debt securities market, provided that:

- (i) the transaction occurs in the secondary market;
- (ii) the bid and ask price of the security must be determined by reference to a quote from an independent party if not publicly available; and
- (iii) a purchase must not be executed at a price higher than the ask price and a sale must not be executed at a price which is lower than the bid price.

***All Funds – related party underwriting***

Generally, a Fund is prohibited from investing in securities in respect of which a related party has acted as underwriter during the distribution and for 60 days thereafter. A Fund is, however, permitted to purchase debt and equity securities in respect of which a related party has acted as underwriter if certain conditions in NI 81-102 are met, including, in respect of equity securities, that a prospectus is filed in respect of the securities. RBC GAM has received relief which permits a Fund to purchase equity securities where a prospectus has not been filed, provided that:

- (i) the issuer is a reporting issuer in Canada; and
- (ii) the conditions which apply to purchases where a prospectus has been filed are complied with.

RBC GAM has obtained relief which permits a Fund to purchase equity securities distributed in the United States provided that:

- (i) any related party that is involved in the distribution is regulated in respect of its underwriting activities in Canada or the United States;
- (ii) the securities issued in the distribution must be listed on a recognized exchange and if the securities are acquired during the 60-day period after the distribution they are acquired on a recognized exchange; and
- (iii) the conditions which apply to the purchase of equity securities distributed in Canada in respect of which a related party has acted as underwriter are complied with.

RBC GAM has obtained relief which permits a Fund to purchase debt securities (other than asset-backed commercial paper) in respect of which a related party has acted as underwriter notwithstanding that the debt securities do not have an approved rating by an approved credit rating organization, provided that:

- (i) if the securities are acquired in a distribution,
  - (A) at least one underwriter acting as underwriter in the distribution is not a related dealer;
  - (B) at least one purchaser who is independent and arm's-length to the Fund and the related dealer must purchase at least 5% of the securities distributed under the distribution;
  - (C) the price paid for the securities by the Fund in the distribution shall be no higher than the lowest price paid by any of the arm's-length purchasers who participate in the distribution; and

(D) the Fund and any related funds offered under a prospectus for which RBC GAM or its affiliate or associate acts as manager and/or portfolio advisor can collectively acquire no more than 20% of the securities distributed under the distribution in which a related dealer acts as underwriter;

(ii) if the securities are acquired in the 60-day period,

(A) the ask price of the securities is readily available as provided in Commentary 7 to section 6.1 of NI 81-107;

(B) the price paid for the securities by a Fund is not higher than the available ask price of the security; and

(C) the purchase is subject to market integrity requirements as defined in NI 81-107.

### ***Inter-fund trades***

Under NI 81-102 and NI 81-107, the Funds are permitted to engage in certain inter-fund trades subject to certain conditions, including that the inter-fund trade be executed at the “current market price” of the security. RBC GAM has received relief which permits a Fund to engage in inter-fund trades executed, if the security is an exchange-traded security or a foreign exchange-traded security, at the last sale price, immediately before the trade is executed, on the exchange upon which the security is listed or quoted.

Pursuant to an exemptive relief obtained on behalf of the Funds, subject to similar conditions, each Fund is permitted to engage in certain trades of portfolio securities with investment funds that are not subject to NI 81-107 and discretionary accounts managed by RBC GAM or related parties. This relief also permits inter-fund trades of mortgage securities provided such securities are acquired at a price that is equal to the net asset value of the security determined in accordance with National Policy Statement No. 29 – *Mutual Funds Investing in Mortgages*.

### ***Board of Governors review***

Appropriate records of the related party transactions described above (referred to, collectively, as “Related Party Trading Activities”) must be maintained and, in certain cases, particulars must be filed with the securities regulatory authorities. In addition, the Board of Governors, in its role as the independent review committee of the Funds and other funds managed by RBC GAM must approve the policies and procedures of RBC GAM in respect of Related Party Trading Activities. The Board of Governors and RBC GAM must act in accordance with the requirements of NI 81-107 in respect of standing instructions and reporting to securities regulatory authorities.

The Board of Governors has approved standing instructions in respect of the Related Party Trading Activities. In accordance with the conditions of the applicable standing instructions of the Board of Governors, the Board of Governors reviews Related Party Trading Activities quarterly, with the exception of the principal trading activities, which are reviewed at least annually. In its review, the Board of Governors considers whether investment decisions in respect of Related Party Trading Activities:

- › were made by RBC GAM in the best interests of the Fund and were free from any influence of Royal Bank and without taking into account any consideration relevant to Royal Bank or its associates or affiliates;
- › were in compliance with the conditions of the policies and procedures of RBC GAM;
- › were in compliance with the applicable standing instructions of the Board of Governors; and
- › achieved a fair and reasonable result for the Fund.

The Board of Governors must advise the securities regulatory authorities if it determines that an investment decision in respect of any Related Party Trading Activity was not made in accordance with the foregoing requirements.

Additional information about the members of the Board of Governors is disclosed under the heading *Board of Governors (Independent review committee)* on page 20.

***RBC Institutional Long Cash Fund – derivative transactions***

The RBC Institutional Long Cash Fund has received an exemption from the securities regulatory authorities to extend the category of investments that constitute cash cover for specified derivatives entered into by the Fund to include certain liquid fixed-income securities that have a remaining term to maturity of 365 days or less, floating rate securities that have an interest rate reset no later than every 185 days and securities of the RBC money market funds.

The RBC Institutional Long Cash Fund has received from the securities regulatory authorities an exemption from certain of the derivatives rules in NI 81-102, which allows the Fund, when it uses derivative instruments, to use as cover when it has a long position in a debt-like security that has a component that is a long position in a forward contract or in a standardized futures or forward contract or when it has a right to receive payments under a swap:

- (i) cash cover in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative;
- (ii) a right or obligation to sell an equivalent quantity of the underlying interest of the futures or forward contract, and cash cover that together with margin on account for the position, is not less than the amount, if any, by which the strike price of the futures or forward contract exceeds the strike price of the right or obligation to sell the underlying interest;
- (iii) a right or obligation to enter into an offsetting swap on an equivalent quantity and with an equivalent term and cash cover that together with margin on account for the position is not less than the aggregate amount, if any, of the obligations of the Fund under the swap less the obligations of the Fund under such offsetting swap; or
- (iv) a combination of the positions referred to in subparagraphs (i) and (ii) for debt-like securities with a long position in a forward or in a standardized futures or forward contract or of the positions referred to in subparagraphs (i) and (iii) in the case of a swap, that is sufficient, without recourse to other assets of the Fund, to enable the Fund to acquire the underlying interest of the futures or forward contract or satisfy its obligations under the swap.

***Other relief relevant to the Funds***

RBC GAM has received relief which permits the Funds to include in their annual and interim management reports of fund performance the financial highlights and past performance data derived from the Funds' annual and interim financial statements that pertain to time periods prior to the Funds becoming reporting issuers. This relief is subject to certain conditions, including that the Funds provide investors with certain disclosure regarding the inclusion of performance data or financial highlights of a Fund relating to a period prior to the Funds becoming reporting issuers.

**Investing in the Funds**

Each Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. Each series of units of a Fund may be offered either pursuant to a prospectus offering or in reliance upon available exemptions from prospectus requirements under applicable securities laws. As at the date of this Annual Information Form, each Fund offers Series I, Series J, Series O and Series S units; however, only Series I, Series J and Series O units are offered pursuant to the Simplified Prospectus. A Fund may issue additional series in the future having its own fees and expenses, or discontinue the offering of any series of units at any time and from time to time.

Series I, Series J and Series O units are only available to large private and institutional investors as we may determine on a case by case basis. The Funds pay us a management fee with respect to Series I and Series J units. No management fees are charged to the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to us which will not exceed 2% for investment services provided pursuant to an agreement between the investor and RBC GAM. Different initial investment amounts may apply to each series of units of a Fund.

Series I, Series J and Series O units may only be purchased, switched or redeemed through us or, in certain circumstances, Phillips, Hager & North Investment Funds Ltd. and its affiliates.

When you invest in a mutual fund, you are combining your money with that of many other investors. We use this pool of money to buy a wide variety of investments on behalf of the entire group. We follow a set of guidelines outlined in the investment objectives and investment strategies of each Fund. You and all other investors share in any profits or losses the Fund makes.

### ***Description of units of the Funds***

Each unit of a series of a Fund entitles the holder to:

- › one vote at any meeting of unitholders of the Fund or a meeting of unitholders of that specific series;
- › participate equally with all other units of the series in the regular distribution of net income and net realized capital gains of the Fund allocable to the series (other than management fee distributions);
- › participate equally with all other units of the series, if the Fund is being terminated and wound up, in the distribution of the series' share of net assets of the Fund that remain after the Fund's liabilities have been paid; and
- › the right to redeem their units of a Fund.

Units of a series of a Fund do not entitle the holder to any conversion rights (except in limited circumstances) or pre-emptive rights, and units are not transferable (except in limited circumstances). There is also no liability to holders of units of a series of a Fund for future calls or assessments.

Each of the RBC Institutional Cash Fund and RBC Institutional Government – Plus Cash Fund intends to maintain a unit value as close as possible to \$10 and the RBC Institutional US\$ Cash Fund intends to maintain a unit value as close as possible to US\$10. The RBC Institutional Long Cash Fund will not have a fixed unit price.

No unitholder owns any assets of a Fund. Unitholders have only those rights mentioned in this Annual Information Form, the Simplified Prospectus and the Trust Agreement.

The Trust Agreement does not require unitholder approval with respect to amendments to the Trust Agreement unless such approval is required under applicable securities laws. However, if an amendment to the Trust Agreement is one that we believe a reasonable unitholder would consider important in determining whether to continue to hold units of the affected Funds and is prejudicial to the interests of unitholders as a group, we must provide unitholders with 30 days' prior notice of that change.

Unless the Funds receive an exemption from Canadian securities regulatory authorities, we must obtain the approval of a majority of the votes cast by unitholders of a Fund – or for matters that affect one series differently than others, a majority of votes cast by unitholders of a series of units of a Fund – with respect to:

- › any change in the way fees or expenses are calculated that could result in an increase in the fees or expenses charged to the Fund, or directly to unitholders of the Fund by the Fund or us in connection with the holding of units of the Fund, unless unitholders are provided with written notice of the increase at least 60 days before the increase becomes effective;
- › any introduction of a fee or expense to be charged to the Fund, or directly to unitholders of the Fund by the Fund or us in connection with the holding of units of the Fund, that could result in an increase in charges to the Fund or to its unitholders, unless unitholders are provided with written notice of the increase at least 60 days before the increase becomes effective;
- › a change of the manager of the Fund, unless the new manager is an "affiliate" (within the meaning of applicable securities laws) of RBC GAM;
- › a change in the fundamental investment objectives of the Fund;
- › except in the circumstances described below, a change of the auditors of the Fund;



- › a decrease in the frequency of the calculation of the net asset value per unit of the Fund; and
- › except in the circumstances described below, certain material reorganizations of the Fund.

However, under NI 81-107, the Funds have the ability to make the following changes without unitholder approval:

- (a) change the auditors of the Funds, provided that the Board of Governors, in its role as independent review committee of the Funds, has approved the change and unitholders are sent a written notice at least 60 days prior to the change; and
- (b) complete a reorganization of a Fund that involves the transfer of its units to another fund (for example, a fund merger) where (i) the Fund will cease to continue after the transaction, and (ii) the transaction results in the unitholders of the Fund becoming unitholders in the other fund, provided that the Board of Governors, in its role as independent review committee, has approved the transaction and unitholders are sent written notice at least 60 days prior to the completion of the transaction and certain other conditions are met.

Although the Funds do not hold regular meetings, we will hold meetings to obtain your approval on certain matters.

### ***Determining the value of your investment***

To determine the value of your investment in a Fund, we or one of our affiliates calculate the net asset value for each series of units of the Fund.

#### **Calculating the net asset value for each unit**

The issue and redemption price of the units for each series is based on the Fund's net asset value of a unit of that series, next determined after the receipt of a purchase order or redemption order.

Each Fund maintains a separate net asset value for each series of units, as if the series were a separate fund. However, the assets of the Fund constitute a single pool for investment purposes. The net asset value for a series is based on series-specific amounts, such as amounts paid on the purchase and redemption of units of the series and expenses attributable solely to the series, and on the series' share of the Fund's investment earnings, market appreciation or depreciation of assets, common expenses and other amounts not attributable to a specific series. Expenses are recognized on an accrual (i.e., "as incurred") basis, not on a cash (i.e., "when paid") basis.

The unit price for each series is the basis for calculating the purchase price or redemption price for buying, switching or redeeming units of that series. We or our agent calculate the unit price for each series by dividing the net asset value for the series by the number of outstanding units of the series. We or our agent determine the unit price for each series at the close of trading on each valuation day. All of the Funds, other than the RBC Institutional US\$ Cash Fund, are valued and can be purchased in Canadian dollars. The RBC Institutional US\$ Cash Fund can be purchased only in U.S. dollars.

For Funds other than the RBC Institutional US\$ Cash Fund, a valuation day is defined as any day that the Toronto Stock Exchange is open for business, and/or any day or days as we determine, subject to compliance with applicable securities laws.

For the RBC Institutional US\$ Cash Fund, a valuation day is any day that the Toronto Stock Exchange, Canadian banks and U.S. banks are open for business, and/or any day or days as we determine, subject to compliance with applicable securities laws.

Although no assurance can be given as to their ability to do so, the RBC Institutional Cash Fund and RBC Institutional Government – Plus Cash Fund intend to maintain a unit price as close as possible to \$10 per unit by crediting daily all of their net income and net realized capital gains, if any, to accounts maintained for the benefit of unitholders and distributing these amounts in the manner described in the Simplified Prospectus. Similarly, the RBC Institutional US\$ Cash Fund intends to maintain its unit price as close as possible to US\$10 per unit by crediting daily all of its net income, if any, and by crediting annually an amount of net realized capital gains, if any, to these accounts and distributing these amounts in the manner described in the Simplified Prospectus. Accordingly, the value of credited but undistributed net income and net realized capital

gains, if any, of each of the RBC Institutional Cash Fund, RBC Institutional Government – Plus Cash Fund and RBC Institutional US\$ Cash Fund is not included in the calculation of unit price as such amounts are accounted for separately.

The RBC Institutional Long Cash Fund will not have a fixed unit price.

You can get the net asset value of a Fund or the net asset value per unit for a series of a Fund, at no cost, by calling us toll-free at 1-877-408-6019, or by sending an email to [institutionalcash@phn.com](mailto:institutionalcash@phn.com).

#### A Fund's assets

The value of any security or property held by a Fund or any of its liabilities will be determined in the following way:

- › Cash, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable, distributions receivable and interest accrued and not yet received, will be valued at their full amount unless it is determined that the cash or other asset is not worth that amount. In such a case, a reasonable value will be determined by RBC GAM pursuant to its policies regarding fair valuation and guidelines that provide guidance on how fair value should be determined.
- › Except for the RBC Institutional US\$ Cash Fund, securities quoted in foreign currencies are translated to Canadian dollars using the prevailing rate of exchange as quoted by customary banking sources on the valuation day.
- › For the RBC Long Cash Fund, bonds, debentures, debt-like securities and other obligations are valued by taking the average of the latest available bid and ask quotations on the valuation day. Notes and money market instruments are valued at their current market values on the valuation day. This value may be determined based on the cost of the investments, which approximates market value after taking into account accrued interest which is recorded separately from the investment. If short-term instruments are sold, the difference between the cost and the proceeds (less income previously credited for such security) will be recorded as income not capital.
- › For the RBC Short Cash Funds, notes and money market instruments will be valued at cost, which approximates market value after taking into account accrued interest which is recorded separately from the investment. If short-term instruments are sold, the difference between the cost thereof and the proceeds (less income previously credited for such security) will represent an adjustment to income, not capital, of the Fund.
- › The value of a futures contract or forward contract will be the gain or loss that would be realized if, on the valuation day, the position in the futures contract or forward contract as the case may be, were to be closed out unless *daily limits* are in effect, in which case fair value, based on the current market value of the underlying interest, shall be determined.
- › Margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as margin.
- › Units of any underlying funds held by a Fund will be valued at their respective unit values on the relevant valuation day.
- › If a valuation day of a Fund is not a business day for a specific market, the prices or quotations of the prior business day will be used to value any asset or liability for such market.
- › Although RBC GAM will generally determine the value of the assets of the Funds by following the valuation practices described above, we or our agent have the discretion to value the assets using other methods if we determine that these practices are not appropriate in the circumstances (however this discretion has not been exercised in the past three years). It may be necessary to exercise such discretion in situations where market prices are not readily available or securities may not be reliably priced (such as in the case of technical difficulties, and thinly traded or illiquid securities). RBC GAM has policies in place regarding fair valuation and guidelines that provide guidance on how fair value should be determined. The application of fair value pricing represents a good faith determination based upon these guidelines. There can be no assurance that a Fund could obtain the fair value assigned to a security if it were able to sell the security at approximately the time at which the Fund determines its net asset value per unit.

**A Fund's liabilities**

A Fund's liabilities include:

- › all debts, obligations, liabilities or claims of any kind; and
- › all accrued operating expenses and other charges.

***Purchases, switches and redemptions***

Currently only Series I, Series J and Series O units of the Funds are available for investment under the Simplified Prospectus.

Each Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. Each series of units of a Fund may be offered either pursuant to a prospectus offering or in reliance upon available exemptions from prospectus requirements under applicable securities laws. A Fund may issue additional series in the future having its own fees and expenses, or discontinue the offering of any series of units at any time and from time to time.

The Series I, Series J and Series O units of the Funds are "no load," which means you pay no sales charges or commissions when you buy or redeem units of the Funds through us or in certain circumstances through Phillips, Hager & North Investment Funds Ltd. You also pay no account set-up or administration fees, and you may transfer your units between Funds and in some cases investment funds managed by an affiliate of RBC GAM at no administrative cost.

**Procedure for orders**

You may make arrangements to buy, switch or redeem units by telephone, via our website, [www.rbcgam.com](http://www.rbcgam.com), by mail or by fax. The method chosen will depend in part on the following:

- › **Website:** Certain transaction requests may be placed with Phillips, Hager & North Investment Funds Ltd. via our website. In order to use this service, you must accept our website terms of use and Internet Access Agreement.
- › **Mail or Fax:** Transaction requests must be signed by the investor.
- › **Telephone:** Under exceptional circumstances only, transaction requests may be placed by telephone. In order to use this service, you must accept our Telephone Account Access Agreement. For security reasons, telephone orders are recorded. Please contact us for further information.

The issue and redemption price of the units for each series is based on the Fund's net asset value per unit of that series, next determined after the receipt by the Fund of the purchase order or redemption order.

RBC GAM determines the unit price at the close of trading on each valuation day. The cut-off times ("Cut-Off Times") for receiving a purchase, switch or redemption request differ depending on the Fund and whether or not the request is submitted directly to us or through FundSERV. The timing of your request, the applicable Fund and whether or not the request is submitted directly to us or through FundSERV also impact when you will receive redemption proceeds from the Fund.

When you buy units of a Fund through Phillips, Hager & North Investment Funds Ltd., you have to include full payment for your units with your order. If you buy units of a Fund through another registered dealer, your dealer must send full payment by the Cut-Off Times (as described below) for the applicable Fund. Your dealer is responsible for sending in your order the same day that they receive it from you.

The Cut-Off Times are as follows:

**RBC Short Cash Funds:** Instructions received by us at our Vancouver office by 1:00 p.m. (Eastern Time) on a valuation day will accrue distributions on that same business day. Instructions received after 1:00 p.m. (Eastern Time) on a specific valuation day will accrue distributions on the following business day. For the RBC Short Cash Funds, the settlement on a trade is done the same day as the trade date if instructions are received by us by the above mentioned Cut-Off Time. If instructions are sent through FundSERV, the settlement date for the RBC Short Cash Funds will be within one business day of the trade date.

**RBC Long Cash Fund:** Instructions received by us at our Vancouver office by 4:00 p.m. (Eastern Time) on a valuation day (and by 1:00 p.m. (Eastern Time) on December 24, if that day is a valuation day), will result in the acquisition of units of the Fund at that day's closing net asset value per unit. Instructions received after 4:00 p.m. (Eastern Time) on a specific valuation day will result in the acquisition of units of the Fund at the following day's closing net asset value per unit. For this Fund, the settlement on a trade is done within one business day of the trade date if instructions are received by us by the above mentioned Cut-Off Times. If instructions are sent through FundSERV, the settlement date for the RBC Long Cash Fund will be within one business day of the trade date.

If you wish to purchase a series of units of a Fund directly through us, you must wire, or arrange for the wire of, the full payment for the units that you wish to purchase pursuant to your purchase order to the custodian of the Funds in accordance with written purchase instructions provided by us. Such purchase price must be received by the custodian of the Funds before the end of day on the trade date for the RBC Short Cash Funds and within one business day of the trade date for the RBC Long Cash Fund.

If we do not receive payment in full by the applicable Cut-Off Time described above, the units that you bought will generally be redeemed on the next valuation day. If they are redeemed for more than what you paid, the applicable Fund will keep the difference. If they are redeemed for less than what you paid, you will be charged for the difference plus any costs. Your dealer may in turn charge you for these amounts. If you fail to comply, then at RBC GAM's discretion, the transaction may be cancelled or the transaction may proceed at the next-determined net asset value for the applicable Fund after the purchase order is received.

Your dealer may set earlier times for its receipt of orders than the times we set.

We may refuse any request to buy units within one business day of receiving it. If your request is refused, your money will be returned to you in full, without interest.

In extraordinary circumstances, we may suspend the right of investors to buy, switch or redeem units of a Fund. These circumstances include when:

- › normal trading is suspended on any stock exchange on which securities or derivatives that make up more than half of the Fund's total assets by value are traded; or
- › we have permission from the applicable securities regulatory authority.

If you invest in the Funds through a registered dealer, the dealer may charge you a sales charge, commission or service fee. These charges are negotiated between you and the dealer. Registered dealers include investment professionals such as portfolio managers, independent brokers, dealers and mutual fund specialists.

#### **Purchasing units of a Fund**

To buy units of a Fund managed by us via the methods listed above once you have opened an account through us or, in certain circumstances, through Phillips, Hager & North Investment Funds Ltd., please provide the following information:

- › your name and account number;
- › the date of the transaction;
- › the name of the Fund(s) and dollar amount of units you want to buy;
- › financial institution information for an electronic wire transfer for payment for the units you want to buy; and
- › your signature, if the transaction is submitted by mail or by fax.

Pre-printed forms are also available for your use, and can be found on our website.

To buy units through another registered dealer, contact the dealer directly.

When you buy units of a Fund through us or, if applicable, through Phillips, Hager & North Investment Funds Ltd., you have to include full payment for your units with your order. If you buy units of a Fund through another registered dealer, your dealer must send us payment prior to the Cut-off Times for the applicable Fund. Your dealer is responsible for sending in your order the same day that they receive it from you.

If we do not receive payment in full prior to the Cut-Off Times described above, the units that you bought will be redeemed on the next valuation day. If they are redeemed for more than you paid, the Fund will keep the difference. If they are redeemed for less than you paid, you or your dealer will be charged for the difference plus any costs. Your dealer may, in turn, charge you for these amounts.

### Short-term trading

Most mutual funds are considered long-term investments, so we discourage investors from buying, redeeming or switching units frequently.

Some investors may seek to trade Fund units frequently in an effort to benefit from differences between the value of a Fund's units and the value of the underlying securities (sometimes referred to as market timing). These activities, if undertaken by unitholders, can negatively impact the value of the Fund to the detriment of other unitholders. Excessive short-term trading can also reduce a Fund's return because the Fund may be forced to hold additional cash to pay redemption proceeds or, alternatively, to sell portfolio holdings, thereby incurring additional trading costs.

Depending on the Fund and the particular circumstances, we will employ a combination of preventative and detective measures to discourage and identify excessive short-term trading in funds managed by RBC GAM, including:

- › fair value pricing of securities held by a Fund;
- › imposition of short-term trading fees; and
- › monitoring of trading activity and refusal of trades.

RBC GAM regularly monitors transactions in all mutual funds managed by it. RBC GAM has established criteria for acceptable transaction activity in an effort to eliminate activity that we deem potentially detrimental to unitholders including activity associated with attempts to engage in market timing. RBC GAM has the right to restrict or reject any purchase or switch order without any prior notice, including those transactions accepted by your dealer. RBC GAM has the right to consider trading activity in multiple accounts under common ownership, control or influence as trading in a single account when exercising our right to reject a purchase or switch. Whether your trading is considered excessive will be determined in our sole discretion.

We will not impose a short-term trading fee for any redemptions or switching between units of the RBC Institutional Cash Funds, as these Funds are generally suitable for short-term investments.

### Switching between Funds

Redeeming units of an investment fund to buy units of another investment fund is known as "switching." Investors are allowed to switch between one series of units of a Fund into the same series of units of another Fund and, at our sole discretion, between one series of units of a Fund into another series of units of the same Fund (called a "redesignation", as described below) or another Fund.

The same rules that apply for buying and redeeming units of the Funds apply to switches. There are no fees for switching units of, or switching into or out of units of the Funds. We may suspend or restrict your switching privileges if you switch between Funds in a manner that we consider to be detrimental to the Funds.

If you switch units of a Fund denominated in one currency to units of a Fund denominated in another currency, the redemption proceeds will be converted into the currency of the Fund being purchased using the rate of exchange determined by RBC Investor Services Trust ("RBC IS") for the transaction.

To switch units of a Fund for units of another Fund via the methods listed above through us or, if applicable, through Phillips, Hager & North Investment Funds Ltd., please provide the following information:

- › your name and account number;
- › the date of the transaction;
- › the name of the Fund(s) and dollar amount of units you want to switch from;
- › the name of the Fund(s) you want to switch to; and
- › your signature, if the transaction is submitted by mail or by fax.

In some cases, you may also switch between the Funds and investment funds managed by RBC GAM or an affiliate of RBC GAM. To switch units through another registered dealer, please contact the dealer directly.

We may suspend or restrict your switching privileges if you switch between Funds in a manner that we consider to be detrimental to the Funds.

#### **Switching between series of the same Fund**

A switch between series of units of a Fund is called a “redesignation.” We will only allow redesignation between one series of units into another series of units of a Fund at our sole discretion.

#### **Redeeming units of a Fund**

There are no charges for redeeming units of the Funds directly through us or, if applicable, Phillips, Hager & North Investment Funds Ltd. If you redeem units of the Funds through another registered dealer, that dealer may charge you a fee for redeeming your units.

The redemption price of units of a series is based on the Fund’s net asset value per unit of that series, next determined after receipt by the Fund of the redemption order.

To redeem units of a Fund via the methods listed above through us or, if applicable, through Phillips, Hager & North Investment Funds Ltd., please provide the following information:

- › your name and account number;
- › the date of the transaction;
- › the name of the Fund(s) and dollar amount of units you want to redeem;
- › financial institution information for electronic wire transfer for redemption payment; and
- › your signature, if the transaction is submitted by mail or by fax.

You may also need to provide other information. If more information is needed, you will be contacted.

To deposit the payment directly into your account with a Canadian financial institution via a wire transfer, enclose a cheque marked “void” with your transaction request if you have not done so previously. You may also specify that we deposit the payment into your bank account on record. You can expect to receive the money in your bank or trust company account in about three to five business days.

We will only send you the redemption proceeds by wire transfer if:

- › the instructions necessary to complete the transaction have been received by the Cut-Off Times for the applicable Fund as described above under *Purchases, switches and redemptions – Procedure for orders*; and
- › any payment for buying the same units that you are redeeming has cleared.

To redeem units through another registered dealer, if applicable, please contact the dealer directly. If you place an order to redeem your units through a registered dealer, they are responsible for sending in your order the same day that they receive it from you. The dealer must send in the order, at no charge to you, by courier, priority post or electronically.

We will redeem your units on the valuation day we receive the order from your dealer. Once instructions necessary to complete the transaction are received by us from your dealer, the money will be released to you. If these instructions are not received by us within 10 business days of the date of your redemption order, the units you sold will be bought back by us on your account on the next valuation day. If they are bought back for less than you sold them for, the Fund keeps the difference. If they are bought back for more than you sold them for, your dealer will be charged for the difference plus any costs. Your dealer may, in turn, charge you for these amounts if the dealer suffers a loss.

We reserve the right under exceptional circumstances, in our sole discretion and in accordance with applicable securities laws, to make payment of redemption proceeds of the units being redeemed to the redeeming unitholders by making good delivery to each unitholder of portfolio securities ("redemption in kind"), the value of which is equal to the amount at which those portfolio securities were valued in calculating the net asset value per security used to establish the redemption price. We will seek written consent from unitholders prior to a redemption in kind.

For any redemption in kind, we must be satisfied that such delivery is in the best interests of the Fund. Portfolio securities delivered in connection with redemption in kind will be valued on the valuation day as of which the purchase amount or redemption proceeds of the units being redeemed are determined and on the same basis that the Fund would use in determining the value of such portfolio securities on that day if such securities were owned by the Fund. It is possible that the value ascribed to the portfolio securities for redemption in kind may be different from the value ascribed to such portfolio securities if they were subsequently sold by the unitholder. Each redeeming unitholder will be required to pay any reasonable costs associated with delivering such securities to the unitholder and/or registering such securities in the name of the unitholder or a nominee of the unitholder, and any brokerage costs associated with the disposition by the unitholder of the relevant securities.

We reserve the right to require any unitholder of a Fund to redeem such unitholder's entire holdings of units of a Fund, or any portion thereof, if we, in our sole discretion, so determine.

Where a unitholder is or becomes a U.S. citizen or resident of the United States or a resident of another foreign country, we may require such unitholder to redeem their units if their participation has the potential to cause adverse regulatory or tax consequences for a Fund or other unitholders of a Fund.

In extraordinary circumstances, including circumstances when we have permission from the applicable securities regulatory authority, we may suspend the right of investors to redeem units of a Fund.

### ***Fees and expenses***

#### **Management fees**

Each Fund pays us an annual fee consisting of a management fee and administration fee, with respect to Series I and Series J units issued by the Fund for its services as manager of the Fund. This management fee may be different for each Fund and will be subject to applicable taxes, including goods and services tax ("GST")/harmonized sales tax ("HST").

The Funds do not pay a management fee with respect to Series O units. Investors who are eligible to purchase Series O units pay a negotiated fee directly to us which will not exceed 2% for investment services provided pursuant to an agreement between the investor and RBC GAM. Investors should note that the Funds may offer additional series of units in the future with each series having its own fees and expenses.

### Operating expenses and other costs

We pay certain operating expenses of the Funds. In return, each Fund pays us a fixed administration fee that may vary by series of units and by Fund, and is subject to applicable taxes, including GST/HST. The amount of operating expenses paid by us in exchange for the payment of the administration fee may exceed or be less than the administration fee in any particular period. Each Fund will continue to pay certain operating expenses directly, including the costs and expenses related to the Board of Governors, the cost of any government or regulatory requirements introduced after July 1, 2009, and any borrowing costs (collectively, "other fund costs") and taxes (including GST/HST as applicable). These and other fund costs are allocated among the Funds and among each series of units of a Fund in a fair and equitable manner in accordance with the services used. The administration fee and operating expenses borne directly by a Fund will be included in the management expense ratio of a Fund.

We may, in some years and in certain cases, pay a portion of a series' administration fee or other fund costs. The decision to absorb the administration fee or other fund costs is reviewed annually and determined at our discretion without notice to unitholders.

The Funds may invest in units of other funds managed by us or our affiliate. These other funds have their own fees and expenses to pay in addition to those paid by any funds that invest in them. However, a Fund will not invest in units of another fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the other fund for the same service. In addition, a Fund will not invest in another fund managed by RBC GAM if any sales or redemption fees are payable in respect of the investment or invest in any other fund if the Fund would be required to pay any sales or redemption fees in respect of the investment that a reasonable person would believe duplicates a fee payable by unitholders.

## Management of the Funds

### *Manager, portfolio advisor and principal distributor*

RBC GAM, the manager, principal portfolio advisor and principal distributor of the Funds, is an indirect wholly-owned subsidiary of Royal Bank. Phillips, Hager & North Investment Management is a division of RBC GAM.

We provide investment counselling services to company pension and multi-employer pension plans, foundations, endowments, corporations, private clients and our own investment funds.

As manager, RBC GAM is responsible for the general administration of the Funds. We provide office premises and certain clerical, accounting and operational services. As an added service, our portfolio managers provide advice on discretionary mutual fund investments.

The Trust Agreement establishing the Funds does not contain any provisions for terminating the manager of the Funds. However, RBC GAM may assign its management responsibilities to one of its affiliates without the approval of investors. If RBC GAM wants to assign its management responsibilities to a company or person who is not an affiliate, RBC GAM must first receive approval from investors.

As principal portfolio advisor, we are responsible for managing the investment portfolios of the Funds directly or through sub-advisors. As of the date of this Annual Information Form, there are no sub-advisors for the Funds; however, we may retain sub-advisors, as appropriate, to provide investment advice for the Funds. In retaining such advisors, we will look for investment management operations which we consider appropriate given the fundamental investment objectives of the Funds. Any agreements with such advisors will provide that we will be responsible for the advice given by such advisors and will pay the fees of such advisors.



**How to reach us**

You can reach us at no cost by:

- > calling us toll-free at 1-877-408-6019; or
- > faxing us toll-free at 1-800-666-9899.

To reach us by mail, please write to the head office of the Funds:

RBC Global Asset Management Inc.  
 155 Wellington St. W.  
 Suite 2200  
 Toronto, Ontario M5V 3K7

or to the main operating office of Phillips, Hager & North Investment Management:

RBC Global Asset Management Inc.  
 Phillips, Hager & North Investment Management  
 Main Operating Office  
 20th Floor, 200 Burrard Street  
 Vancouver, British Columbia V6C 3N5

You can also reach us on the Internet at [www.rbcgam.com](http://www.rbcgam.com) or by email at [institutionalcash@phn.com](mailto:institutionalcash@phn.com).

**Directors and executive officers**

A list of the directors and executive officers of RBC GAM is set out below. We have included their name and the city in which they live, the current position they hold with RBC GAM, and their main occupation. If they have held any other positions within the last five years, we have included those positions.

NAME AND MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT OCCUPATION
Wayne Bossert Oakville, Ontario	Director	Executive Vice President Sales, Canadian Banking, Royal Bank
Daniel E. Chornous Toronto, Ontario	Director and Chief Investment Officer	Chief Investment Officer, RBC GAM
Douglas Coulter Toronto, Ontario	Director and President	President, RBC GAM
Katherine Gibson Toronto, Ontario	Director	Vice President, Finance, Wealth Management & Insurance, Royal Bank
M. George Lewis Toronto, Ontario	Director and Chairman	Group Head, Wealth Management, Royal Bank
Frank Lippa Toronto, Ontario	Chief Financial Officer and Chief Operating Officer	Chief Financial Officer and Chief Operating Officer, RBC GAM

NAME AND MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT OCCUPATION
John S. Montalbano Vancouver, British Columbia	Director and Chief Executive Officer	Head, Global Asset Management, Wealth Management, Royal Bank
Lawrence A. W. Neilsen Vancouver, British Columbia	Chief Compliance Officer	Chief Compliance Officer, RBC GAM
Vijay Parmar Toronto, Ontario	Director and Vice President	President, RBC Phillips, Hager & North Investment Counsel Inc.
Richard E. Talbot Toronto, Ontario	Director	Managing Director, RBC Dominion Securities Inc. ("RBC DS")
Brian M. Walsh North Vancouver, British Columbia	Chief Administrative Officer	Chief Administrative Officer, RBC GAM
Damon G. Williams North Vancouver, British Columbia	Director and President, Institutional	President, Institutional, RBC GAM
Gina Zapras Vaughan, Ontario	Corporate Secretary	Subsidiary Governance Officer, Royal Bank

Each of the people listed above has held his or her current position with RBC GAM (or one of our predecessor amalgamating entities, RBC Asset Management Inc. and/or Phillips, Hager & North Investment Management Ltd.) and his or her principal occupation during the five years preceding the date hereof, except for Katherine Gibson, who prior to November 2010 held various finance positions in Royal Bank; John S. Montalbano, who from 2005 to 2009 was President, Phillips, Hager & North Investment Management Ltd.; Vijay Parmar, who from September 2009 has been President, RBC Phillips, Hager & North Investment Counsel Inc. and prior thereto was Branch Manager and Director, RBC DS; Brian M. Walsh, who from May 2008 to October 2010 was Chief Financial Officer, Phillips, Hager & North Investment Management Ltd.; and Gina Zapras, who from June 2013 is Corporate Secretary, RBC GAM and prior thereto held various positions with RBC GAM and other affiliates as Subsidiary Governance Officer, Royal Bank.

**Responsibility for investment decisions**

The investment decisions for the Funds are made by a team of portfolio managers. Some portfolio managers focus on certain Funds more than others; however, all of the portfolio managers share information, expertise and decision-making authority with respect to all the Funds so that no one individual is principally responsible for any one Fund.

The following is a list of the portfolio managers who together are principally responsible for the day-to-day management of the Funds, the implementation of material strategies and the management of various segments of the Funds.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE WITHIN THE PAST FIVE YEARS
Chief Investment Officer	Daniel E. Chornous	Mr. Chornous is Chief Investment Officer, RBC GAM. He has been associated with RBC Asset Management Inc., one of the predecessor entities of RBC GAM, since 2002.

PRINCIPAL SECTOR OF RESPONSIBILITY	NAME	EXPERIENCE WITHIN THE PAST FIVE YEARS
Fixed Income Investments	William F. John	Mr. John is a Portfolio Manager and Head of Fixed Income (Vancouver). Prior to joining Phillips, Hager & North Investment Management Ltd., one of the predecessor entities to RBC GAM, he had six years' investment experience with two international investment banks.
RBC Institutional Cash Funds	Bradley H. Woiken	Mr. Woiken is a Portfolio Manager, Fixed Income, and has been with Phillips, Hager & North Investment Management Ltd., one of the predecessor entities to RBC GAM, since 1999.
	Matthew L. Dubras	Mr. Dubras is a Portfolio Manager, Fixed Income. He has been associated with Phillips, Hager & North Investment Management Ltd., one of the predecessor entities to RBC GAM, since 2006.

The investment decisions of the individuals or committees listed in the table above made on behalf of Phillips, Hager & North are not subject to the oversight, approval or ratification of any committee. The investment decision-making process is supported by research, analysis and internal investment committees. Investment decisions are overseen by the Chief Investment Officer.

#### How we make brokerage arrangements

We or any sub-advisor of a Fund make decisions as to the purchase and sale of fund securities, including units of underlying funds and other assets of the Funds such as cash and term deposits, as well as decisions regarding the execution of portfolio transactions of a Fund, including the selection of market, broker and the negotiation of commissions.

In certain circumstances, we receive goods or services from dealers or brokers in exchange for directing brokerage transactions to such dealers or brokers. The types of goods and services for which we may direct brokerage commissions are research goods and services ("research goods and services") and order execution goods and services ("order execution goods and services").

We receive research goods and services which include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third-party research). The research goods and services that we are provided in exchange for brokerage commissions include advice, analyses and reports that focus on, among other matters, specific stocks, sectors and economies.

We also receive order execution goods and services, such as data analysis, software applications and data feeds. These goods and services may be provided by the executing dealer directly or by a party other than the executing dealer.

The users of these research goods and services and order execution goods and services are our portfolio managers, analysts and traders.

In certain instances, we may receive goods and services containing some elements that qualify as research goods and services and/or order execution goods and services and other elements that do not qualify as either of such permitted goods and services. These types of goods and services are considered to be mixed-use ("mixed-use goods and services"). If we obtain mixed-use goods and services, we only use brokerage commissions to pay for the portion that is used in our investment or trading decisions or in effecting securities transactions, each on behalf of the Funds or client accounts. The types of mixed-use goods and services that we receive may include software applications and data analysis.

We only route trade orders to a dealer or broker for execution if we have reviewed and approved of that dealer or broker for use. We approve a dealer or broker for use if we are of the view that the dealer or broker is able to provide best execution, which includes a number of considerations such as price, volume, speed and certainty of execution, and total transaction cost.

An additional but secondary consideration when we review and approve a dealer or broker is the dealer's or broker's ability to provide research goods and services and order execution goods and services that add value to our investment decision-making and trade order execution processes to generate investment returns for clients. Other factors that we consider when reviewing and approving a dealer or broker include the dealer's or broker's regulatory status, its creditworthiness and its ability to efficiently process trade orders and settle trades.

We use the same criteria in selecting all dealers and brokers, regardless of whether the dealer or broker is our affiliate. We currently have in place brokerage arrangements with RBC DS, an affiliate of RBC GAM. RBC DS may provide research goods and services, order execution goods and services and mixed-use goods and services in exchange for effecting brokerage transactions.

We conduct extensive trade cost analysis to ensure that the Funds and clients receive a reasonable benefit considering the amount of brokerage commissions paid. Specifically, we decide which dealers or brokers are allocated brokerage business based on the competitiveness of the commission costs, their ability to provide best execution of trades and the range of services and quality of research received.

We may use research goods and services and order execution goods and services to benefit the Funds and clients other than those whose trades generated the brokerage commission. However, we have policies and procedures in place to make a good faith determination that over a reasonable period of time, all clients, including the Funds, receive fair and reasonable benefit in return for the commission generated.

For a list of any other dealer, broker or third party which provides research goods and services and/or order execution goods and services, at no cost, call us toll-free at 1-877-408-6019 or send an email to [institutionalcash@phn.com](mailto:institutionalcash@phn.com).

### ***Registrar***

RBC GAM, as registrar, maintains the register of investors at its Vancouver office.

### ***Trustee and custodian***

The trustee and custodian of the Funds is RBC IS. Its principal office is located in Toronto, Ontario. The trustee is a wholly-owned subsidiary of Royal Bank and an affiliate of RBC GAM. In respect of each Fund, the trustee has entered into the Trust Agreement, which may be amended as described under the heading *Description of units of the Funds*. Each Fund is charged an annual fee by the trustee for its services as trustee and custodian based on the net asset value of the Fund. We negotiate this fee with RBC IS on behalf of the Funds. We pay these fees for the Funds as described in the Simplified Prospectus.

The trustee may resign by giving 90 days' notice to the investors and the manager. The manager may remove the trustee by giving 90 days' notice to the trustee, provided a successor trustee is appointed or a Fund is terminated.

RBC IS, as custodian, is responsible for the safekeeping of the assets of the Funds. The custodian may contract with sub-custodians to hold the assets of the Funds.

### ***Auditor***

The auditor of the Funds is Deloitte LLP, Chartered Professional Accountants, located in Toronto, Ontario.

***Board of Governors (Independent review committee)***

The Board of Governors acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to NI 81-107. The Board of Governors reviews and provides input on conflicts of interest matters in respect of RBC GAM and the Funds. The Board of Governors also provides advice to RBC GAM on other issues relating to the management of the Funds. For further information, see the section *Fund governance* on page 23.

**Conflicts of interest*****Principal holders of securities***

On April 30, 2014, the people, companies or other entities who beneficially owned, directly or indirectly, more than 10% of the outstanding units of a series of the Funds were as follows:

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS	PERCENTAGE OF OUTSTANDING UNITS
RBC Institutional Government – Plus Cash Fund	I	Canadian Office & Professional Employees Union Local 378	102,670	98.9
RBC Institutional Government – Plus Cash Fund	J	Capital Funding Alberta Ltd	1,266	100.0
RBC Institutional Government – Plus Cash Fund	O	Alberta Health Services Unrestricted Money Market	13,353,555	92.0
RBC Institutional Cash Fund	I	H J Heinz Pension Cash Funds	16,884,897	80.9
RBC Institutional Cash Fund	I	L-3 Communications Electronic Systems Inc.	2,393,026	11.5
RBC Institutional Cash Fund	J	Club Auto Roadside Services	701,479	95.8
RBC Institutional Cash Fund	O	Phillips, Hager & North Balanced Fund	3,870,706	29.0
RBC Institutional Cash Fund	O	Phillips, Hager & North Balanced Pension Trust	7,304,404	54.6
RBC Institutional US\$ Cash Fund	I	Individual Investor A*	501	100.0
RBC Institutional US\$ Cash Fund	J	Individual Investor B*	251	41.8

NAME OF FUND	SERIES	NAME OF BENEFICIAL OWNER	NUMBER OF UNITS	PERCENTAGE OF OUTSTANDING UNITS
RBC Institutional US\$ Cash Fund	J	Individual Investor C*	350	58.2
RBC Institutional US\$ Cash Fund	O	The Canadian Medical Protective Association	4,421,111	100.0
RBC Institutional Long Cash Fund	I	Vancouver Foundation Ctf #2 Fund	590,685	44.9
RBC Institutional Long Cash Fund	I	Vancouver Foundation Short Term Reserve Fund	723,643	55.0
RBC Institutional Long Cash Fund	J	Carleton University	3,345,968	100.0
RBC Institutional Long Cash Fund	O	Centre For Addiction And Mental Health Foundation	822,896	100.0

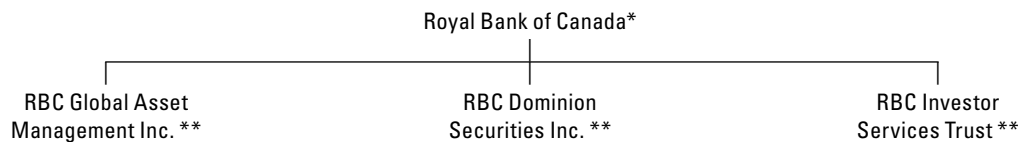
\*The names of individual investors are not disclosed for privacy. These names are available upon request.

On April 30, 2014, Royal Bank indirectly beneficially owned 100% of the outstanding common voting shares of RBC GAM and 100% of the outstanding common shares of Phillips, Hager & North Investment Funds Ltd. As at April 30, 2014, the percentage of securities of each class or series of voting or equity securities of Royal Bank beneficially owned, directly or indirectly, in aggregate, by all the directors and senior officers of RBC GAM is no more than 0.01%, and by all members of the Board of Governors of the Funds, is no more than 0.01%.

RBC IS does not own any securities of the Funds or RBC GAM or any other service provider to the Funds.

***Affiliated entities***

The following companies that provide services to the Funds are affiliated with RBC GAM:



\* Royal Bank does not provide services to the Funds, and is included solely to demonstrate the connection between RBC GAM and its affiliates.

\*\* Indirect wholly-owned subsidiary.

Any fees received from the Funds by these affiliated entities will be disclosed in the audited financial statements of the Funds.

The following individuals are directors or officers of RBC GAM and also of Royal Bank or of an affiliated entity of RBC GAM that provides services to the Funds.

NAME	POSITION WITH RBC GAM	POSITION WITH AFFILIATE
Wayne Bossert	Director	Executive Vice President, Royal Bank; Director, RBC DS
Douglas Coulter	Director and President	Senior Vice President, Royal Bank
Katherine Gibson	Director	Vice President, Royal Bank
M. George Lewis	Director and Chairman	Group Head, Wealth Management, Royal Bank
John S. Montalbano	Director and Chief Executive Officer and Ultimate Designated Person	Executive Vice President, Royal Bank
Richard E. Talbot	Director	Managing Director, RBC DS
Damon G. Williams	Director and President, Institutional	Senior Vice President, Royal Bank
Gina Zapras	Corporate Secretary	Assistant Corporate Secretary, RBC DS

As disclosed in the table above, certain directors or officers of RBC GAM may also be directors or officers of RBC DS or an officer of Royal Bank. RBC GAM has put into place appropriate policies and procedures to minimize the potential for conflicts between its interests and any affiliated entities. In particular, RBC GAM has policies and procedures which deal with trading in securities of Royal Bank and offerings underwritten by RBC DS, and to ensure that any brokerage business allocated to affiliates will be on the basis of best execution and will be on competitive terms and conditions.

### ***Other matters***

We perform investment advisory services for our clients as well as for certain investment funds that RBC GAM manages (collectively, "Accounts"). We make investment decisions for each Account dependent on the circumstances, investment objectives and guidelines of the specific Account. Our policy and practice is not to intentionally favour or disfavour any Account in the allocation of investment opportunities so that over a period of time, such opportunities will be allocated among Accounts on a fair basis. We may give advice and take action with respect to any Account that differs from the advice given to, or the action taken for, other Accounts. Our emphasis is on ensuring that all Accounts, through their portfolio managers, are given a fair opportunity to invest in a security that is appropriate for the specific Account. Each portfolio manager makes the final determination as to whether a particular investment opportunity is appropriate for the specific Account to which we provide investment advisory services.

To ensure efficient trade execution and a better price, when we engage in transactions for larger quantities of securities for a number of Accounts, we group the trade orders together for placement with securities dealers ("block trades"). The client's portfolio manager or the investment fund's manager, in advance of the order being placed with the securities dealers by us, determines the quantity of securities ordered for each Account. We set internal trade order submission deadlines for our portfolio managers for the purposes of making block trades. We use the *pro rata* method to allocate the price of the securities and the related commission costs for securities purchased or sold on a block basis whether or not an order is partially filled or fully filled. Therefore, all clients and funds participating in a block trade receive the same execution price and commission cost for that block trade.

If there is only a limited amount of an investment opportunity available, such as for an Initial Public Offering (“IPO”), we determine the level of interest of the firm’s portfolio managers on behalf of each Account, establish the size of the trade order, and allocate fills of the order on a *pro rata* basis. In certain circumstances, such as when the quantity of the IPO security is too small to allocate across a number of clients or funds, we will allocate an IPO purchase to one or two investment funds managed by us in order to maximize the number of clients able to participate in the purchase and will choose different investment funds for participation in the next IPO. Accounts that are considered proprietary to us because of their or their affiliates’ interest in the Account are not permitted to participate in IPOs.

## Fund governance

The Board of Governors acts as the independent review committee that each Fund is required to have under Canadian securities laws. See *Fund governance – Board of Governors* below.

### *Policies, procedures, practices and guidelines*

As manager of, and portfolio advisor to, the Funds, RBC GAM is responsible for the day-to-day management, administration and operation of the Funds, and provides investment advice and portfolio management services to the Funds.

RBC GAM has established appropriate policies, procedures, practices and guidelines to ensure the proper management of the Funds, including, as required by NI 81-107, policies and procedures relating to conflicts of interest. The systems used by RBC GAM in relation to the Funds monitor and manage the business and sales practices, risk and internal conflicts of interest relating to the Funds, while ensuring compliance with applicable regulatory, compliance and corporate requirements. RBC GAM personnel responsible for compliance, together with management of RBC GAM, ensure that these policies, procedures, practices and guidelines are communicated from time to time to all relevant persons and are updated as necessary (including the systems referred to above) to reflect changing circumstances. RBC GAM also monitors the application of all such policies, procedures, practices and guidelines to ensure their continuing effectiveness.

Compliance with investment practices and investment restrictions mandated by securities legislation is monitored by RBC GAM on a regular basis. The investment practices and restrictions for the Funds and guidelines for derivative use, repurchase transactions and reverse repurchase transactions are outlined beginning on page 25.

RBC GAM has adopted a personal trading policy for employees (the “Policy”) which is designed to prevent potential, perceived or actual conflicts between the interests of RBC GAM and the interests of clients and the Funds. Under the Policy, certain RBC GAM personnel are required to pre-clear certain personal securities transactions in order to ensure that those trades do not conflict with the best interests of the Funds and have not been offered to the person because of the position they hold in RBC GAM. RBC GAM has also adopted the basic principles set out in the Code of Ethics on Personal Investing established by the Investment Funds Institute of Canada.

### *Board of Governors*

The Board of Governors acts as the independent review committee that the Funds and other funds managed by RBC GAM are required to have pursuant to NI 81-107. The Board of Governors also provides independent oversight as required under the terms of certain exemptive relief for certain transactions by certain non-prospectus funds managed by RBC GAM. The Board of Governors also provides advice to RBC GAM on other issues relating to the management of the Funds.

In its role as the independent review committee of the Funds, the Board of Governors will, no less frequently than annually, review and assess the adequacy and effectiveness of:

- › RBC GAM’s policies and procedures relating to conflict of interest matters in respect of the Funds;
- › any standing instructions it has provided to RBC GAM pertaining to conflict of interest matters in respect of the Funds;



- › RBC GAM's and the Funds' compliance with any conditions imposed by the Board of Governors in a recommendation or approval; and
- › any subcommittee to which the Board of Governors, in its role as independent review committee, has delegated any of its functions.

In addition, the Board of Governors will, no less frequently than annually, review and assess the independence of its members, the compensation of its members, its effectiveness, and the contribution and effectiveness of its members. The Board of Governors will provide RBC GAM with a report of the results of such assessment.

The Board of Governors prepares an annual report that describes its activities as the independent review committee of the Funds. For a copy of this report, at no cost, call us toll-free at 1-877-408-6019 or ask your dealer. You can also get a copy of this report on the Fund's website at <https://ic.phn.com> or by sending an email to [institutionalcash@phn.com](mailto:institutionalcash@phn.com).

This report and other information about the Board of Governors are also available at [www.sedar.com](http://www.sedar.com).

The Board of Governors is composed of nine members and each is independent from RBC GAM, the Funds and entities related to RBC GAM. Set forth below are the name, municipality of residence and principal occupation of each of the members of the Board of Governors:

NAME	MUNICIPALITY OF RESIDENCE	CURRENT PRINCIPAL OCCUPATION
Selwyn B. Kossuth <sup>1,2</sup>	Mississauga, Ontario	Financial Consultant
Charles F. Macfarlane <sup>1,2</sup>	Toronto, Ontario	Corporate Director
Lloyd R. McGinnis <sup>4</sup>	Winnipeg, Manitoba	Director, Airport Site Redevelopment, Winnipeg Airports Authority
Linda S. Petch <sup>1,2</sup>	Victoria, British Columbia	Principal, Linda S. Petch Governance Services
Elaine C. Phénix <sup>3</sup>	Montreal, Québec	President, Phénix Capital Inc.
Mary C. Ritchie <sup>1,2</sup>	Edmonton, Alberta	President and Chief Executive Officer, Richford Holdings Ltd.
Joseph P. Shannon <sup>3</sup>	Port Hawkesbury, Nova Scotia	President, Atlantic Corp. Ltd.
Michael G. Thorley <sup>1,2</sup>	Toronto, Ontario	Retired Lawyer
James W. Yuel <sup>3</sup>	Saskatoon, Saskatchewan	Chair, PIC Investment Group Inc.

<sup>1</sup> Member of the Financial Advisory Committee of the Board of Governors.

<sup>2</sup> Member of the Investment Conflicts Committee of the Board of Governors.

<sup>3</sup> Member of the Governance Committee of the Board of Governors.

<sup>4</sup> Chair of the Board of Governors.

### ***Proxy voting guidelines***

We have developed Proxy Voting Guidelines with the following principles in mind:

- › proxies will be voted in a manner that seeks to enhance long-term unitholder value;

- › proxies will be voted in a manner that is consistent with leading corporate governance practices; and
- › management has important insights into the value creation process.

We consider each matter on a case-by-case basis and may vote in a manner different from that contemplated by the general guidelines where we believe it is appropriate in the circumstances. We utilize the research services of Glass Lewis & Co., LLC and Institutional Shareholder Services, Inc., proxy voting advisory firms, as well as the voting services of Institutional Shareholder Services, Inc.

In the event that we face a potential material conflict of interest with respect to proxies, our Corporate Governance Committee will meet to resolve the conflict. The committee consists of three senior officers who are required to resolve the conflict in favour of our clients. In some cases, proxy voting matters may be referred to the Board of Governors for its recommendation. We employ a Governance Analyst who is responsible for ensuring that we vote all proxies in accordance with our Proxy Voting Guidelines and for identifying any situations that must be addressed by our Corporate Governance Committee. As we have discretionary authority over our clients' portfolios, we file applicable class action settlement claims on behalf of existing client accounts.

The Funds may invest in units of other funds managed by RBC GAM. We will not vote units of other funds managed by RBC GAM or its affiliates or associates held by the Funds. However, we may pass on the right to vote units of other funds managed by RBC GAM or its affiliates or associates to unitholders of the Funds that hold such units.

A copy of the proxy voting record of a Fund for the most recent period ended June 30 of each year is available to any unitholder of that Fund upon request, at no cost, at any time after August 31 of that year.

You may obtain a copy of these guidelines or, when available, the proxy voting record of a Fund, at no cost by visiting our website, [www.rbcgam.com](http://www.rbcgam.com), or by contacting us at the telephone number on the back cover of this Annual Information Form.

### ***Policies and practices with respect to derivatives***

Derivatives may be used in managing certain Funds. A detailed description of the risks related to the use of derivatives for the Funds that use derivatives can be found in the Simplified Prospectus under the heading *What are the risks of investing in a mutual fund?*

Written policies and procedures are in place, setting out the objectives for derivatives trading and related risk management. The objectives are:

- › to enhance yields, or returns (or both);
- › to isolate and manage risk; and
- › to execute new strategies to add value.

Derivatives will not be used to create excess leverage, and will only be used as permitted by NI 81-102 and any applicable regulatory relief. They will be used for hedging purposes – to offset or control risk exposures of the applicable Fund. They may also be used for non-hedging purposes. A description of the derivatives used by a Fund can be found in the Simplified Prospectus under the heading *What does the Fund invest in?*

Derivatives may be used to participate in changes to a particular market or group of securities without purchasing the securities directly, or to temporarily reduce participation in a particular market in which the underlying fund has already invested. An underlying fund may not expose more than 10% of its assets to derivatives unless it has received permission from the Canadian securities regulatory authorities to exceed that amount. The types of derivatives an underlying fund may use include forward contracts, futures contracts, warrants, options or options on futures, swaps and index participation units.

RBC GAM is responsible for managing the risks associated with the use of derivatives. RBC GAM has written guidelines that set out the objectives and goals for derivatives trading, which are established and reviewed periodically by the board of

directors of RBC GAM as required. In addition, RBC GAM has written control policies and procedures in place that set out the risk management procedures applicable to derivatives trading. These policies and procedures set out specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies ensuring that these functions are performed by individuals independent of those who trade. Limits and controls on derivatives trading are part of RBC GAM's compliance regime. All derivatives transactions are reviewed by a specially trained team that ensures that the derivatives positions of the applicable Funds are within the existing control policies and procedures. As the use of derivatives by the applicable Funds is limited, RBC GAM does not currently conduct simulations to test the portfolio under stress conditions. Derivatives strategies are regularly monitored by RBC GAM management and reviewed by the Financial Advisory Committee of the Board of Governors of the Funds on an annual basis.

***Policies and practices with respect to repurchase transactions and reverse repurchase transactions***

The Funds may enter into repurchase transactions and reverse repurchase transactions. For details about how the Funds may engage in these transactions, please see the heading *How the Funds engage in repurchase transactions and reverse repurchase transactions* and the heading *Repurchase and reverse repurchase risk* in the Simplified Prospectus for each of the Funds.

RBC IS or another custodian or sub-custodian of the Funds will act as the agent for the Funds in administering the repurchase and reverse repurchase transactions of the Funds. The risks associated with these transactions will be managed by requiring that the Fund's agent enter into such transactions, including negotiating agreements, with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties"). The agent will maintain internal controls, procedures and records, including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty, and collateral diversification standards. Each valuation day, the agent will determine the market value of both the securities sold by a Fund under a repurchase transaction or purchased by a Fund under a reverse repurchase transaction and the cash and/or collateral held by the Fund for such transactions. If on any business day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, on the next day the counterparty will be required to provide additional cash or collateral to the Fund to cover the shortfall.

The manager and the agent will review, periodically as required, repurchase policies and procedures described above to ensure that the repurchase transactions and reverse repurchase transactions are being properly managed in conformity with Canadian securities regulations and the agreement between the agent, the manager and the Fund.

The risk factors associated with repurchase and reverse repurchase transactions are disclosed in the Simplified Prospectus. RBC GAM is responsible for managing the risks associated with repurchase and reverse repurchase transactions. RBC GAM has written guidelines that set out the objectives and goals with respect to repurchase transactions and reverse repurchase transactions which are established and reviewed periodically by the board of directors of RBC GAM as required. RBC GAM has written control policies and procedures in place that set out the risk management practices applicable to repurchase and reverse repurchase transactions. As the Funds do not currently use repurchase and reverse repurchase transactions, RBC GAM does not currently conduct simulations to test the portfolio under stress conditions. Any repurchase and reverse repurchase agreements are monitored regularly by RBC GAM management and reviewed by the Financial Advisory Committee of the Board of Governors of the Funds on an annual basis. Internal auditors of Royal Bank monitor compliance with these policies and procedures periodically.

**Income tax considerations for investors**

The following is a summary of the principal Canadian federal income tax considerations generally relevant to individual investors who, for purposes of the *Income Tax Act* (Canada) (the "Tax Act"), are individuals (other than trusts) resident in Canada and hold their units as capital property.

This summary is based on the current provisions of the Tax Act and the regulations under it, all specific proposals to amend the Tax Act and its regulations that have been publicly announced by the Minister of Finance, and the published administrative practices of the Canada Revenue Agency ("CRA"). It is assumed that all amendments will be passed as proposed. This summary assumes that at no time in the future will more than 50% of the units of any Fund be held by one or more "financial institutions" within the meaning of s.142.2 of the Tax Act.

This summary is of a general nature and is not intended to be exhaustive. It does not take into account provincial, territorial or foreign tax laws. **Investors should consult their own tax advisors with respect to the tax consequences in their particular circumstances.**

Units of the Funds are qualified investments under the Tax Act for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs. Investors should consult with their own tax advisors as to whether units would be a "prohibited investment" under the Tax Act if held in their RRSP, RRIF or TFSA, in their particular circumstances.

### ***Taxation of the Funds***

Each Fund must pay tax on its net income and net realized capital gains for a year, except to the extent such amounts are distributed to unitholders. Each Fund (other than the RBC Institutional US\$ Cash Fund) intends to distribute all of its net income each year and sufficient of its net realized capital gains, so that the Fund will not pay any tax under Part I of the Tax Act, other than alternative minimum tax. The Funds could be subject to alternative minimum tax.

All of the Funds' deductible expenses, including expenses common to all series of a Fund and expenses specific to a particular series (such as management fees), will be taken into account in determining the income or loss of the Fund as a whole.

If a Fund experiences a "loss restriction event", (i) the Fund will be deemed to have a year-end for tax purposes, and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, a Fund will be subject to a loss restriction event when a person becomes a "majority-interest beneficiary" of the Fund, or a group of persons becomes a "majority-interest group of beneficiaries" of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of a Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund.

Loss suspension or restriction rules may prevent a Fund from using losses in certain circumstances.

Although the financial statements for the RBC Institutional US\$ Cash Fund are maintained in U.S. dollars, the Canadian dollar amounts must be used in calculating income for tax purposes. The Fund may therefore realize a capital gain or loss when it sells an investment or when an investment matures, as a result of a change in the exchange rate from the time the investment was acquired to the time of sale or maturity.

If at any time in a year a Fund has a unitholder that is a "designated beneficiary" under the Tax Act, the Fund will be subject to a special tax at the rate of 36% under Part XII.2 of the Tax Act on its "designated income." A "designated beneficiary" includes a non-resident, and "designated income" includes income from business, which could include certain income from derivatives. Where a Fund is subject to tax under Part XII.2, the Fund may make a designation which will result in unitholders that are not designated beneficiaries receiving a tax credit with respect to their share of the tax under Part XII.2 paid by the Fund.

Each Fund will be subject to a special tax under Part X.2 of the Tax Act if, at the end of any month, the Fund holds property that is not a qualified investment under the Tax Act for a RRSP, RRIF and DPSP.

### *Taxation of unitholders*

Each unitholder of a Fund will be required to include in computing its income for a particular year the portion of the net income, and the net realized taxable capital gains of the Fund for the year distributed to the unitholder (including such amounts distributed or on the redemption of units), whether those amounts are distributed in cash or reinvested in additional units. The RBC Institutional US\$ Cash Fund may be considered to realize gains for Canadian tax purposes as a result of exchange rate fluctuations, since the Fund invests in U.S. dollar denominated securities but must report its income for tax purposes in Canadian dollars. In such case, the Fund may make additional distributions to unitholders calculated and paid in accordance with the rules in the Tax Act so as to ensure that the Fund will not pay income tax. Any such additional distribution will be immediately reinvested in additional units and the units of the Fund will then be consolidated to ensure that the net asset value per series unit is maintained at the amount prior to the distribution. The amount of this distribution will be included in your income and added to the adjusted cost base of your units. We will advise each unitholder of the share of the net income, net taxable capital gains and return of capital of the Fund distributed to the unitholder each year. Return of capital represents a return to the investor of a portion of their own invested capital.

To the extent that distributions made by a Fund to a unitholder in a year exceed the unitholder's share of the Fund's net income and net realized capital gains for the year, the excess distributions will be a return of capital that is not taxable to the unitholder but that reduces the adjusted cost base of the unitholder's units. If a unitholder's adjusted cost base is reduced to less than zero the unitholder will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base will be reset at nil.

Where an investor acquires units of the RBC Long Cash Fund or RBC Institutional US\$ Cash Fund, the purchase price for the units may reflect net income and net realized capital gains which have not been distributed. The investor is subject to tax on his or her share of those amounts when distributed, even though the amounts were reflected in the purchase price paid for the units. Similarly, the investor's share of capital gains realized after the units were acquired will include the portion of the gains that accrued before the investor acquired the units.

Each Fund intends to make designations under the Tax Act so that income from foreign sources and net taxable capital gains distributed to unitholders will retain their character in the hands of unitholders. Each taxable unitholder will generally be entitled to a tax credit for foreign taxes paid by a Fund in respect of his or her share of income from foreign sources, except to the extent the Fund has deducted the foreign taxes in computing its income.

On a redemption (including a redemption to switch between the Funds) or other disposition of units of a Fund, the unitholder will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of the units plus any cost of disposition, or a capital loss to the extent that the total of the adjusted cost base of the units plus any costs of disposition exceeds the proceeds of disposition. One half of a capital gain must be included in income as a taxable capital gain. One half of a capital loss is an allowable capital loss, which may be applied against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains may be carried back three years or forward indefinitely and applied against taxable capital gains realized in those earlier or later years, subject to the rules in the Tax Act. A unitholder that is throughout the relevant taxation year a "Canadian-controlled private corporation" under the Tax Act, may be liable to pay, in addition to the tax otherwise payable under the Tax Act, a refundable tax of 6<sup>2</sup>/<sub>3</sub>% determined by reference to its aggregate investment income for the year, which is defined to include an amount in respect of taxable capital gains.

The adjusted cost base of a unit of a Fund is equal to the average adjusted cost base of all units of the Fund held by a unitholder. Generally, the adjusted cost base of all units at any time is equal to the total cost of Fund units purchased by the unitholder to that time (including units purchased by reinvesting distributions) minus the return of capital component of distributions and the adjusted cost base of units previously sold. The proceeds of disposition on the redemption of units of a Fund do not include net income or net realized gains, if any, that are distributed as part of the redemption amount.

The cost to a unitholder of units of the RBC Institutional US\$ Cash Fund is to be determined in Canadian dollars based on the exchange rate when the units are acquired. The proceeds of disposition of units are to be determined in Canadian dollars based on the exchange rate at the time of disposition. Consequently, a unitholder of this Fund may realize a capital gain or loss on the disposition of units as a result of fluctuations in the exchange rate between the Canadian and U.S. dollars.

Individuals and certain trusts are required to pay tax equal to the greater of tax determined under the ordinary rules and alternative minimum tax. Amounts distributed by a Fund that are taxable dividends from taxable Canadian corporations or net taxable capital gains, and capital gains realized on the redemption of units, may increase a unitholder's liability for alternative minimum tax.

In general, fees paid directly by you in respect of units of the Funds held outside a registered plan should be deductible for income tax purposes to the extent that such fees are reasonable and represent fees for advice to you regarding the purchase or sale of units of the Funds or for services provided to you in respect of the administration or management of your units of the Funds. The portion of the fees that represents services provided by the manager to the Funds, rather than directly to you, is not deductible for income tax purposes. You should consult your own tax advisor with respect to the deductibility of fees in your own particular circumstances.

### **Remuneration of directors, officers and trustees**

The Funds do not have directors or officers. RBC IS, in its capacity as the trustee of the Funds and other funds managed by RBC GAM, receives \$3,000 annually in remuneration for each such fund for which RBC IS acts as trustee. RBC GAM, in its capacity as manager of the Funds, is entitled to receive a management fee set out in the Simplified Prospectus.

For the year ended December 31, 2013, members of the Board of Governors received annual fees and meeting fees in the amount of \$373,613 as well as \$63,395 as reimbursement for expenses in connection with performing their duties for the Funds and certain other prospectus-qualified funds managed by RBC GAM. These fees and expenses are allocated among the funds managed by RBC GAM in a manner that is fair and reasonable.

### **Material contracts**

The material contracts, other than those entered into in the normal course of the Funds' business, are described briefly below.

1. Under the terms of the Trust Agreement, RBC GAM acts as manager, portfolio advisor and registrar of each Fund, and RBC IS acts as trustee. The Trust Agreement outlines the powers and duties of the parties, as well as the fees and expenses payable by each Fund, including management and trustee fees, administration fees and operating expenses. The management and administration fees payable by the Funds are described in the Simplified Prospectus.
2. Under the terms of an amended and restated custodian agreement dated as of August 14, 2012 between RBC IS and RBC GAM, as amended, RBC IS acts as the principal custodian for all the Funds. The agreement may be terminated by either party giving notice 90 days in advance.

You can review any of these agreements during normal business hours at the main operating office of Phillips, Hager & North, 20th floor – 200 Burrard Street, Vancouver, British Columbia, V6C 3N5.

### **Legal and administrative proceedings**

We are not aware of any material legal proceedings, either pending or ongoing, which would affect any of the Funds.

## Certificate of the Funds, Manager, Promoter and Principal Distributor

May 29, 2014

This Annual Information Form, together with the Simplified Prospectus and the documents incorporated by reference into the Simplified Prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the Simplified Prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

RBC Institutional Government – Plus Cash Fund

RBC Institutional Cash Fund

RBC Institutional US\$ Cash Fund

RBC Institutional Long Cash Fund

RBC Global Asset Management Inc., on behalf of the Funds, and in its capacity as manager,  
promoter and principal distributor of the Funds

*(signed) John S. Montalbano*

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John S. Montalbano  
Chief Executive Officer

*(signed) Frank Lippa*

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Frank Lippa  
Chief Financial Officer

On behalf of the Board of Directors of RBC Global Asset Management Inc.,  
on behalf of the Funds, and in its capacity as manager, promoter and principal distributor of the Funds

*(signed) Damon G. Williams*

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Damon G. Williams  
Director

*(signed) Daniel E. Chornous*

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Daniel E. Chornous  
Director

## RBC Institutional Cash Funds

Additional information about each Fund is available in each of the Funds' management reports of fund performance, Fund Facts and financial statements. You can get a copy of these documents at no cost by calling us toll-free at 1-877-408-6019 or by contacting us at any of the addresses below or by contacting another dealer who sells our Funds.

These documents and other information about the Funds, such as information circulars and material contracts, are also available at [www.rbcgam.com](http://www.rbcgam.com) or [www.sedar.com](http://www.sedar.com).

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