

PHILLIPS, HAGER & NORTH FUNDS

2014
Semi-Annual
Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	2	U.S. EQUITY FUNDS	
		Phillips, Hager & North U.S. Dividend Income Fund	181
MONEY MARKET FUNDS		Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	188
Phillips, Hager & North Canadian Money Market Fund	3	Phillips, Hager & North U.S. Equity Fund	198
Phillips, Hager & North \$U.S. Money Market Fund	9	Phillips, Hager & North Currency-Hedged U.S. Equity Fund	205
FIXED-INCOME FUNDS		Phillips, Hager & North U.S. Growth Fund	212
Phillips, Hager & North Short Term Bond & Mortgage Fund	15	INTERNATIONAL AND GLOBAL EQUITY FUNDS	
Phillips, Hager & North Bond Fund	27	Phillips, Hager & North Overseas Equity Fund	219
Phillips, Hager & North Community Values Bond Fund	40	Phillips, Hager & North Currency-Hedged Overseas Equity Fund	227
Phillips, Hager & North Total Return Bond Fund	51	Phillips, Hager & North Global Equity Fund	235
Phillips, Hager & North Inflation-Linked Bond Fund	64	Phillips, Hager & North Community Values Global Equity Fund	241
Phillips, Hager & North High Yield Bond Fund	70	TARGET DATE FUNDS	
Phillips, Hager & North Short Inflation-linked Bond Fund	79	Phillips, Hager & North LifeTime 2015 Fund	249
Phillips, Hager & North Long Inflation-linked Bond Fund	85	Phillips, Hager & North LifeTime 2020 Fund	255
BALANCED FUNDS		Phillips, Hager & North LifeTime 2025 Fund	261
Phillips, Hager & North Monthly Income Fund	91	Phillips, Hager & North LifeTime 2030 Fund	267
Phillips, Hager & North Balanced Fund	106	Phillips, Hager & North LifeTime 2035 Fund	273
Phillips, Hager & North Community Values Balanced Fund	113	Phillips, Hager & North LifeTime 2040 Fund	279
CANADIAN EQUITY FUNDS		Phillips, Hager & North LifeTime 2045 Fund	285
Phillips, Hager & North Dividend Income Fund	120	BONAVISTA INVESTMENT FUNDS	
Phillips, Hager & North Canadian Equity Fund	128	BonaVista Global Balanced Fund	291
Phillips, Hager & North Community Values Canadian Equity Fund	136	BonaVista Canadian Equity Value Fund	300
Phillips, Hager & North Canadian Equity Value Fund	144	GENERIC NOTES TO FINANCIAL STATEMENTS	306
Phillips, Hager & North Canadian Equity Underlying Fund	152	THE ROLE OF THE BOARD OF GOVERNORS	312
Phillips, Hager & North Canadian Growth Fund	159	PLEASE CALL US	Inside Back Cover
Phillips, Hager & North Canadian Income Fund	167		
Phillips, Hager & North Vintage Fund	174		

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM"), as manager of the Phillips, Hager & North Investment Funds (the "Funds") and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

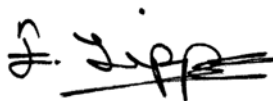
We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

Although the Board of Directors of RBC GAM is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities, the Financial Advisory Committee of the Board of Governors provides advice to RBC GAM concerning financial reporting, the audit process and internal controls. Please see *The Role of the Board of Governors* at the end of this report.



John S. Montalbano, CFA

Chief Executive Officer
RBC Global Asset Management Inc.



Frank Lipa, CPA, CA

Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.

August 12, 2014

Unaudited Semi-Annual Financial Statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with Canadian generally accepted auditing standards.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN MONEY MARKET FUND

June 30, 2014

Par Value (000s)	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
11 000	Bank of Montreal	\$ 11 000	
128 440	Bank of Nova Scotia	128 096	
11 250	Canadian Imperial Bank of Commerce	11 265	
64 600	HSBC Bank Canada	64 552	
26 600	National Bank of Canada	26 574	
		241 487	18.3
COMMERCIAL PAPER			
60 500	Banner Trust	60 301	
64 000	Bay Street Funding Trust - Class A	63 596	
37 000	Brookfield Asset Management Inc., Class A	36 917	
12 500	Canadian Master Trust - Series A	12 463	
30 000	Canadian National Railway Co.	29 942	
64 150	Central 1 Credit Union	63 752	
36 000	Clarity Trust	35 772	
37 500	CU Inc.	37 449	
50 400	Darwin Receivables Trust - Senior Notes	50 148	
2 700	Enbridge Gas Distribution Inc.	2 697	
35 100	Enbridge Inc.	35 043	
5 200	Finning International Inc.	5 197	
38 125	Fusion Trust	37 930	
5 300	Honda Canada Finance Inc.	5 268	
36 000	Inter Pipeline Ltd.	35 889	
64 215	King Street Funding Trust	63 811	
63 940	Merit Trust - Senior Notes	63 589	
12 425	Nova Scotia Power Inc.	12 413	
14 839	OMERS Realty Corp.	14 805	
64 000	Prime Trust - Senior Notes	63 594	
41 420	Reliant Trust	41 240	
46 100	Ridge Trust	45 821	
45 500	SAFE Trust - Series 1996-1	45 231	
7 500	SOUND Trust	7 453	
37 575	TELUS Corp.	37 460	
29 250	TMX Group Ltd.	29 217	
26 125	TransCanada PipeLines Ltd.	26 055	
61 000	Zeus Receivables Trust - Senior Notes	60 691	
		1 023 744	77.7
PROVINCIAL OBLIGATIONS			
12 175	Financement-Québec	12 168	
13 109	Province of Nova Scotia	13 190	
18 350	Province of Ontario	18 451	
		43 809	3.3
TOTAL INVESTMENTS*		1 309 040	99.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		8 669	0.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 1 317 709	100.0

*Investments, which are grouped by issuer, earn interest at rates ranging from 1.14% to 1.45% and mature between July 2, 2014 and January 9, 2015.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 309 040	\$ 1 414 055	\$ 1 254 006
Cash	22	28	17
Subscriptions receivable	12 258	18 172	7 422
Dividends receivable, interest accrued and other assets	2 645	2 907	2 336
TOTAL ASSETS	1 323 965	1 435 162	1 263 781
LIABILITIES			
Redemptions payable	6 094	4 516	5 779
Distributions payable	14	19	14
Accounts payable and accrued expenses	148	164	179
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	6 256	4 699	5 972
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 317 709	\$ 1 430 463	\$ 1 257 809
Investments at cost	\$ 1 309 040	\$ 1 414 055	\$ 1 254 006
NAV, END OF PERIOD			
SERIES C	\$ 4 092	\$ 3 606	\$ 6 820
ADVISOR SERIES	\$ 3 998	\$ 4 741	\$ 1 412
SERIES D	\$ 237 928	\$ 267 915	\$ 293 820
SERIES F	\$ 5 799	\$ 6 268	\$ 7 204
SERIES O	\$ 1 065 892	\$ 1 147 933	\$ 948 553
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.00	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00	\$ 10.00

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 8 258	\$ 7 766
TOTAL INCOME (LOSS)	8 258	7 766
EXPENSES (see notes – Fund Specific Information)		
Management fees	650	679
Administration fees	229	218
Board of Governors costs	1	2
GST/HST	74	83
TOTAL EXPENSES	954	982
INCREASE (DECREASE) IN NAV	\$ 7 304	\$ 6 784
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 12	\$ 21
ADVISOR SERIES	\$ 14	\$ 5
SERIES D	\$ 861	\$ 924
SERIES F	\$ 22	\$ 25
SERIES O	\$ 6 395	\$ 5 809
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.03	\$ 0.03
ADVISOR SERIES	\$ 0.03	\$ 0.03
SERIES D	\$ 0.03	\$ 0.03
SERIES F	\$ 0.04	\$ 0.04
SERIES O	\$ 0.06	\$ 0.06

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 7 304	\$ 6 784
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	–	–
Change in unrealized loss (gain) on investments	–	–
(Increase) decrease in accrued receivables	6 176	3 514
Increase (decrease) in accrued payables	1 557	(955)
Cost of investments purchased	(3 064 778)	(3 458 438)
Proceeds on sales of investments	3 169 793	3 320 485
NET CASH PROVIDED BY OPERATING ACTIVITIES	120 052	(128 610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	689 089	970 009
Cash paid on redemption of redeemable units	(809 058)	(841 274)
Distributions paid to holders of redeemable units	(89)	(88)
NET CASH USED IN FINANCING ACTIVITIES	\$ (120 058)	\$ 128 647
Net increase (decrease) in cash for the year	(6)	37
Cash (bank overdraft), beginning of period	28	17
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 22	\$ 54
Interest received	\$ 8 520	\$ 7 430
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 606	\$ 6 820	\$ 4 741	\$ 1 412	\$ 267 915	\$ 293 820	\$ 6 268	\$ 7 204
INCREASE (DECREASE) IN NAV	12	21	14	5	861	924	22	25
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 372	2 086	657	1 157	115 204	157 702	903	1 835
Reinvestments of distributions to holders of redeemable units	13	21	14	5	846	909	22	26
Redemption of redeemable units	(898)	(3 070)	(1 414)	(343)	(146 037)	(170 165)	(1 394)	(2 673)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	487	(963)	(743)	819	(29 987)	(11 554)	(469)	(812)
Distributions from net income	(13)	(21)	(14)	(5)	(861)	(925)	(22)	(26)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(13)	(21)	(14)	(5)	(861)	(925)	(22)	(26)
NET INCREASE (DECREASE) IN NAV	486	(963)	(743)	819	(29 987)	(11 555)	(469)	(813)
NAV AT END OF PERIOD	\$ 4 092	\$ 5 857	\$ 3 998	\$ 2 231	\$ 237 928	\$ 282 265	\$ 5 799	\$ 6 391

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 147 933	\$ 948 553	\$ 1 430 463	\$ 1 257 809
INCREASE (DECREASE) IN NAV	6 395	5 809	7 304	6 784
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	570 953	807 229	689 089	970 009
Reinvestments of distributions to holders of redeemable units	6 321	5 738	7 216	6 699
Redemption of redeemable units	(659 315)	(665 023)	(809 058)	(841 274)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(82 041)	147 944	(112 753)	135 434
Distributions from net income	(6 395)	(5 810)	(7 305)	(6 787)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(6 395)	(5 810)	(7 305)	(6 787)
NET INCREASE (DECREASE) IN NAV	(82 041)	147 943	(112 754)	135 431
NAV AT END OF PERIOD	\$ 1 065 892	\$ 1 096 496	\$ 1 317 709	\$ 1 393 240

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with a steady level of current income, capital preservation and liquidity by investing in a well-diversified portfolio of short-term Canadian money market securities with strong credit ratings.

Financial instrument risk and capital management (see note 4 in the generic notes)

Credit risk (%)

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
R-1 (H)	64.6	72.4	78.7
R-1 (M)	12.7	3.7	7.6
R-1 (L)	22.7	23.9	13.7
Total	100.0	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
0 – 1 month	46.8	34.6	35.2
1 – 3 months	32.2	48.5	41.6
4 – 6 months	20.9	15.5	23.2
7 – 12 months	0.1	1.4	–
Total	100.0	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 309 040	–	1 309 040
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 309 040	–	1 309 040
% of total portfolio	–	100.0	–	100.0

Please see the generic notes at the back of the financial statements.

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 414 055	–	1 414 055
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 414 055	–	1 414 055
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 254 006	–	1 254 006
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 254 006	–	1 254 006
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	up to 0.65%
Advisor Series	up to 0.65%
Series D	Note 1
Series F	up to 0.40%

Note 1: 0.50% of the Series D net asset value up to \$200 000 000 and 0.40% of the Series D net asset value of the Fund in excess of \$200 000 000.

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.03%

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	42	44
Advisor Series	102	102
Series D	484 542	981 631
Series F	51	51
Value of all units	4 847	9 818

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

	2014	2013
For the periods ended June 30 (see note 2 in the generic notes)		
Series C		
Opening units	361	682
Issued number of units	137	209
Reinvested number of units	1	2
Redeemed number of units	(90)	(307)
Ending number of units	409	586
Advisor Series		
Opening units	474	141
Issued number of units	66	115
Reinvested number of units	1	1
Redeemed number of units	(141)	(34)
Ending number of units	400	223
Series D		
Opening units	26 792	29 382
Issued number of units	11 520	15 771
Reinvested number of units	85	91
Redeemed number of units	(14 604)	(17 017)
Ending number of units	23 793	28 227
Series F		
Opening units	627	720
Issued number of units	90	183
Reinvested number of units	2	3
Redeemed number of units	(139)	(267)
Ending number of units	580	639

Please see the generic notes at the back of the financial statements.

	2014	2013
For the periods ended June 30 (see note 2 in the generic notes)		
Series O		
Opening units	114 793	94 855
Issued number of units	57 095	80 723
Reinvested number of units	632	574
Redeemed number of units	(65 931)	(66 502)
Ending number of units	106 589	109 650

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North LifeTime 2015 Fund	3	3
Phillips, Hager & North LifeTime 2020 Fund	5	4
Phillips, Hager & North LifeTime 2025 Fund	5	4
Phillips, Hager & North LifeTime 2030 Fund	5	4
Phillips, Hager & North LifeTime 2035 Fund	6	5
Phillips, Hager & North LifeTime 2040 Fund	6	4
Phillips, Hager & North LifeTime 2045 Fund	10	6
Total	40	30

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 393 240	1 257 809
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	1 393 240	1 257 809
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		6 784
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		6 784

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in USD000s)

PHILLIPS, HAGER & NORTH \$U.S. MONEY MARKET FUND

June 30, 2014

Par Value (000s)	Security	Fair Value	% of Net Assets
BANKERS ACCEPTANCES AND BANK OBLIGATIONS			
5 656	Bank of Montreal	\$ 5 654	
1 765	Bank of Nova Scotia	1 767	
500	Canadian Imperial Bank of Commerce	501	
1 735	HSBC Bank Canada	1 735	
5 615	Toronto-Dominion Bank	5 616	
		15 273	25.9
COMMERCIAL PAPER			
1 700	Banner Trust	1 699	
1 525	Brookfield Asset Management Inc., Class A	1 524	
2 815	Caisse Centrale Desjardins	2 814	
1 503	Canadian Master Trust - Series A	1 502	
2 500	Clarity Trust	2 498	
2 800	CPPIB Capital Inc.	2 799	
2 815	Darwin Receivables Trust - Senior Notes	2 812	
1 440	Enbridge Inc.	1 440	
2 630	Fusion Trust	2 628	
1 500	Gaz Metropolitan Inc.	1 500	
2 770	Merit Trust - Senior Notes	2 766	
2 830	Prime Trust - Senior Notes	2 827	
2 670	PSP Capital Inc.	2 670	
2 700	Reliant Trust	2 697	
2 700	Ridge Trust	2 696	
2 800	SAFE Trust - Series 1996-1	2 795	
2 650	SOUND Trust	2 646	
1 400	TMX Group Ltd.	1 400	
1 000	Zeus Receivables Trust - Senior Notes	1 000	
		42 713	72.3
PROVINCIAL OBLIGATIONS			
1 000	Province of Ontario	1 002	
		1 002	1.7
TOTAL INVESTMENTS*		58 988	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		73	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 59 061	100.0

*Investments, which are grouped by issuer, earn interest at rates ranging from 0.10% to 0.39% and mature between July 2, 2014 and September 11, 2015.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<small>(see note 2 and note 8 in the generic notes)</small>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 58 988	\$ 73 895	\$ 67 857
Cash	9	6	5
Subscriptions receivable	161	41	225
Dividends receivable, interest accrued and other assets	18	34	20
TOTAL ASSETS	59 176	73 976	68 107
LIABILITIES			
Redemptions payable	111	44	64
Accounts payable and accrued expenses	4	5	5
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	115	49	69
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 59 061	\$ 73 927	\$ 68 038
Investments at cost	\$ 58 988	\$ 73 895	\$ 67 857
NAV, END OF PERIOD			
SERIES C	\$ 2 657	\$ 2 368	\$ 4 031
ADVISOR SERIES	\$ 113	\$ 124	\$ 236
SERIES D	\$ 16 927	\$ 25 106	\$ 28 875
SERIES F	\$ 3 759	\$ 4 837	\$ 4 214
SERIES O	\$ 35 605	\$ 41 492	\$ 30 682
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.00	\$ 10.00	\$ 10.00
ADVISOR SERIES	\$ 10.00	\$ 10.00	\$ 10.00
SERIES D	\$ 10.00	\$ 10.00	\$ 10.00
SERIES F	\$ 10.00	\$ 10.00	\$ 10.00
SERIES O	\$ 10.00	\$ 10.00	\$ 10.00

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 73	\$ 98
TOTAL INCOME (LOSS)	73	98
EXPENSES (see notes – Fund Specific Information)		
Management fees	7	9
Administration fees	15	15
Board of Governors costs	1	2
GST/HST	2	3
TOTAL EXPENSES	25	29
INCREASE (DECREASE) IN NAV	\$ 48	\$ 69
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 2	\$ 3
ADVISOR SERIES	\$ 1	\$ –
SERIES D	\$ 10	\$ 24
SERIES F	\$ 2	\$ 5
SERIES O	\$ 33	\$ 37
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ –	\$ 0.01
ADVISOR SERIES	\$ –	\$ 0.01
SERIES D	\$ –	\$ 0.01
SERIES F	\$ –	\$ 0.01
SERIES O	\$ 0.01	\$ 0.01

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 48	\$ 69
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	–	–
Change in unrealized loss (gain) on investments	–	–
(Increase) decrease in accrued receivables	(104)	66
Increase (decrease) in accrued payables	66	172
Cost of investments purchased	(281 397)	(354 415)
Proceeds on sales of investments	296 304	339 185
NET CASH PROVIDED BY OPERATING ACTIVITIES	14 917	(14 923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	44 946	67 994
Cash paid on redemption of redeemable units	(59 860)	(53 070)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (14 914)	\$ 14 924
Net increase (decrease) in cash for the year	3	1
Cash (bank overdraft), beginning of period	6	5
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 9	\$ 6
Interest received	\$ 89	\$ 89
Dividends received, net of withholding taxes	\$ –	\$ –

PHILLIPS, HAGER & NORTH \$U.S. MONEY MARKET FUND

(IN U.S. DOLLARS)

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 368	\$ 4 031	\$ 124	\$ 236	\$ 25 106	\$ 28 875	\$ 4 837	\$ 4 214
INCREASE (DECREASE) IN NAV	2	3	1	—	10	24	2	5
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	4 340	1 453	75	146	7 020	5 762	2 247	5 245
Reinvestments of distributions to holders of redeemable units	2	3	—	—	11	24	2	4
Redemption of redeemable units	(4 053)	(2 193)	(87)	(299)	(15 209)	(8 099)	(3 327)	(3 350)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	289	(737)	(12)	(153)	(8 178)	(2 313)	(1 078)	1 899
Distributions from net income	(2)	(3)	—	—	(11)	(24)	(2)	(4)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2)	(3)	—	—	(11)	(24)	(2)	(4)
NET INCREASE (DECREASE) IN NAV	289	(737)	(11)	(153)	(8 179)	(2 313)	(1 078)	1 900
NAV AT END OF PERIOD	\$ 2 657	\$ 3 294	\$ 113	\$ 83	\$ 16 927	\$ 26 562	\$ 3 759	\$ 6 114

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 41 492	\$ 30 682	\$ 73 927	\$ 68 038
INCREASE (DECREASE) IN NAV	33	37	48	69
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	31 264	55 388	44 946	67 994
Reinvestments of distributions to holders of redeemable units	35	38	50	69
Redemption of redeemable units	(37 184)	(39 129)	(59 860)	(53 070)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(5 885)	16 297	(14 864)	14 993
Distributions from net income	(35)	(38)	(50)	(69)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(35)	(38)	(50)	(69)
NET INCREASE (DECREASE) IN NAV	(5 887)	16 296	(14 866)	14 993
NAV AT END OF PERIOD	\$ 35 605	\$ 46 978	\$ 59 061	\$ 83 031

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with a steady level of current income while preserving capital by investing primarily in Canadian short-term debt instruments denominated in U.S. dollars.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
R-1 (H)	86.9	78.5	59.5
R-1 (M)	3.0	13.7	25.8
R-1 (L)	10.1	7.8	14.7
Total	100.0	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
0 – 1 month	51.8	37.3	44.3
1 – 3 months	31.1	41.0	51.2
4 – 6 months	17.1	21.6	4.5
7 – 12 months	–	0.1	–
Total	100.0	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

Fair value hierarchy (USD000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	58 988	–	58 988
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	58 988	–	58 988
% of total portfolio	–	100.0	–	100.0

Please see the generic notes at the back of the financial statements.

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	73 895	–	73 895
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	73 895	–	73 895
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	67 857	–	67 857
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	67 857	–	67 857
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	up to 0.75%
Advisor Series	up to 0.75%
Series D	up to 0.50%
Series F	up to 0.50%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.05%

June 30, 2014

Investments by related parties (USD000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	50	50
Advisor Series	101	100
Series D	50	50
Series F	50	50
Series O	50	50
Value of all units	3	3

Taxes (CAD000s) (see note 5 in the generic notes)

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	5 622
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	237	403
Issued number of units	434	145
Reinvested number of units	–	–
Redeemed number of units	(405)	(219)
Ending number of units	266	329
Advisor Series		
Opening units	12	24
Issued number of units	8	14
Reinvested number of units	–	–
Redeemed number of units	(9)	(30)
Ending number of units	11	8

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	2 511	2 887
Issued number of units	702	577
Reinvested number of units	1	2
Redeemed number of units	(1 521)	(810)
Ending number of units	1 693	2 656
Series F		
Opening units	484	421
Issued number of units	225	525
Reinvested number of units	–	–
Redeemed number of units	(333)	(335)
Ending number of units	376	611
Series O		
Opening units	4 149	3 068
Issued number of units	3 127	5 539
Reinvested number of units	3	4
Redeemed number of units	(3 718)	(3 913)
Ending number of units	3 561	4 698

Transition to IFRS (USD000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	83 031	68 038
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	83 031	68 038
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		69
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		69

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIA BONDS						
3 397	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 3 397	\$ 3 505	
TOTAL AUSTRALIA BONDS				3 397	3 505	0.1
CANADIAN BONDS						
CORPORATE						
1 000	407 International Inc.	3.880	16-Jun-15	1 000	1 023	
13 248	407 International Inc.	3.870	24-Nov-17	13 890	14 027	
663	Alliance Pipeline LP	7.230	30-Jun-15	690	682	
1 380	AltaGas Ltd.	4.100	24-Mar-16	1 449	1 434	
1 612	AltaGas Ltd.	6.940	29-Jun-16	1 849	1 767	
1 878	AltaGas Ltd.	4.600	15-Jan-18	2 028	2 025	
714	AltaLink Investments LP	5.207	16-Dec-16	754	767	
6 128	AltaLink Investments LP	3.674	05-Jun-19	6 130	6 440	
4 030	AltaLink Investments LP	3.265	05-Jun-20	4 030	4 126	
2 920	AltaLink LP	5.243	29-May-18	3 373	3 263	
4 145	AltaLink LP	3.621	17-Sep-20	4 151	4 397	
4 100	American Express Canada Credit Corp.	3.600	03-Jun-16	4 242	4 251	
30 548	Bank of Montreal	3.490	10-Jun-16	31 078	31 629	
120 922	Bank of Montreal	2.960	02-Aug-16	123 900	124 121	
59	Bank of Montreal	6.020	02-May-18	68	68	
7 860	Bank of Montreal	2.430	04-Mar-19	7 817	7 926	
2 510	Bank of Montreal	4.870	22-Apr-20	2 639	2 577	
3 990	Bank of Montreal	5.100	21-Apr-21	4 253	4 224	
42 802	Bank of Nova Scotia	1.800	09-May-16	42 896	42 931	
40 466	Bank of Nova Scotia	2.100	08-Nov-16	40 487	40 800	
32 809	Bank of Nova Scotia	2.740	01-Dec-16	33 333	33 564	
6 329	Bank of Nova Scotia	4.100	08-Jun-17	6 820	6 739	
10 655	Bank of Nova Scotia	2.242	22-Mar-18	10 596	10 736	
7 985	Bank of Nova Scotia	3.270	11-Jan-21	8 185	8 277	
6 455	Bank of Nova Scotia	2.873	04-Jun-21	6 455	6 508	
2 866	bcIMC Realty Corp.	2.650	29-Jun-17	2 878	2 942	
9 957	bcIMC Realty Corp.	5.650	05-Jan-18	11 211	11 200	
1 763	bcIMC Realty Corp.	2.790	02-Aug-18	1 761	1 812	
3 962	Bell Aliant Regional Communications LP	6.290	17-Feb-15	4 254	4 069	
2 670	Bell Aliant Regional Communications LP	1.798	22-Apr-16	2 670	2 670	
1 955	Bell Aliant Regional Communications LP	3.540	12-Jun-20	1 955	2 022	
4 141	Bell Canada	5.000	15-Feb-17	4 477	4 467	
654	Bell Canada	4.400	16-Mar-18	701	705	
1 305	Bell Canada	3.500	10-Sep-18	1 306	1 366	
15 151	Bell Canada	3.250	17-Jun-20	15 163	15 557	
5 997	Bell Canada	4.950	19-May-21	6 671	6 720	
1 430	BMO Subordinated Notes Trust	5.750	26-Sep-22	1 561	1 592	
14 096	Brookfield Asset Management Inc.	5.290	25-Apr-17	15 062	15 253	
9 861	Brookfield Asset Management Inc.	3.950	09-Apr-19	10 114	10 365	
7 980	Brookfield Asset Management Inc.	5.300	01-Mar-21	8 875	8 919	
9 055	Caisse Centrale Desjardins	2.795	19-Nov-18	9 057	9 260	
5 000	Cameco Corp.	5.670	02-Sep-19	5 626	5 651	
29 065	Canadian Credit Card Trust	2.306	24-Apr-15	29 536	29 300	
5 688	Canadian Credit Card Trust	3.444	24-Jul-15	5 933	5 809	
11 650	Canadian Credit Card Trust	1.596	24-Sep-15	11 650	11 665	
300	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	321	305	
68 623	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	68 631	68 778	
43 329	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	43 795	44 232	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management®

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
47 461	Canadian Imperial Bank of Commerce	4.110	30-Apr-20	\$ 48 804	\$ 48 468	
3 901	Canadian Natural Resources Ltd.	2.890	14-Aug-20	3 901	3 938	
6 200	Capital Desjardins Inc.	5.541	01-Jun-21	6 659	6 635	
16 820	Cards II Trust	3.096	15-Sep-15	17 395	17 149	
83 358	Cards II Trust	1.984	15-Jan-16	83 744	83 918	
2 043	Cards II Trust	3.333	15-May-16	2 121	2 107	
250	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	252	252	
35	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	35	35	
5 366	Caterpillar Financial Services Ltd.	2.630	01-Jun-17	5 369	5 490	
6 295	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	6 294	6 336	
2 400	Central 1 Credit Union	4.000	09-Oct-19	2 397	2 416	
8 345	Choice Properties LP	3.000	20-Apr-16	8 507	8 499	
20 705	Choice Properties LP	3.600	20-Apr-20	21 156	21 333	
9 070	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	9 071	9 234	
5 375	Crombie Real Estate Investment Trust	3.986	31-Oct-18	5 377	5 593	
5 000	CU Inc.	6.145	22-Nov-17	5 954	5 687	
3 815	Dollarama Inc.	1.808	16-May-17	3 815	3 817	
1 590	Dollarama Inc.	3.095	05-Nov-18	1 590	1 624	
16 600	Eagle Credit Card Trust	2.849	17-Oct-18	16 822	17 042	
6 825	Emera Inc.	4.100	20-Oct-14	7 085	6 878	
5 500	Emera Inc.	2.960	13-Dec-16	5 628	5 638	
3 142	Emera Inc.	4.830	02-Dec-19	3 451	3 455	
29	Enbridge Gas Distribution Inc.	5.160	24-Sep-14	29	29	
7 240	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	7 239	7 264	
20	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	22	22	
3 550	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	3 764	3 862	
8 945	Enbridge Inc.	5.170	19-May-16	9 719	9 511	
7 680	Enbridge Inc.	5.000	09-Aug-16	8 435	8 192	
5 570	Enbridge Inc.	1.714	13-Mar-17	5 570	5 570	
5 100	Enbridge Inc.	4.770	02-Sep-19	5 600	5 656	
25	Enbridge Inc.	4.530	09-Mar-20	28	28	
12 960	Enbridge Inc.	3.160	11-Mar-21	12 945	13 213	
7 540	Enbridge Income Fund Holdings Inc.	2.920	14-Dec-17	7 610	7 710	
7 285	Enbridge Pipelines Inc.	6.620	19-Nov-18	8 651	8 640	
62	Enbridge Pipelines Inc.	4.450	06-Apr-20	69	69	
9 301	Enmax Corp.	6.150	19-Jun-18	10 611	10 469	
150	EPCOR Utilities Inc.	6.750	22-Mar-16	177	163	
3 435	EPCOR Utilities Inc.	5.800	31-Jan-18	3 950	3 871	
1 312	Finning International Inc.	6.020	01-Jun-18	1 532	1 494	
24 408	FortisBC Holdings Inc.	5.560	15-Sep-14	26 450	24 606	
17 569	Genesis Trust II	2.295	15-Feb-17	17 575	17 804	
23 299	Genesis Trust II	2.433	15-May-19	23 300	23 482	
338	Golden Credit Card Trust	3.824	15-May-15	355	345	
4 965	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	4 965	5 008	
85	Greater Toronto Airports Authority	5.260	17-Apr-18	95	95	
16 369	Hollis Receivables Term Trust II	2.235	26-Sep-16	16 371	16 558	
15 355	Hollis Receivables Term Trust II	2.434	26-Jun-19	15 355	15 420	
17 345	HSBC Bank Canada	2.572	23-Nov-15	17 445	17 590	
35 184	HSBC Bank Canada	2.901	13-Jan-17	35 709	36 119	
2 265	Hydro One Inc.	4.640	03-Mar-16	2 462	2 384	
75	Hydro One Inc.	5.180	18-Oct-17	83	83	
35 556	Hydro One Inc.	2.780	09-Oct-18	35 610	36 576	
1 010	Hydro One Inc.	4.400	01-Jun-20	1 117	1 121	
11 145	Inter Pipeline Ltd.	1.758	30-May-17	11 145	11 150	
1 500	Inter Pipeline Ltd.	3.839	30-Jul-18	1 500	1 586	
11 005	Inter Pipeline Ltd.	3.448	20-Jul-20	11 005	11 416	
3 946	John Deere Canada Funding Inc.	1.950	14-Jan-16	3 941	3 973	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
7 499	John Deere Canada Funding Inc.	2.300	05-Jul-16	\$ 7 604	\$ 7 592	
2 582	John Deere Canada Funding Inc.	1.950	12-Apr-17	2 575	2 593	
7 175	John Deere Canada Funding Inc.	2.300	17-Jan-18	7 163	7 249	
4 038	John Deere Canada Funding Inc.	2.650	16-Jul-18	4 040	4 122	
4 325	John Deere Canada Funding Inc.	2.350	24-Jun-19	4 320	4 324	
865	John Deere Credit Inc.	5.450	16-Sep-15	945	906	
4 473	John Deere Financial Inc.	2.250	14-Oct-14	4 519	4 485	
11 405	Loblaw Companies Ltd.	3.748	12-Mar-19	11 410	12 009	
10 000	Loblaw Companies Ltd.	5.220	18-Jun-20	11 220	11 275	
4 435	Lower Mattagami Energy LP	2.228	23-Oct-17	4 435	4 481	
5 120	Manitoba Telecom Services Inc.	4.590	01-Oct-18	5 528	5 538	
50	National Bank of Canada	4.030	26-May-15	50	51	
8 614	National Bank of Canada	2.050	11-Jan-16	8 637	8 681	
19 515	National Bank of Canada	3.580	26-Apr-16	20 323	20 187	
4 065	National Bank of Canada	2.702	15-Dec-16	4 147	4 155	
500	National Bank of Canada	4.926	22-Dec-19	528	508	
18 606	National Bank of Canada	4.700	02-Nov-20	19 853	19 339	
1 120	NAV Canada	1.949	19-Apr-18	1 120	1 122	
676	Newfoundland Power Inc.	10.550	01-Aug-14	784	681	
2 670	Nova Gas Transmission Ltd.	12.200	28-Feb-16	3 569	3 119	
2 060	Nova Scotia Power Inc.	9.750	02-Aug-19	2 873	2 742	
13 827	OMERS Realty Corp.	2.498	05-Jun-18	13 832	14 045	
3 450	OMERS Realty Corp.	3.203	24-Jul-20	3 444	3 579	
9 050	OMERS Realty Corp.	2.971	05-Apr-21	9 092	9 198	
3 985	OMERS Realty CTT Holdings Inc.	4.750	05-May-16	4 330	4 223	
2 888	Ontrea Inc.	4.619	09-Apr-18	2 890	3 112	
36	Plenary Health Care Partnerships Humber LP	2.633	18-May-15	36	36	
3 151	Plenary Properties LTAP LP	3.801	18-Aug-14	3 214	3 160	
12 425	Rogers Communications Inc.	5.800	26-May-16	13 755	13 339	
6 582	Rogers Communications Inc.	3.000	06-Jun-17	6 658	6 768	
16 740	Rogers Communications Inc.	2.800	13-Mar-19	16 736	16 931	
1 780	Rogers Communications Inc.	4.700	29-Sep-20	1 928	1 957	
50 789	Royal Bank of Canada*	2.070	17-Jun-16	51 256	51 215	
20 278	Royal Bank of Canada*	3.030	26-Jul-16	20 884	20 842	
32 459	Royal Bank of Canada*	2.680	08-Dec-16	33 068	33 193	
3 975	Royal Bank of Canada*	3.660	25-Jan-17	4 094	4 161	
25 752	Royal Bank of Canada*	2.580	13-Apr-17	26 219	26 284	
10 599	Royal Bank of Canada*	2.260	12-Mar-18	10 475	10 690	
18 300	Royal Bank of Canada*	2.820	12-Jul-18	18 757	18 777	
8 733	Royal Bank of Canada*	2.770	11-Dec-18	8 728	8 934	
5 275	Shaw Communications Inc.	1.955	01-Feb-16	5 275	5 285	
5 687	Shaw Communications Inc.	5.700	02-Mar-17	6 196	6 229	
19 401	Sobeys Inc.	3.520	08-Aug-18	19 610	20 102	
4 791	TELUS Corp.	3.650	25-May-16	4 969	4 963	
3 955	TELUS Corp.	4.950	15-Mar-17	4 293	4 274	
567	TELUS Corp.	5.050	04-Dec-19	620	635	
9 600	TELUS Corp.	5.050	23-Jul-20	10 626	10 792	
13 431	TELUS Corp.	3.600	26-Jan-21	13 652	13 972	
25 885	Teranet Holdings LP	3.531	16-Dec-15	26 124	26 552	
8 248	Terasen Gas Inc.	11.800	30-Sep-15	9 911	9 276	
11 288	Terasen Gas Inc.	10.300	30-Sep-16	13 921	13 329	
27 765	Thomson Reuters Corp.	3.369	23-May-19	27 884	28 661	
11 223	Tim Hortons Inc.	4.200	01-Jun-17	11 709	11 912	
5 940	Tim Hortons Inc.	2.850	01-Apr-19	5 939	6 005	
3 105	TMX Group Ltd.	1.975	03-Oct-16	3 127	3 112	
14 260	TMX Group Ltd.	3.253	03-Oct-18	14 264	14 811	
35	Toronto Hydro Corp.	5.150	14-Nov-17	39	39	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Investment Management®

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
2 689	Toronto-Dominion Bank	2.948	02-Aug-16	\$ 2 751	\$ 2 760	
48 111	Toronto-Dominion Bank	2.433	15-Aug-17	48 510	48 898	
6 000	Toronto-Dominion Bank	5.480	02-Apr-20	6 438	6 177	
350	Toronto-Dominion Bank	3.367	02-Nov-20	359	358	
10 487	TransCanada PipeLines Ltd.	9.450	20-Mar-18	13 904	13 077	
11 037	Union Gas Ltd.	11.500	28-Aug-15	13 400	12 258	
6 584	Union Gas Ltd.	9.700	06-Nov-17	8 354	8 144	
1 810	Union Gas Ltd.	5.350	27-Apr-18	2 019	2 024	
11 895	Union Gas Ltd.	2.760	02-Jun-21	11 891	11 917	
10 071	Westcoast Energy Inc.	8.500	23-Nov-15	12 269	10 977	
5 696	Westcoast Energy Inc.	5.600	16-Jan-19	6 362	6 435	
2 735	Westcoast Energy Inc.	9.900	10-Jan-20	3 643	3 685	
13 186	Westcoast Energy Inc.	4.570	02-Jul-20	13 835	14 468	
				1 898 115	1 902 314	46.8
FEDERAL						
265 266	Canada Housing Trust No. 1	2.750	15-Jun-16	274 323	273 103	
155 350	Canada Housing Trust No. 1	2.050	15-Jun-17	158 277	158 131	
11 047	Canada Housing Trust No. 1	1.750	15-Jun-18	11 033	11 090	
76 045	Canada Housing Trust No. 1	2.350	15-Dec-18	77 522	78 000	
10 081	Canada Housing Trust No. 1	4.100	15-Dec-18	11 304	11 092	
42 973	Canada Housing Trust No. 1	1.950	15-Jun-19	43 029	43 180	
34 533	Government of Canada	1.000	01-May-16	34 489	34 477	
25 280	Government of Canada	1.750	01-Mar-19	25 501	25 531	
				635 478	634 604	15.6
PROVINCIAL/MUNICIPAL						
740	Province of Ontario	2.100	08-Sep-18	747	747	
100 299	Province of Ontario	4.400	02-Jun-19	111 050	111 372	
				111 797	112 119	2.8
TOTAL CANADIAN BONDS						
				2 645 390	2 649 037	65.2
UNITED KINGDOM BONDS						
3 358	BAA Funding Ltd. CAD	4.000	03-Jul-19	3 340	3 589	
5 830	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	5 786	5 868	
29 849	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	30 106	30 499	
122	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	124	124	
TOTAL UNITED KINGDOM BONDS						
				39 356	40 080	1.0
UNITED STATES BONDS						
10 425	Anheuser-Busch InBev Finance Inc. CAD	2.375	25-Jan-18	10 376	10 566	
43 237	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	44 821	44 625	
12 485	AT&T Inc. CAD	3.825	25-Nov-20	12 489	13 118	
22 615	Bank of America Corp. CAD	1.818	01-Jun-16	23 030	22 548	
4 525	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	4 524	4 566	
1 085	JPMorgan Chase & Co. CAD	3.190	05-Mar-21	1 085	1 097	
3 319	Molson Coors International LP CAD	3.950	06-Oct-17	3 346	3 497	
TOTAL UNITED STATES BONDS						
				99 671	100 017	2.4
TOTAL BONDS						
				2 787 814	2 792 639	68.7
MORTGAGE-BACKED SECURITIES						
18	Canadian Mortgage Pools	2.050	01-Aug-14	18	18	
55	Canadian Mortgage Pools	2.250	01-Jan-15	56	56	
33	Canadian Mortgage Pools	2.500	01-Jun-15	33	33	
9 804	Canadian Mortgage Pools	1.950	01-Sep-15	9 682	9 862	
7 605	Canadian Mortgage Pools	2.170	01-Sep-15	7 690	7 668	
8 836	Canadian Mortgage Pools	2.750	01-Nov-15	8 790	8 984	
31	Canadian Mortgage Pools	1.350	01-Mar-16	31	31	
12 208	Canadian Mortgage Pools	0.650	01-Jun-16	11 982	12 082	
81	Canadian Mortgage Pools	2.300	01-Jun-16	82	82	
15 370	Canadian Mortgage Pools	1.200	01-Aug-16	15 240	15 321	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
MORTGAGE-BACKED SECURITIES (cont.)						
7 200	Canadian Mortgage Pools	1.500	01-Sep-16	\$ 6 992	\$ 7 209	
13 940	Canadian Mortgage Pools	1.500	01-Dec-16	13 930	13 950	
11 000	Canadian Mortgage Pools	1.700	01-Aug-17	10 812	11 031	
13 301	Canadian Mortgage Pools	1.500	01-Sep-17	13 184	13 261	
12 519	Canadian Mortgage Pools	1.250	01-Dec-17	12 302	12 384	
8 510	Canadian Mortgage Pools	1.500	01-Dec-17	8 316	8 488	
142	Canadian Mortgage Pools	1.700	01-Dec-17	143	142	
19 288	Canadian Mortgage Pools	1.650	01-Apr-18	18 921	19 264	
15 224	Canadian Mortgage Pools	1.600	01-Mar-19	15 068	15 117	
TOTAL MORTGAGE-BACKED SECURITIES				153 272	154 983	3.8
MORTGAGES (SCHEDULE A)				639 752	644 500	15.9
SHORT-TERM INVESTMENTS†						
42 100	Banner Trust			41 935	41 935	
21 850	Bay Street Funding Trust - Class A			21 712	21 712	
5 000	Bell Canada International Inc.			4 985	4 985	
17 500	Brookfield Asset Management Inc., Class A			17 449	17 449	
13 975	Canadian Master Trust - Series A			13 937	13 937	
9 650	Central 1 Credit Union			9 590	9 590	
19 525	CU Inc.			19 486	19 486	
13 050	Darwin Receivables Trust - Senior Notes			13 002	13 002	
5 800	Enbridge Gas Distribution Inc.			5 795	5 795	
7 000	Enbridge Inc.			6 994	6 994	
12 000	Enbridge Pipelines Inc.			11 988	11 988	
7 500	Fusion Trust			7 477	7 477	
44 450	HSBC Bank Canada			44 413	44 413	
29 625	Inter Pipeline Ltd.			29 536	29 536	
67 675	King Street Funding Trust			67 384	67 384	
21 900	Merit Trust - Senior Notes			21 795	21 795	
16 550	National Bank of Canada			16 535	16 535	
31 900	Prime Trust - Senior Notes			31 744	31 744	
16 500	Reliant Trust			16 450	16 450	
8 875	Ridge Trust			8 848	8 848	
10 000	SAFE Trust - Series 1996-1			9 953	9 953	
35 175	Zeus Receivables Trust - Senior Notes			35 046	35 046	
TOTAL SHORT-TERM INVESTMENTS				456 054	456 054	11.2
TOTAL INVESTMENTS				\$ 4 036 892	4 048 176	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					14 928	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 4 063 104	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.12% to 1.45% and mature between July 2, 2014 and December 11, 2014.

**PHILLIPS, HAGER & NORTH SHORT TERM BOND &
 MORTGAGE FUND**

June 30, 2014

**SCHEDULE A
 MORTGAGES**

Number of Loans	Interest Rate (%)	Principal 2014	2015	2016	2017	2018	2019	2020	2021	Cost	Fair Value	% of Net Assets
2	2.50-2.99	\$ —	\$ 524	\$ —	\$ 14 500	\$ —	\$ —	\$ —	\$ —	\$ 15 034	\$ 15 015	
14	3.00-3.24	3 141	51 961	6 173	40 223	408	—	—	—	102 164	102 089	
27	3.25-3.49	—	26 196	19 341	28 144	30 871	19 222	—	—	124 170	124 044	
43	3.50-3.74	—	2 460	8 098	47 675	24 203	60 174	—	13 300	156 380	156 729	
39	3.75-3.99	8 231	4 612	1 713	—	18 384	17 081	2 689	9 000	61 884	62 282	
19	4.00-4.24	5 463	11 750	9 072	—	2 570	4 439	4 560	—	37 988	38 456	
20	4.25-4.49	—	49 565	6 960	3 749	2 833	—	—	—	63 348	64 380	
15	4.50-4.74	—	12 198	4 368	7 906	—	—	19 066	—	43 783	45 324	
9	4.75-4.99	1 170	3 392	1 025	5 244	5 521	—	—	—	16 425	16 943	
4	5.00-5.24	—	4 082	—	—	—	—	—	—	4 103	4 187	
1	5.25-5.49	—	—	—	—	1 398	—	—	—	1 404	1 496	
5	5.50-5.74	1 091	—	7 526	—	—	—	—	—	8 664	9 121	
2	5.75-5.99	1 940	—	—	—	—	—	—	—	1 948	1 941	
4	6.00-6.24	1 942	—	—	508	—	—	—	—	2 457	2 493	
204		\$ 22 978	\$ 166 740	\$ 64 276	\$ 147 949	\$ 86 188	\$ 100 916	\$ 26 315	\$ 22 300	\$ 639 752	\$ 644 500	15.9

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**Statements of Financial Position** (unaudited) (in \$000s except per unit amounts)

<small>(see note 2 and note 8 in the generic notes)</small>	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 4 048 176	\$ 3 629 902	\$ 3 478 646
Cash	395	411	377
Due from investment dealers	42 754	–	–
Subscriptions receivable	10 280	14 703	4 112
Dividends receivable, interest accrued and other assets	19 724	21 500	18 208
TOTAL ASSETS	4 121 329	3 666 516	3 501 343
LIABILITIES			
Due to investment dealers	54 961	2 322	3 129
Redemptions payable	2 688	3 868	1 380
Accounts payable and accrued expenses	576	605	719
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	58 225	6 795	5 228
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 4 063 104	\$ 3 659 721	\$ 3 496 115
Investments at cost	\$ 4 036 892	\$ 3 639 974	\$ 3 469 116
NAV, END OF PERIOD			
SERIES C	\$ 191 035	\$ 228 351	\$ 318 105
ADVISOR SERIES	\$ 27 536	\$ 29 762	\$ 36 685
SERIES H	\$ 30 902	\$ 33 439	\$ 42 687
SERIES D	\$ 228 998	\$ 223 561	\$ 270 195
SERIES F	\$ 121 090	\$ 111 207	\$ 115 079
SERIES I	\$ 22 652	\$ 20 777	\$ 19 544
SERIES O	\$ 3 440 891	\$ 3 012 624	\$ 2 693 820
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.49	\$ 10.42	\$ 10.51
ADVISOR SERIES	\$ 10.49	\$ 10.42	\$ 10.51
SERIES H	\$ 10.48	\$ 10.42	\$ 10.52
SERIES D	\$ 10.45	\$ 10.38	\$ 10.47
SERIES F	\$ 10.43	\$ 10.36	\$ 10.46
SERIES I	\$ 10.42	\$ 10.35	\$ 10.45
SERIES O	\$ 10.16	\$ 10.08	\$ 10.17

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND**Statements of Comprehensive Income** (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 55 591	\$ 54 635
Net realized gain (loss) on investments	3 648	(4 515)
Change in unrealized gain (loss) on investments	21 356	(31 123)
TOTAL INCOME (LOSS)	80 595	18 997
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 224	2 768
Administration fees	961	901
Board of Governors costs	1	2
GST/HST	324	385
TOTAL EXPENSES	3 510	4 056
INCREASE (DECREASE) IN NAV	\$ 77 085	\$ 14 941
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 3 311	\$ 67
ADVISOR SERIES	\$ 444	\$ (11)
SERIES H	\$ 492	\$ 14
SERIES D	\$ 4 098	\$ 738
SERIES F	\$ 2 129	\$ 278
SERIES I	\$ 415	\$ 50
SERIES O	\$ 66 196	\$ 13 805
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.16	\$ –
ADVISOR SERIES	\$ 0.16	\$ –
SERIES H	\$ 0.17	\$ 0.01
SERIES D	\$ 0.19	\$ 0.03
SERIES F	\$ 0.19	\$ 0.03
SERIES I	\$ 0.19	\$ 0.03
SERIES O	\$ 0.22	\$ 0.05

* Series H and Series I launched July 2012.

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 77 085	\$ 14 941
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(3 648)	4 515
Change in unrealized loss (gain) on investments	(21 356)	31 123
(Increase) decrease in accrued receivables	(36 555)	(260 059)
Increase (decrease) in accrued payables	51 430	272 747
Cost of investments purchased	(6 962 641)	(7 759 282)
Proceeds on sales of investments	6 569 371	7 634 784
NET CASH PROVIDED BY OPERATING ACTIVITIES	(326 314)	(61 231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	773 716	613 747
Cash paid on redemption of redeemable units	(445 037)	(549 935)
Distributions paid to holders of redeemable units	(2 381)	(1 778)
NET CASH USED IN FINANCING ACTIVITIES	\$ 326 298	\$ 62 034
Net increase (decrease) in cash for the year	(16)	803
Cash (bank overdraft), beginning of period	411	377
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 395	\$ 1 180
Interest received	\$ 57 367	\$ 52 354
Dividends received, net of withholding taxes	\$ –	\$ –

* Series H and Series I launched July 2012.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 228 351	\$ 318 105	\$ 29 762	\$ 36 685	\$ 33 439	\$ 42 687	\$ 223 561	\$ 270 195
INCREASE (DECREASE) IN NAV	3 311	67	444	(11)	492	14	4 098	738
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	16 262	43 897	3 492	6 060	8 996	10 055	34 001	35 444
Reinvestments of distributions to holders of redeemable units	1 581	2 244	196	235	279	385	2 441	2 535
Redemption of redeemable units	(56 759)	(85 666)	(6 119)	(10 459)	(12 014)	(12 822)	(32 502)	(71 534)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(38 916)	(39 525)	(2 431)	(4 164)	(2 739)	(2 382)	3 940	(33 555)
Distributions from net income	(1 711)	(2 463)	(239)	(289)	(290)	(396)	(2 601)	(2 792)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 711)	(2 463)	(239)	(289)	(290)	(396)	(2 601)	(2 792)
NET INCREASE (DECREASE) IN NAV	(37 316)	(41 921)	(2 226)	(4 464)	(2 537)	(2 764)	5 437	(35 609)
NAV AT END OF PERIOD	\$ 191 035	\$ 276 184	\$ 27 536	\$ 32 221	\$ 30 902	\$ 39 923	\$ 228 998	\$ 234 586

For the periods ended June 30 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 111 207	\$ 115 079	\$ 20 777	\$ 19 544	\$ 3 012 624	\$ 2 693 820	\$ 3 659 721	\$ 3 496 115
INCREASE (DECREASE) IN NAV	2 129	278	415	50	66 196	13 805	77 085	14 941
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	36 425	23 769	6 637	4 143	667 903	490 379	773 716	613 747
Reinvestments of distributions to holders of redeemable units	1 008	857	165	146	43 670	38 844	49 340	45 246
Redemption of redeemable units	(28 273)	(31 654)	(5 055)	(3 296)	(304 315)	(334 504)	(445 037)	(549 935)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	9 160	(7 028)	1 747	993	407 258	194 719	378 019	109 058
Distributions from net income	(1 406)	(1 242)	(287)	(247)	(45 187)	(39 595)	(51 721)	(47 024)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 406)	(1 242)	(287)	(247)	(45 187)	(39 595)	(51 721)	(47 024)
NET INCREASE (DECREASE) IN NAV	9 883	(7 992)	1 875	796	428 267	168 929	403 383	76 975
NAV AT END OF PERIOD	\$ 121 090	\$ 107 087	\$ 22 652	\$ 20 340	\$ 3 440 891	\$ 2 862 749	\$ 4 063 104	\$ 3 573 090

* Series H and Series I launched July 2012.

PHILLIPS, HAGER & NORTH SHORT TERM BOND & MORTGAGE FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing primarily in Canadian government and corporate bonds and multi-residential mortgages on property located in Canada in accordance with National Policy Statement No. 29.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	28.9	23.7	14.2
AA	26.5	29.4	34.7
A	11.4	12.6	17.1
BBB	15.3	16.4	15.0
Unrated*	17.9	17.9	19.0
Total	100.0	100.0	100.0

* Mortgages represent 100% (December 31, 2013 – 100%, January 1, 2013 – 100%) of the unrated above. 4.8% (December 31, 2013 – 6.3%, January 1, 2013 – 9.9%) of the mortgages are Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer. To manage the credit risk on the remaining 95.2% (December 31, 2013 – 93.7%, January 1, 2013 – 90.1%), which are conventional mortgages, the Fund only purchases mortgages that are no more than 75% of the value of the property and the net income generated by the property must be at least 1.2x the income required to pay the monthly debt service requirements. These statistics are monitored on an ongoing basis both at the individual security level and on an aggregate level.

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	7.0	9.2	18.1
1 – 5 years	83.2	80.6	69.9
5 – 10 years	9.8	10.2	12.0
> 10 years	–	–	–
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.4% (December 31, 2013 – 2.5%, January 1, 2013 – 2.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 592 122	–	3 592 122
Short-term investments	–	456 054	–	456 054
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	4 048 176	–	4 048 176
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 239 574	–	3 239 574
Short-term investments	–	390 328	–	390 328
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	3 629 902	–	3 629 902
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 507 019	–	2 507 019
Short-term investments	–	971 627	–	971 627
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	3 478 646	–	3 478 646
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

**PHILLIPS, HAGER & NORTH SHORT TERM BOND &
 MORTGAGE FUND**

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series H	0.90%
Series D	0.50%
Series F	0.50%
Series I	0.40%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series H	0.05%
Series D	0.05%
Series F	0.05%
Series I	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	51	51
Advisor Series	102	101
Series H	99	98
Series D	52	51
Series F	52	52
Series I	100	99
Value of all units	5	5

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	14 390
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	21 918	30 262
Issued number of units	1 548	4 167
Reinvested number of units	151	214
Redeemed number of units	(5 404)	(8 135)
Ending number of units	18 213	26 508
Advisor Series		
Opening units	2 857	3 489
Issued number of units	332	574
Reinvested number of units	19	22
Redeemed number of units	(583)	(993)
Ending number of units	2 625	3 092
Series H		
Opening units	3 210	4 060
Issued number of units	857	953
Reinvested number of units	27	37
Redeemed number of units	(1 146)	(1 218)
Ending number of units	2 948	3 832
Series D		
Opening units	21 543	25 799
Issued number of units	3 249	3 378
Reinvested number of units	234	243
Redeemed number of units	(3 105)	(6 816)
Ending number of units	21 921	22 604
Series F		
Opening units	10 736	11 007
Issued number of units	3 484	2 268
Reinvested number of units	97	82
Redeemed number of units	(2 704)	(3 020)
Ending number of units	11 613	10 337

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH SHORT TERM BOND &
 MORTGAGE FUND**

June 30, 2014

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series I		
Opening units	2 007	1 869
Issued number of units	636	395
Reinvested number of units	16	14
Redeemed number of units	(484)	(314)
Ending number of units	2 175	1 964
Series O		
Opening units	298 732	264 796
Issued number of units	65 652	48 040
Reinvested number of units	4 304	3 830
Redeemed number of units	(29 879)	(32 807)
Ending number of units	338 809	283 859

**Investments by other related Investment Funds
 (000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
RBC Select Choices Conservative Portfolio	2 563	2 498
RBC Select Choices Balanced Portfolio	2 779	2 646
Phillips, Hager & North PRisM Balanced Fund	48 659	44 022
RBC Monthly Income Bond Fund	33 100	36 320
RBC Select Very Conservative Portfolio	84 636	72 623
RBC Select Very Conservative Class	770	946
RBC Target 2015 Education Fund	1 886	1 885
Phillips, Hager & North Enhanced Long Government Bond Fund	–	1 487
Total	174 393	162 427

**Transition to IFRS (\$000s) (see note 8 in the
 generic notes)**

Reconciliation of net assets and comprehensive income as
 previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 570 554	3 493 446
Revaluation of investments at FVTPL	2 536	2 669
Net assets attributable to holders of redeemable units	3 573 090	3 496 115
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		15 074
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(133)
Increase (decrease) in net assets attributable to holders of redeemable units		14 941

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)
PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIAN BONDS						
475	BHP Billiton Finance Ltd. CAD	3.230	15-May-23	\$ 466	\$ 473	
15 764	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	15 766	16 265	
TOTAL AUSTRALIAN BONDS				16 232	16 738	0.1
CANADIAN BONDS						
CORPORATE						
21 270	407 International Inc.	3.870	24-Nov-17	22 403	22 521	
2 841	407 International Inc.	4.450	15-Nov-41	2 914	2 991	
2 960	407 International Inc.	3.980	11-Sep-52	2 631	2 858	
2 564	Access Justice Durham Ltd.	5.015	31-Aug-39	2 823	2 846	
2 545	Access Roads Edmonton Ltd.	5.669	30-Sep-37	2 857	3 065	
2 603	Access Roads Edmonton Ltd.	5.812	30-Sep-37	3 025	3 062	
1 118	Aéroports de Montréal	6.950	16-Apr-32	1 481	1 425	
6 991	AGT Ltd.	8.800	22-Sep-25	9 122	9 987	
24 464	Alliance Pipeline LP	7.181	30-Jun-23	29 452	29 306	
3 300	Alliance Pipeline LP	5.546	31-Dec-23	3 672	3 662	
25 141	Alliance Pipeline LP	6.765	31-Dec-25	30 153	29 936	
14 011	Alliance Pipeline LP	7.217	31-Dec-25	17 380	17 034	
2 705	AltaGas Ltd.	4.070	01-Jun-20	2 858	2 894	
5 345	AltaGas Ltd.	4.400	15-Mar-24	5 342	5 677	
3 275	AltaGas Ltd.	5.160	13-Jan-44	3 498	3 569	
19 001	AltaLink Investments LP	5.207	16-Dec-16	19 828	20 404	
22 415	AltaLink Investments LP	3.674	05-Jun-19	22 508	23 557	
21 517	AltaLink Investments LP	3.265	05-Jun-20	21 490	22 029	
15 070	AltaLink LP	3.621	17-Sep-20	15 264	15 988	
40 955	AltaLink LP	3.668	06-Nov-23	40 920	42 690	
920	AltaLink LP	5.381	26-Mar-40	1 154	1 105	
107 752	Bank of Montreal	3.490	10-Jun-16	110 060	111 565	
2 430	Bank of Montreal	2.960	02-Aug-16	2 497	2 494	
1 895	Bank of Montreal	4.550	01-Aug-17	2 049	2 047	
500	Bank of Nova Scotia	3.340	25-Mar-15	521	507	
17 991	Bank of Nova Scotia	2.250	08-May-15	18 169	18 129	
99 551	Bank of Nova Scotia	1.800	09-May-16	99 593	99 850	
76 940	Bank of Nova Scotia	2.100	08-Nov-16	77 059	77 574	
67 037	Bank of Nova Scotia	2.740	01-Dec-16	67 789	68 579	
34 634	Bank of Nova Scotia	4.100	08-Jun-17	36 893	36 879	
1 225	Bank of Nova Scotia	2.370	11-Jan-18	1 204	1 240	
4 245	Bank of Nova Scotia	2.242	22-Mar-18	4 266	4 277	
460	Bank of Nova Scotia	2.462	14-Mar-19	460	464	
12 290	Bank of Nova Scotia	2.873	04-Jun-21	12 290	12 390	
4 412	bcIMC Realty Corp.	5.650	05-Jan-18	5 092	4 963	
3 425	bcIMC Realty Corp.	2.790	02-Aug-18	3 424	3 520	
1 017	BC Tel	9.650	08-Apr-22	1 380	1 432	
28 692	Bell Aliant Regional Communications LP	6.290	17-Feb-15	31 822	29 468	
7 900	Bell Aliant Regional Communications LP	1.798	22-Apr-16	7 900	7 901	
235	Bell Aliant Regional Communications LP	4.370	13-Sep-17	246	251	
1 725	Bell Aliant Regional Communications LP	4.880	26-Apr-18	1 853	1 881	
3 985	Bell Canada	4.400	16-Mar-18	4 228	4 297	
2 932	Bell Canada	3.350	22-Mar-23	2 721	2 918	
22 641	Bell Canada	4.700	11-Sep-23	22 704	24 686	
6 633	Bell Canada	6.550	01-May-29	6 658	8 259	
9 583	Bow Centre Street LP	3.693	14-Jun-22	9 602	9 545	
29 100	Bow Centre Street LP	3.797	13-Jun-23	28 746	29 236	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
750	British Columbia Ferry Services Inc.	4.702	23-Oct-43	\$ 750	\$ 819	
6 380	Brookfield Asset Management Inc.	4.540	31-Mar-23	6 454	6 737	
24 453	Brookfield Asset Management Inc.	5.040	08-Mar-24	24 818	26 429	
37 173	Brookfield Asset Management Inc.	4.820	28-Jan-26	37 239	38 722	
13 424	Brookfield Asset Management Inc.	5.950	14-Jun-35	13 086	14 613	
4 360	Brookfield Renewable Power Inc.	6.132	30-Nov-16	4 480	4 768	
12 023	BRP Finance ULC	4.790	07-Feb-22	12 033	13 003	
22 980	Caisse Centrale Desjardins	2.795	19-Nov-18	22 980	23 500	
15 280	Cameco Corp.	5.670	02-Sep-19	17 148	17 270	
6 921	Cameco Corp.	3.750	14-Nov-22	6 943	6 967	
32 950	Cameco Corp.	4.190	24-Jun-24	32 937	33 342	
28 725	Canadian Credit Card Trust	1.596	24-Sep-15	28 722	28 762	
12 920	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	13 418	13 128	
30 135	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	30 895	30 489	
86 508	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	86 184	86 704	
42 715	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	43 428	43 606	
3 606	Canadian Natural Resources Ltd.	2.890	14-Aug-20	3 606	3 640	
9 459	Canadian Pacific Railway Ltd.	6.910	01-Oct-24	11 477	11 177	
7 455	Canadian Utilities Ltd.	3.122	09-Nov-22	7 448	7 541	
6 095	Canadian Utilities Ltd.	9.400	01-May-23	9 040	8 900	
5 661	Capital Desjardins Inc.	3.797	23-Nov-20	5 676	5 824	
18 735	Cards II Trust	1.984	15-Jan-16	18 822	18 861	
18 888	Cards II Trust	3.333	15-May-16	19 587	19 476	
1 155	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	1 160	1 164	
10 205	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	10 198	10 272	
3 600	Centra Gas Ontario Inc.	8.650	19-Oct-18	4 855	4 475	
3 760	Central 1 Credit Union	4.000	09-Oct-19	3 757	3 786	
10 395	Centre Street Trust	3.690	14-Jun-21	10 384	10 363	
13 160	Choice Properties LP	3.000	20-Apr-16	13 416	13 403	
10 245	Choice Properties LP	3.000	20-Apr-17	10 473	10 483	
24 737	Choice Properties LP	3.600	20-Apr-20	25 295	25 487	
18 575	Choice Properties LP	3.600	20-Sep-21	18 628	18 851	
9 360	Choice Properties LP	3.600	20-Sep-22	9 200	9 338	
16 375	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	16 375	16 671	
1 000	Choice Properties Real Estate Investment Trust	4.903	05-Jul-23	1 086	1 087	
5 860	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	5 860	6 059	
4 671	CI Investments Inc.	3.940	14-Dec-16	4 685	4 825	
13 705	Crombie Real Estate Investment Trust	3.986	31-Oct-18	13 705	14 262	
7 630	Crombie Real Estate Investment Trust	3.962	01-Jun-21	7 660	7 783	
5 645	CU Inc.	6.145	22-Nov-17	6 695	6 420	
9 421	CU Inc.	6.800	13-Aug-19	11 963	11 441	
6 760	CU Inc.	11.770	30-Nov-20	10 296	10 274	
542	CU Inc.	4.801	22-Nov-21	608	617	
21 280	CU Inc.	9.920	01-Apr-22	32 912	30 921	
3 832	CU Inc.	6.215	06-Mar-24	3 875	4 765	
8 000	CU Inc.	5.563	26-May-28	9 882	9 666	
10 043	CU Inc.	5.556	30-Oct-37	11 970	12 215	
3 731	CU Inc.	6.500	07-Mar-39	5 256	5 112	
9 230	CU Inc.	4.558	07-Nov-53	9 230	9 953	
9 955	Dollarama Inc.	1.808	16-May-17	9 955	9 959	
7 525	Dollarama Inc.	3.095	05-Nov-18	7 525	7 685	
18 736	Eagle Credit Card Trust	2.849	17-Oct-18	18 736	19 234	
9 864	Emera Inc.	4.100	20-Oct-14	10 188	9 941	
13 701	Emera Inc.	2.960	13-Dec-16	13 804	14 045	
9 005	Emera Inc.	4.830	02-Dec-19	9 866	9 901	
18 815	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	18 811	18 878	
5 000	Enbridge Gas Distribution Inc.	5.160	04-Dec-17	5 552	5 533	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
9 255	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	\$ 9 810	\$ 10 070	
833	Enbridge Gas Distribution Inc.	6.160	16-Dec-33	1 113	1 080	
16 900	Enbridge Inc.	1.714	13-Mar-17	16 900	16 900	
22 198	Enbridge Inc.	4.770	02-Sep-19	23 677	24 617	
2 814	Enbridge Inc.	4.530	09-Mar-20	3 115	3 099	
14 280	Enbridge Inc.	4.260	01-Feb-21	14 627	15 502	
4 510	Enbridge Inc.	3.160	11-Mar-21	4 545	4 598	
1 100	Enbridge Inc.	3.190	05-Dec-22	1 089	1 104	
20 390	Enbridge Inc.	3.940	30-Jun-23	20 404	21 381	
660	Enbridge Inc.	5.120	28-Sep-40	682	738	
11 275	Enbridge Inc.	4.570	11-Mar-44	11 262	11 688	
6 400	Enbridge Income Fund Holdings Inc.	2.920	14-Dec-17	6 398	6 544	
11 060	Enbridge Pipelines Inc.	6.620	19-Nov-18	13 259	13 117	
9 417	Enbridge Pipelines Inc.	4.450	06-Apr-20	10 407	10 420	
13 550	Enbridge Pipelines Inc.	3.790	17-Aug-23	13 567	14 274	
8 897	Enbridge Pipelines Inc.	8.200	15-Feb-24	12 085	12 375	
1 100	Enbridge Pipelines Inc.	5.080	19-Dec-36	1 264	1 263	
2 460	Enbridge Pipelines Inc.	5.330	06-Apr-40	2 729	2 942	
2 765	Enbridge Pipelines Inc.	4.550	17-Aug-43	2 786	2 974	
21 325	Enersource Corp.	4.521	29-Apr-21	22 331	23 526	
1 470	Enersource Corp.	5.297	29-Apr-41	1 841	1 719	
26 179	Enmax Corp.	6.150	19-Jun-18	29 798	29 466	
11 770	First Capital Realty Inc.	4.790	30-Aug-24	12 096	12 509	
990	FortisBC Energy Inc.	5.900	26-Feb-35	1 178	1 234	
5 995	FortisBC Inc.	5.480	28-Nov-14	6 558	6 093	
22 440	Gaz Metropolitan Inc.	4.930	18-Jun-19	25 045	25 124	
7 381	Gaz Metropolitan Inc.	5.450	12-Jul-21	8 881	8 643	
43 231	Genesis Trust II	2.295	15-Feb-17	43 231	43 808	
67 005	Genesis Trust II	2.433	15-May-19	67 005	67 530	
2 775	George Weston Ltd.	6.690	01-Mar-33	3 132	3 344	
15 139	Golden Credit Card Trust	3.824	15-May-15	15 858	15 466	
14 535	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	14 539	14 661	
3 631	Great Lakes Power Ltd.	6.600	16-Jun-23	4 182	4 202	
6 609	Great-West Lifeco Inc.	5.998	16-Nov-39	6 637	8 362	
1 087	Greater Toronto Airports Authority	7.050	12-Jun-30	1 533	1 487	
40 751	Hollis Receivables Term Trust II	2.235	26-Sep-16	40 751	41 221	
39 360	Hollis Receivables Term Trust II	2.434	26-Jun-19	39 360	39 527	
8 598	Horizon Holdings Inc.	3.033	25-Jul-22	8 587	8 569	
40 197	HSBC Bank Canada	2.572	23-Nov-15	40 232	40 765	
714	HSBC Bank Canada	2.901	13-Jan-17	733	733	
4 030	Hydro One Inc.	3.130	19-Nov-14	4 178	4 059	
13 100	Hydro One Inc.	4.640	03-Mar-16	14 165	13 788	
8 500	Hydro One Inc.	5.180	18-Oct-17	9 666	9 399	
7 356	Hydro One Inc.	2.780	09-Oct-18	7 356	7 567	
2 590	Hydro One Inc.	4.400	01-Jun-20	2 864	2 874	
7 370	Hydro One Inc.	7.350	03-Jun-30	10 532	10 271	
6 550	Hydro One Inc.	6.930	01-Jun-32	9 269	8 998	
6 234	Hydro One Inc.	6.350	31-Jan-34	8 306	8 142	
20 610	Hydro One Inc.	6.030	03-Mar-39	27 121	26 695	
4 955	Hydro One Inc.	6.590	22-Apr-43	7 394	7 010	
28 730	Inter Pipeline Ltd.	1.758	30-May-17	28 730	28 743	
4 700	Inter Pipeline Ltd.	3.839	30-Jul-18	4 700	4 970	
17 505	Inter Pipeline Ltd.	4.637	30-May-44	17 505	17 865	
19 070	John Deere Canada Funding Inc.	2.300	17-Jan-18	19 036	19 266	
5 055	John Deere Canada Funding Inc.	2.650	16-Jul-18	5 054	5 160	
11 180	John Deere Canada Funding Inc.	2.350	24-Jun-19	11 168	11 177	
24 254	Loblaws Companies Ltd.	5.220	18-Jun-20	26 163	27 347	
24 428	Loblaws Companies Ltd.	4.860	12-Sep-23	24 616	26 670	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
533	Loblaw Companies Ltd.	6.500	22-Jan-29	\$ 590	\$ 641	
2 804	Loblaw Companies Ltd.	6.850	01-Mar-32	3 332	3 485	
3 174	Loblaw Companies Ltd.	6.050	09-Jun-34	3 468	3 684	
2 123	Loblaw Companies Ltd.	6.450	01-Mar-39	2 460	2 623	
11 150	Lower Mattagami Energy LP	2.228	23-Oct-17	11 146	11 265	
3 582	Lower Mattagami Energy LP	4.331	18-May-21	3 616	3 936	
2 425	Lower Mattagami Energy LP	4.176	23-Feb-46	2 425	2 430	
6 660	Manitoba Telecom Services Inc.	4.000	27-May-24	6 656	6 742	
10 360	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	10 358	10 671	
3 085	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	3 084	3 186	
10 093	Master Credit Card Trust	3.502	21-May-16	10 511	10 440	
26 692	MI Developments Inc.	6.050	22-Dec-16	26 831	28 488	
17 380	North Battleford Power LP	4.958	31-Dec-32	17 381	18 865	
3 285	Nova Gas Transmission Ltd.	8.900	27-May-25	4 969	4 764	
8 500	Nova Scotia Power Inc.	9.750	02-Aug-19	11 904	11 315	
12 037	Nova Scotia Power Inc.	8.850	19-May-25	18 068	17 333	
1 910	Nova Scotia Power Inc.	6.950	25-Aug-33	2 745	2 618	
745	Nova Scotia Power Inc.	5.670	14-Nov-35	902	900	
2 840	Nova Scotia Power Inc.	5.950	27-Jul-39	3 404	3 597	
1 448	OMERS Realty Corp.	2.498	05-Jun-18	1 447	1 471	
3 525	OMERS Realty Corp.	3.203	24-Jul-20	3 525	3 657	
20 225	OMERS Realty Corp.	2.971	05-Apr-21	20 260	20 555	
1 961	OMERS Realty Corp.	3.358	05-Jun-23	1 950	1 994	
9 352	Ontrea Inc.	4.619	09-Apr-18	9 400	10 077	
18 791	OPB Finance Trust	3.890	04-Jul-42	18 524	18 245	
5 355	Pembina Pipeline Corp.	4.890	29-Mar-21	5 977	5 976	
12 260	Pembina Pipeline Corp.	3.770	24-Oct-22	12 300	12 707	
1 135	Pembina Pipeline Corp.	4.750	30-Apr-43	1 131	1 170	
11 740	Pembina Pipeline Corp.	4.810	25-Mar-44	11 729	12 183	
5 700	Plenary Properties LTAP LP	3.801	18-Aug-14	5 779	5 715	
15 291	Rogers Communications Inc.	3.000	06-Jun-17	15 672	15 723	
5 610	Rogers Communications Inc.	2.800	13-Mar-19	5 608	5 674	
2 140	Rogers Communications Inc.	4.700	29-Sep-20	2 324	2 353	
25 370	Rogers Communications Inc.	5.340	22-Mar-21	28 175	28 773	
23 090	Rogers Communications Inc.	4.000	13-Mar-24	23 024	23 603	
2 616	Rogers Communications Inc.	6.680	04-Nov-39	3 067	3 290	
3 713	Rogers Communications Inc.	6.110	25-Aug-40	4 110	4 373	
5 145	Royal Bank of Canada*	3.030	26-Jul-16	5 294	5 288	
74 264	Royal Bank of Canada*	2.680	08-Dec-16	74 941	75 943	
61 348	Royal Bank of Canada*	3.660	25-Jan-17	64 445	64 219	
85 140	Royal Bank of Canada*	2.580	13-Apr-17	86 109	86 900	
13 204	Royal Bank of Canada*	2.364	21-Sep-17	13 377	13 375	
84 113	Royal Bank of Canada*	2.260	12-Mar-18	83 755	84 834	
8 221	Royal Bank of Canada*	2.820	12-Jul-18	8 374	8 435	
13 063	SEC LP and Arci Ltd.	5.188	29-Aug-33	13 063	13 776	
165	Shaw Communications Inc.	5.650	01-Oct-19	186	188	
9 129	Shaw Communications Inc.	5.500	07-Dec-20	10 324	10 409	
9 537	Shaw Communications Inc.	6.750	09-Nov-39	10 361	11 627	
5 155	Sobeys Inc.	7.160	26-Feb-18	5 979	5 983	
11 092	Sobeys Inc.	3.520	08-Aug-18	11 154	11 493	
34 490	Sobeys Inc.	4.700	08-Aug-23	34 592	36 785	
1 518	Sobeys Inc.	6.060	29-Oct-35	1 511	1 694	
3 615	TELUS Corp.	3.600	26-Jan-21	3 605	3 761	
5 900	TELUS Corp.	3.350	15-Mar-23	5 546	5 892	
10 160	TELUS Corp.	4.850	05-Apr-44	10 147	10 507	
247	Teranet Holdings LP	3.531	16-Dec-15	253	253	
62 767	Teranet Holdings LP	4.807	16-Dec-20	66 062	69 081	
15 708	Teranet Holdings LP	5.754	17-Dec-40	16 490	17 524	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
3 600	Terasen Gas Inc.	11.800	30-Sep-15	\$ 5 046	\$ 4 049	
7 510	Terasen Gas Inc.	10.300	30-Sep-16	10 325	8 868	
1 860	Terasen Gas Inc.	5.550	25-Sep-36	2 187	2 244	
10 402	Terasen Gas Inc.	6.000	02-Oct-37	13 908	13 310	
3 510	Terasen Gas Vancouver Island Inc.	5.200	06-Dec-40	3 500	4 106	
750	Thomson Reuters Corp.	6.000	31-Mar-16	844	802	
32 230	Thomson Reuters Corp.	3.369	23-May-19	32 274	33 270	
42 317	Thomson Reuters Corp.	4.350	30-Sep-20	44 845	45 692	
30 570	Tim Hortons Inc.	4.200	01-Jun-17	31 833	32 447	
20 555	Tim Hortons Inc.	2.850	01-Apr-19	20 549	20 781	
16 347	Tim Hortons Inc.	4.520	01-Dec-23	16 382	17 284	
8 270	TMX Group Ltd.	1.975	03-Oct-16	8 330	8 289	
26 960	TMX Group Ltd.	3.253	03-Oct-18	27 030	28 001	
10 815	TMX Group Ltd.	4.461	03-Oct-23	10 815	11 584	
6 042	Toronto Hydro Corp.	5.150	14-Nov-17	6 831	6 681	
1 999	Toronto Hydro Corp.	4.490	12-Nov-19	2 196	2 211	
5 623	Toronto Hydro Corp.	3.540	18-Nov-21	5 721	5 917	
8 085	Toronto Hydro Corp.	2.910	10-Apr-23	8 070	8 011	
62 777	Toronto-Dominion Bank	2.433	15-Aug-17	62 643	63 803	
2 740	TransCanada PipeLines Ltd.	9.450	20-Mar-18	3 676	3 417	
4 650	TransCanada PipeLines Ltd.	11.800	20-Nov-20	7 473	7 042	
33 308	TransCanada PipeLines Ltd.	3.650	15-Nov-21	33 847	35 258	
4 500	TransCanada PipeLines Ltd.	3.690	19-Jul-23	4 530	4 705	
31 125	Union Gas Ltd.	5.350	27-Apr-18	35 965	34 803	
11 483	Union Gas Ltd.	8.750	03-Aug-18	15 250	14 268	
2 110	Union Gas Ltd.	2.760	02-Jun-21	2 109	2 114	
1 670	Union Gas Ltd.	3.790	10-Jul-23	1 669	1 757	
9 590	Union Gas Ltd.	8.650	10-Nov-25	13 511	13 996	
10 313	Union Gas Ltd.	4.200	02-Jun-44	10 306	10 346	
7 539	Vancouver Fraser Port Authority	4.630	20-Apr-20	8 550	8 370	
16 427	Wells Fargo Canada Corp.	3.040	29-Jan-21	16 420	16 685	
26 145	West Edmonton Mall Property Inc.	4.056	13-Feb-24	26 145	26 679	
670	West Edmonton Mall Property Inc.	4.309	13-Feb-24	670	690	
23 894	Westcoast Energy Inc.	8.500	04-Sep-18	31 312	29 236	
6 500	Westcoast Energy Inc.	3.883	28-Oct-21	6 885	6 839	
5 147	Westcoast Energy Inc.	3.120	05-Dec-22	4 793	5 110	
5 425	Westcoast Energy Inc.	7.150	20-Mar-31	7 103	7 261	
905	Winnipeg Airport Authority Inc.	4.569	20-Nov-19	1 021	996	
4 670	Winnipeg Airport Authority Inc.	3.039	14-Apr-23	4 664	4 583	
6 748	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	6 901	7 935	
				3 831 632	3 884 710	37.1
FEDERAL						
162 316	Canada Housing Trust No. 1	4.100	15-Dec-18	180 705	178 609	
522 453	Canada Housing Trust No. 1	1.950	15-Jun-19	523 433	524 999	
109 872	Canada Housing Trust No. 1	3.350	15-Dec-20	114 675	117 838	
261 145	Canada Housing Trust No. 1	3.800	15-Jun-21	284 667	287 272	
87 714	Canada Housing Trust No. 1	2.650	15-Mar-22	88 463	89 492	
4 308	CBC Monetization Trust	4.688	15-May-27	4 355	4 870	
7 960	Government of Canada	2.750	01-Sep-16	8 249	8 239	
159 586	Government of Canada	1.750	01-Mar-19	160 774	161 172	
7 260	Government of Canada	3.750	01-Jun-19	8 002	8 013	
8 266	Government of Canada	3.500	01-Jun-20	9 064	9 108	
1 690	Government of Canada	5.750	01-Jun-29	2 366	2 362	
3 422	Government of Canada	4.000	01-Jun-41	4 032	4 199	
60 358	Government of Canada	3.500	01-Dec-45	68 607	69 412	
				1 457 392	1 465 585	14.0

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL						
10 165	Hospital for Sick Children	5.217	16-Dec-49	\$ 10 134	\$ 11 727	
391	Hydro-Quebec	11.000	15-Aug-20	627	584	
5 273	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	5 267	5 490	
23 075	Ontario Electricity Financial Corp.	8.500	26-May-25	31 494	34 285	
8 246	Ontario Electricity Financial Corp.	9.000	26-May-25	12 634	12 629	
69 334	Ontario Electricity Financial Corp.	8.250	22-Jun-26	95 609	103 232	
20 595	Province of New Brunswick	2.850	02-Jun-23	20 469	20 453	
23 239	Province of New Brunswick	4.800	03-Jun-41	28 132	27 154	
20 610	Province of New Brunswick	3.550	03-Jun-43	19 381	19 730	
211 561	Province of Ontario	4.000	02-Jun-21	228 978	231 164	
120 139	Province of Ontario	8.100	08-Sep-23	167 689	169 970	
9 149	Province of Ontario	3.500	02-Jun-24	9 395	9 488	
91 647	Province of Ontario	8.500	02-Dec-25	135 102	137 933	
18 355	Province of Ontario	8.000	02-Jun-26	24 500	26 964	
270 295	Province of Ontario	7.600	02-Jun-27	379 151	392 480	
366 406	Province of Ontario	6.500	08-Mar-29	488 722	495 036	
93 321	Province of Ontario	6.200	02-Jun-31	122 287	124 547	
88 558	Province of Ontario	5.850	08-Mar-33	113 786	115 262	
191 723	Province of Ontario	5.600	02-Jun-35	249 298	245 461	
45 596	Province of Ontario	4.700	02-Jun-37	50 677	52 602	
118 399	Province of Ontario	4.600	02-Jun-39	135 387	135 225	
196 192	Province of Ontario	4.650	02-Jun-41	222 444	227 148	
105 859	Province of Ontario	3.500	02-Jun-43	97 740	101 832	
280 985	Province of Ontario	3.450	02-Jun-45	261 188	268 096	
59 023	Province of Ontario Residual Strip	0.000	02-Jun-41	23 457	21 263	
56 774	Province of Quebec	9.375	16-Jan-23	86 067	84 695	
96 559	Province of Quebec	8.500	01-Apr-26	147 465	144 977	
43 631	Province of Quebec	5.750	01-Dec-36	58 151	56 746	
35 268	Province of Quebec	4.250	01-Dec-43	36 417	38 219	
42 967	Province of Quebec Residual Strip	0.000	01-Dec-41	16 216	14 861	
27 220	TransLink	3.800	02-Nov-20	27 725	29 144	
				3 305 589	3 358 397	32.0
TOTAL CANADIAN BONDS				8 594 613	8 708 692	83.1
UNITED KINGDOM BONDS						
15 115	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	15 000	15 213	
73 466	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	74 061	75 065	
4 200	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	4 220	4 280	
TOTAL UNITED KINGDOM BONDS				93 281	94 558	0.9
UNITED STATES BONDS						
2 420	Anheuser-Busch InBev Finance Inc. CAD	2.375	25-Jan-18	2 407	2 453	
16 145	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-23	15 949	16 433	
13 135	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	13 626	13 557	
41 955	AT&T Inc. CAD	3.825	25-Nov-20	42 188	44 083	
44 398	Bank of America Corp. CAD	1.818	01-Jun-16	44 191	44 266	
11 840	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	11 839	11 947	
19 220	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	18 474	20 325	
66 165	United States Treasury	3.625	15-Aug-43	69 242	74 563	
TOTAL UNITED STATES BONDS				217 916	227 627	2.2
TOTAL BONDS				8 922 042	9 047 615	86.3
MORTGAGE-BACKED SECURITIES						
13 348	Equitable Bank	4.350	01-Jan-18	13 873	14 424	
7 185	Merrill Lynch Mortgage Loans Inc.	7.767	05-Sep-21	7 256	8 183	
4 156	Peoples Trust	4.200	01-Oct-19	4 187	4 536	
TOTAL MORTGAGE-BACKED SECURITIES				25 316	27 143	0.3

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
MORTGAGES				
CMHC Insured				
2	5.770% Jul 01, 2014	\$ 2	\$ 2	
22 695	4.980% Jan 01, 2018	22 695	24 724	
24 705	5.040% Jan 01, 2019	24 864	27 457	
611	2.980% Jul 01, 2019	611	614	
1 026	4.860% Jun 05, 2020	1 040	1 125	
1 098	4.860% Jun 05, 2020	1 113	1 221	
4 061	4.260% Nov 01, 2022	4 061	4 397	
TOTAL MORTGAGES		54 386	59 540	0.6
SHORT-TERM INVESTMENTS†				
180 325	Banner Trust	179 549	179 549	
63 250	Bay Street Funding Trust - Class A	62 892	62 892	
7 500	Bell Canada International Inc.	7 478	7 478	
116 500	Brookfield Asset Management Inc., Class A	116 219	116 219	
9 525	Canadian Master Trust - Series A	9 497	9 497	
19 550	Central 1 Credit Union	19 429	19 429	
25 500	Clarity Trust	25 372	25 372	
17 275	CU Inc.	17 250	17 250	
36 700	Darwin Receivables Trust - Senior Notes	36 526	36 526	
10 100	Enbridge Gas Distribution Inc.	10 093	10 093	
40 425	Enbridge Inc.	40 384	40 384	
18 450	Fusion Trust	18 375	18 375	
90 000	HSBC Bank Canada	89 920	89 920	
101 800	Inter Pipeline Ltd.	101 493	101 493	
224 075	King Street Funding Trust	223 305	223 305	
118 850	Merit Trust - Senior Notes	118 334	118 334	
73 325	Prime Trust - Senior Notes	72 971	72 971	
16 000	Reliant Trust	15 928	15 928	
24 750	Ridge Trust	24 675	24 675	
31 025	SAFE Trust - Series 1996-1	30 897	30 897	
3 500	SOUND Trust	3 478	3 478	
5 500	TELUS Corp.	5 484	5 484	
80 600	Zeus Receivables Trust - Senior Notes	80 154	80 154	
TOTAL SHORT-TERM INVESTMENTS		1 309 703	1 309 703	12.5
TOTAL INVESTMENTS		10 311 447	10 444 001	99.7
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	1 665	—
TOTAL PORTFOLIO		\$10 311 447	10 445 666	99.7
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			33 742	0.3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$10 479 408	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.16% to 1.45% and mature between July 3, 2014 and December 18, 2014.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 13 638 Sold USD 12 532 @ 1.0883	15-Jul-14	\$ 266
Bought CAD 56 027 Sold USD 51 194 @ 1.0944	15-Jul-14	1 399
TOTAL FOREIGN EXCHANGE		\$ 1 665

All counterparties have a credit rating of at least A.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 10 444 001	\$ 9 794 992	\$ 8 490 440
Cash	319	342	373
Due from investment dealers	52 215	–	39 015
Subscriptions receivable	16 662	43 570	6 820
Unrealized gain on foreign exchange contracts	1 665	57	–
Dividends receivable, interest accrued and other assets	60 814	56 199	48 626
TOTAL ASSETS	10 575 676	9 895 160	8 585 274
LIABILITIES			
Due to investment dealers	77 763	53 597	67 616
Redemptions payable	17 838	17 432	4 499
Unrealized loss on foreign exchange contracts	–	666	–
Accounts payable and accrued expenses	667	713	897
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	96 268	72 408	73 012
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 10 479 408	\$ 9 822 752	\$ 8 512 262
Investments at cost	\$ 10 311 447	\$ 9 943 471	\$ 8 281 494
NAV, END OF PERIOD			
SERIES C	\$ 121 706	\$ 143 042	\$ 229 300
ADVISOR SERIES	\$ 33 235	\$ 34 982	\$ 43 244
SERIES D	\$ 619 236	\$ 636 614	\$ 832 584
SERIES F	\$ 74 471	\$ 76 377	\$ 115 702
SERIES O	\$ 9 630 760	\$ 8 931 737	\$ 7 291 432
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.53	\$ 10.21	\$ 10.66
ADVISOR SERIES	\$ 10.53	\$ 10.21	\$ 10.66
SERIES D	\$ 10.44	\$ 10.12	\$ 10.58
SERIES F	\$ 10.50	\$ 10.17	\$ 10.63
SERIES O	\$ 10.47	\$ 10.15	\$ 10.61

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 178 385	\$ 153 382
Net realized gain (loss) on investments	48 004	43 867
Net gain (loss) on foreign currencies and other net assets	(3 297)	–
Change in unrealized gain (loss) on investments	283 307	(315 031)
TOTAL INCOME (LOSS)	506 399	(117 782)
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 549	3 484
Administration fees	1 140	1 036
Board of Governors costs	1	2
GST/HST	373	490
TOTAL EXPENSES	4 063	5 012
INCREASE (DECREASE) IN NAV	\$ 502 336	\$ (122 794)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 5 962	\$ (3 759)
ADVISOR SERIES	\$ 1 502	\$ (795)
SERIES D	\$ 29 241	\$ (12 093)
SERIES F	\$ 3 550	\$ (1 507)
SERIES O	\$ 462 081	\$ (104 640)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.46	\$ (0.20)
ADVISOR SERIES	\$ 0.46	\$ (0.21)
SERIES D	\$ 0.49	\$ (0.17)
SERIES F	\$ 0.49	\$ (0.17)
SERIES O	\$ 0.52	\$ (0.14)

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 502 336	\$ (122 794)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(48 004)	(43 867)
Change in unrealized loss (gain) on investments	(283 307)	315 031
(Increase) decrease in accrued receivables	(29 922)	(160 458)
Increase (decrease) in accrued payables	24 526	190 445
Cost of investments purchased	(17 993 766)	(22 783 743)
Proceeds on sales of investments	17 673 794	22 104 240
NET CASH PROVIDED BY OPERATING ACTIVITIES	(154 343)	(501 146)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 015 360	1 392 186
Cash paid on redemption of redeemable units	(856 789)	(882 537)
Distributions paid to holders of redeemable units	(4 251)	(4 592)
NET CASH USED IN FINANCING ACTIVITIES	\$ 154 320	\$ 505 057
Net increase (decrease) in cash for the year	(23)	3 911
Cash (bank overdraft), beginning of period	342	373
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 319	\$ 4 284
Interest received	\$ 173 770	\$ 150 551
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 143 042	\$ 229 300	\$ 34 982	\$ 43 244	\$ 636 614	\$ 832 584	\$ 76 377	\$ 115 702
INCREASE (DECREASE) IN NAV	5 962	(3 759)	1 502	(795)	29 241	(12 093)	3 550	(1 507)
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	4 458	13 592	4 029	7 114	24 843	31 152	7 580	9 287
Reinvestments of distributions to holders of redeemable units	1 470	2 290	358	445	9 014	10 885	1 027	1 302
Redemption of redeemable units	(31 668)	(49 275)	(7 221)	(8 263)	(70 988)	(125 802)	(12 922)	(35 559)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(25 740)	(33 393)	(2 834)	(704)	(37 131)	(83 765)	(4 315)	(24 970)
Distributions from net income	(1 558)	(2 495)	(415)	(524)	(9 488)	(11 564)	(1 141)	(1 479)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 558)	(2 495)	(415)	(524)	(9 488)	(11 564)	(1 141)	(1 479)
NET INCREASE (DECREASE) IN NAV	(21 336)	(39 647)	(1 747)	(2 023)	(17 378)	(107 422)	(1 906)	(27 956)
NAV AT END OF PERIOD	\$ 121 706	\$ 189 653	\$ 33 235	\$ 41 221	\$ 619 236	\$ 725 162	\$ 74 471	\$ 87 746

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 8 931 737	\$ 7 291 432	\$ 9 822 752	\$ 8 512 262
INCREASE (DECREASE) IN NAV	462 081	(104 640)	502 336	(122 794)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	974 450	1 331 041	1 015 360	1 392 186
Reinvestments of distributions to holders of redeemable units	177 028	136 598	188 897	151 520
Redemption of redeemable units	(733 990)	(663 638)	(856 789)	(882 537)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	417 488	804 001	347 468	661 169
Distributions from net income	(180 546)	(140 050)	(193 148)	(156 112)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(180 546)	(140 050)	(193 148)	(156 112)
NET INCREASE (DECREASE) IN NAV	699 023	559 311	656 656	382 263
NAV AT END OF PERIOD	\$ 9 630 760	\$ 7 850 743	\$ 10 479 408	\$ 8 894 525

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

Investment Management®

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	20.5	17.5	10.7
AA	44.7	48.5	48.4
A	18.9	19.5	26.7
BBB	15.2	13.8	13.2
Unrated*	0.7	0.7	1.0
Total	100.0	100.0	100.0

* Mortgages, which represent 93.4% (December 31, 2013 – 100%, January 1, 2013 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer.

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	2.1	1.3	3.5
1 – 5 years	34.4	33.7	30.2
5 – 10 years	25.9	29.8	21.2
> 10 years	37.6	35.2	45.1
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.6% (December 31, 2013 – 6.3%, January 1, 2013 – 6.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	9 134 298	–	9 134 298
Short-term investments	–	1 309 703	–	1 309 703
Derivatives – assets	–	1 665	–	1 665
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	10 445 666	–	10 445 666
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	8 368 515	–	8 368 515
Short-term investments	–	1 426 477	–	1 426 477
Derivatives – assets	–	57	–	57
Derivatives – liabilities	–	(666)	–	(666)
Total financial instruments	–	9 794 383	–	9 794 383
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	6 635 096	–	6 635 096
Short-term investments	–	1 855 344	–	1 855 344
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	8 490 440	–	8 490 440
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series D	0.50% (note 1)
Series F	0.50%

Note 1: Management fees are calculated at the annual rate of 0.50% of the Series D net asset value, provided that the aggregate of all fees and other expenses (excluding the taxes included therein and commissions incurred in connection with portfolio transactions) paid or payable by Series D does not exceed an amount computed with reference to the following percentages of the net asset value of Series D.

Net Asset Value of Series D	Percentage
Up to \$1 000 000	2.00
From \$1 000 001 up to \$3 000 000	1.75
From \$3 000 001 up to \$5 000 000	1.50
From \$5 000 001 up to \$10 000 000	1.25
From \$10 000 001 up to \$100 000 000	1.00
Over \$100 000 000	0.75

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.02%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	54	53
Advisor Series	107	106
Series D	55	54
Series F	55	54
Value of all units	3	3

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	14 017	21 507
Issued number of units	426	1 278
Reinvested number of units	140	218
Redeemed number of units	(3 030)	(4 645)
Ending number of units	11 553	18 358
Advisor Series		
Opening units	3 428	4 056
Issued number of units	385	670
Reinvested number of units	34	42
Redeemed number of units	(692)	(778)
Ending number of units	3 155	3 990
Series D		
Opening units	62 906	78 724
Issued number of units	2 391	2 950
Reinvested number of units	868	1 046
Redeemed number of units	(6 876)	(11 941)
Ending number of units	59 289	70 779
Series F		
Opening units	7 511	10 889
Issued number of units	726	876
Reinvested number of units	98	124
Redeemed number of units	(1 240)	(3 365)
Ending number of units	7 095	8 524
Series O		
Opening units	879 564	687 096
Issued number of units	93 651	126 186
Reinvested number of units	17 002	13 091
Redeemed number of units	(70 423)	(62 755)
Ending number of units	919 794	763 618

Please see the generic notes at the back of the financial statements.

PHILLIPS, HAGER & NORTH BOND FUND

June 30, 2014

**Investments by other related Investment Funds
(000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
RBC Select Very Conservative Class	827	1 251
RBC Select Conservative Class	868	1 009
Phillips, Hager & North LifeTime 2015 Fund	161	120
Phillips, Hager & North LifeTime 2020 Fund	172	112
Phillips, Hager & North LifeTime 2025 Fund	29	22
Phillips, Hager & North Balanced Fund	21 958	22 003
Phillips, Hager & North Balanced Pension Trust	40 713	41 575
RBC Select Very Conservative Portfolio	164 543	144 567
RBC Select Conservative Portfolio	211 038	189 206
Total	440 309	399 865

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	8 886 123	8 504 079
Revaluation of investments at FVTPL	8 402	8 183
Net assets attributable to holders of redeemable units	8 894 525	8 512 262

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	(123 013)
Revaluation of investments at FVTPL (see note 3 in the generic notes)	219
Increase (decrease) in net assets attributable to holders of redeemable units	(122 794)

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIA BONDS						
274	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 274	\$ 283	
TOTAL AUSTRALIA BONDS				274	283	0.2
CANADIAN BONDS						
CORPORATE						
70	407 International Inc.	3.350	16-May-24	70	71	
310	407 International Inc.	4.450	15-Nov-41	324	326	
40	407 International Inc.	4.680	07-Oct-53	40	44	
90	Access Justice Durham Ltd.	5.015	31-Aug-39	100	100	
190	Aéroports de Montréal	6.950	16-Apr-32	206	243	
80	AltaGas Ltd.	4.400	15-Mar-24	80	85	
1 960	Bank of Montreal	3.490	10-Jun-16	2 013	2 029	
610	Bank of Nova Scotia	2.250	08-May-15	616	615	
814	Bank of Nova Scotia	1.800	09-May-16	814	816	
2 082	Bank of Nova Scotia	2.100	08-Nov-16	2 085	2 099	
496	Bank of Nova Scotia	2.740	01-Dec-16	505	507	
1 086	Bank of Nova Scotia	4.100	08-Jun-17	1 116	1 156	
230	Bank of Nova Scotia	2.873	04-Jun-21	230	232	
60	BC Tel	9.650	08-Apr-22	81	85	
150	bcIMC Realty Corp.	2.790	02-Aug-18	150	154	
130	Bell Aliant Regional Communications LP	6.290	17-Feb-15	143	134	
95	Bell Aliant Regional Communications LP	1.798	22-Apr-16	95	95	
415	Bell Aliant Regional Communications LP	4.370	13-Sep-17	435	442	
173	Bell Canada	4.400	16-Mar-18	179	187	
455	Bell Canada	3.250	17-Jun-20	455	467	
110	Bell Canada	3.350	22-Mar-23	103	109	
30	Bell Canada	6.550	01-May-29	30	37	
288	Bow Centre Street LP	3.693	14-Jun-22	288	287	
280	Bow Centre Street LP	3.797	13-Jun-23	280	281	
15	British Columbia Ferry Services Inc.	4.702	23-Oct-43	15	16	
80	Brookfield Asset Management Inc.	5.300	01-Mar-21	82	89	
20	Brookfield Asset Management Inc.	4.540	31-Mar-23	20	21	
725	Brookfield Asset Management Inc.	5.040	08-Mar-24	752	784	
470	Brookfield Asset Management Inc.	4.820	28-Jan-26	470	490	
230	Brookfield Renewable Power Inc.	6.132	30-Nov-16	236	252	
198	BRP Finance ULC	4.790	07-Feb-22	200	214	
390	Caisse Centrale Desjardins	2.795	19-Nov-18	390	399	
735	Cameco Corp.	5.670	02-Sep-19	825	831	
140	Cameco Corp.	3.750	14-Nov-22	140	141	
445	Cameco Corp.	4.190	24-Jun-24	445	450	
425	Canadian Credit Card Trust	1.596	24-Sep-15	425	426	
100	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	103	102	
1 185	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	1 219	1 199	
2 599	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	2 595	2 605	
741	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	751	756	
150	Canadian Utilities Ltd.	3.122	09-Nov-22	150	152	
51	Capital Desjardins Inc.	3.797	23-Nov-20	51	52	
313	Cards II Trust	1.984	15-Jan-16	314	315	
530	Central 1 Credit Union	4.000	09-Oct-19	530	534	
210	Centre Street Trust	3.690	14-Jun-21	210	209	
175	Choice Properties LP	3.000	20-Apr-16	178	178	
135	Choice Properties LP	3.000	20-Apr-17	138	138	
210	Choice Properties LP	3.600	20-Apr-20	215	216	

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
210	Choice Properties LP	3.600	20-Sep-21	\$ 210	\$ 213	
125	Choice Properties LP	3.600	20-Sep-22	123	125	
395	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	396	402	
90	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	90	93	
210	Crombie Real Estate Investment Trust	3.986	31-Oct-18	210	219	
100	Crombie Real Estate Investment Trust	3.962	01-Jun-21	100	102	
150	CU Inc.	6.145	22-Nov-17	180	171	
300	CU Inc.	6.800	13-Aug-19	382	364	
250	CU Inc.	4.801	22-Nov-21	288	284	
125	CU Inc.	9.920	01-Apr-22	193	182	
30	CU Inc.	6.500	07-Mar-39	37	41	
320	CU Inc.	4.558	07-Nov-53	327	345	
135	Dollarama Inc.	1.808	16-May-17	135	135	
289	Eagle Credit Card Trust	2.849	17-Oct-18	289	297	
190	Emera Inc.	2.960	13-Dec-16	190	195	
350	Emera Inc.	4.830	02-Dec-19	376	385	
145	Encana Corp.	5.800	18-Jan-18	163	163	
270	Enersource Corp.	4.521	29-Apr-21	270	298	
95	Enersource Corp.	5.297	29-Apr-41	118	111	
300	Enmax Corp.	6.150	19-Jun-18	342	338	
345	Finning International Inc.	6.020	01-Jun-18	403	393	
180	First Capital Realty Inc.	4.790	30-Aug-24	185	191	
1 000	Gaz Metropolitan Inc.	4.930	18-Jun-19	1 139	1 120	
108	Gaz Metropolitan Inc.	5.450	12-Jul-21	130	126	
400	Genesis Trust II	2.295	15-Feb-17	400	405	
905	Genesis Trust II	2.433	15-May-19	905	912	
713	Golden Credit Card Trust	3.510	15-May-16	731	738	
25	Great-West Lifeco Inc.	5.998	16-Nov-39	25	32	
150	Greater Toronto Airports Authority	7.050	12-Jun-30	186	205	
533	Hollis Receivables Term Trust II	2.235	26-Sep-16	533	539	
535	Hollis Receivables Term Trust II	2.434	26-Jun-19	535	537	
171	Horizon Holdings Inc.	3.033	25-Jul-22	171	170	
156	Hydro One Inc.	2.780	09-Oct-18	156	160	
250	Hydro One Inc.	6.350	31-Jan-34	325	327	
525	Hydro One Inc.	6.030	03-Mar-39	667	680	
395	Inter Pipeline Ltd.	1.758	30-May-17	395	395	
240	Inter Pipeline Ltd.	4.637	30-May-44	240	245	
885	John Deere Canada Funding Inc.	2.300	17-Jan-18	889	894	
160	John Deere Canada Funding Inc.	2.350	24-Jun-19	160	160	
730	Loblaw Companies Ltd.	4.860	12-Sep-23	734	797	
75	Loblaw Companies Ltd.	6.450	09-Feb-28	84	90	
200	Lower Mattagami Energy LP	4.331	18-May-21	218	220	
105	Manitoba Telecom Services Inc.	4.000	27-May-24	105	106	
145	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	145	149	
99	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	100	102	
1 035	National Bank of Canada	2.050	11-Jan-16	1 037	1 043	
236	North Battleford Power LP	4.958	31-Dec-32	236	256	
205	Nova Scotia Power Inc.	5.670	14-Nov-35	253	248	
203	OMERS Realty Corp.	2.498	05-Jun-18	203	206	
225	OMERS Realty Corp.	2.971	05-Apr-21	225	229	
238	Ontrea Inc.	4.619	09-Apr-18	242	256	
100	OPB Finance Trust	3.890	04-Jul-42	93	97	
115	Pembina Pipeline Corp.	4.750	30-Apr-43	115	119	
195	Pembina Pipeline Corp.	4.810	25-Mar-44	195	202	
50	Rogers Communications Inc.	3.000	06-Jun-17	51	51	
70	Rogers Communications Inc.	2.800	13-Mar-19	70	71	
345	Rogers Communications Inc.	5.340	22-Mar-21	387	391	
195	Rogers Communications Inc.	4.000	13-Mar-24	194	199	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
325	Rogers Communications Inc.	6.680	04-Nov-39	\$ 360	\$ 409	
1 054	Royal Bank of Canada*	3.660	25-Jan-17	1 107	1 103	
1 084	Royal Bank of Canada*	2.580	13-Apr-17	1 097	1 106	
1 566	Royal Bank of Canada*	2.260	12-Mar-18	1 559	1 579	
279	Royal Bank of Canada*	2.820	12-Jul-18	284	286	
198	SEC LP and Arci Ltd.	5.188	29-Aug-33	198	209	
95	Shaw Communications Inc.	5.500	07-Dec-20	107	108	
365	Shaw Communications Inc.	6.750	09-Nov-39	389	445	
577	Sobeys Inc.	4.700	08-Aug-23	578	615	
600	TELUS Corp.	3.350	15-Mar-23	567	599	
465	TELUS Corp.	3.350	01-Apr-24	426	457	
115	TELUS Corp.	4.850	05-Apr-44	115	119	
873	Teranet Holdings LP	4.807	16-Dec-20	941	961	
210	Teranet Holdings LP	5.754	17-Dec-40	212	234	
250	Terasen Gas Inc.	6.000	02-Oct-37	339	320	
15	Terasen Gas Inc.	6.550	24-Feb-39	22	21	
125	Thomson Reuters Corp.	3.369	23-May-19	125	129	
837	Thomson Reuters Corp.	4.350	30-Sep-20	888	904	
290	Tim Hortons Inc.	4.200	01-Jun-17	301	308	
315	Tim Hortons Inc.	2.850	01-Apr-19	315	318	
245	Tim Hortons Inc.	4.520	01-Dec-23	245	259	
110	TMX Group Ltd.	1.975	03-Oct-16	111	110	
285	TMX Group Ltd.	3.253	03-Oct-18	285	296	
170	TMX Group Ltd.	4.461	03-Oct-23	170	182	
423	Toronto Hydro Corp.	3.540	18-Nov-21	438	445	
1 078	Toronto-Dominion Bank	2.433	15-Aug-17	1 074	1 096	
470	TransCanada PipeLines Ltd.	9.450	20-Mar-18	630	586	
500	TransCanada PipeLines Ltd.	3.650	15-Nov-21	522	529	
25	TransCanada PipeLines Ltd.	7.900	15-Apr-27	33	35	
105	Union Gas Ltd.	9.700	06-Nov-17	144	130	
135	Union Gas Ltd.	8.750	03-Aug-18	179	168	
890	Union Gas Ltd.	3.790	10-Jul-23	892	936	
170	Union Gas Ltd.	4.200	02-Jun-44	170	171	
301	Wells Fargo Canada Corp.	3.040	29-Jan-21	301	306	
405	West Edmonton Mall Property Inc.	4.056	13-Feb-24	405	413	
10	West Edmonton Mall Property Inc.	4.309	13-Feb-24	10	10	
40	Westcoast Energy Inc.	4.570	02-Jul-20	43	44	
625	Westcoast Energy Inc.	3.883	28-Oct-21	628	658	
200	Winnipeg Airport Authority Inc.	4.569	20-Nov-19	226	220	
187	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	192	220	
				54 801	55 738	37.7
FEDERAL						
2 250	Canada Housing Trust No. 1	4.100	15-Dec-18	2 506	2 476	
7 099	Canada Housing Trust No. 1	1.950	15-Jun-19	7 111	7 133	
1 367	Canada Housing Trust No. 1	3.350	15-Dec-20	1 426	1 465	
4 071	Canada Housing Trust No. 1	3.800	15-Jun-21	4 440	4 478	
1 343	Canada Housing Trust No. 1	2.650	15-Mar-22	1 359	1 370	
79	CBC Monetization Trust	4.688	15-May-27	81	89	
1 850	Government of Canada	2.250	01-Aug-14	1 853	1 852	
2 372	Government of Canada	1.750	01-Mar-19	2 389	2 396	
290	Government of Canada	3.750	01-Jun-19	319	320	
5	Government of Canada	2.750	01-Jun-22	5	5	
25	Government of Canada	5.750	01-Jun-29	35	35	
847	Government of Canada	3.500	01-Dec-45	963	974	
				22 487	22 593	15.3

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
PROVINCIAL/MUNICIPAL						
260	Hospital for Sick Children	5.217	16-Dec-49	\$ 267	\$ 300	
99	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	99	103	
145	Ontario Electricity Financial Corp.	9.000	26-May-25	223	222	
1 032	Ontario Electricity Financial Corp.	8.250	22-Jun-26	1 527	1 537	
339	Province of New Brunswick	2.850	02-Jun-23	337	337	
296	Province of New Brunswick	4.800	03-Jun-41	360	346	
270	Province of New Brunswick	3.550	03-Jun-43	254	258	
2 794	Province of Ontario	4.000	02-Jun-21	3 025	3 053	
1 694	Province of Ontario	8.100	08-Sep-23	2 368	2 397	
1 749	Province of Ontario	3.500	02-Jun-24	1 798	1 814	
1 364	Province of Ontario	8.500	02-Dec-25	1 969	2 053	
275	Province of Ontario	8.000	02-Jun-26	411	404	
3 808	Province of Ontario	7.600	02-Jun-27	5 415	5 529	
5 176	Province of Ontario	6.500	08-Mar-29	6 892	6 993	
1 238	Province of Ontario	6.200	02-Jun-31	1 613	1 652	
1 252	Province of Ontario	5.850	08-Mar-33	1 572	1 630	
2 586	Province of Ontario	5.600	02-Jun-35	3 368	3 311	
585	Province of Ontario	4.700	02-Jun-37	644	675	
1 666	Province of Ontario	4.600	02-Jun-39	1 934	1 903	
2 773	Province of Ontario	4.650	02-Jun-41	3 144	3 211	
1 282	Province of Ontario	3.500	02-Jun-43	1 189	1 233	
3 773	Province of Ontario	3.450	02-Jun-45	3 506	3 600	
902	Province of Ontario Residual Strip	0.000	02-Jun-41	360	325	
874	Province of Quebec	9.375	16-Jan-23	1 331	1 304	
1 790	Province of Quebec	8.500	01-Apr-26	2 724	2 688	
394	Province of Quebec	5.750	01-Dec-36	497	512	
277	Province of Quebec	4.250	01-Dec-43	287	300	
629	Province of Quebec Residual Strip	0.000	01-Dec-41	238	218	
517	TransLink	3.800	02-Nov-20	523	554	
				47 875	48 462	32.7
TOTAL CANADIAN BONDS				125 163	126 793	85.7
UNITED KINGDOM BONDS						
215	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	213	216	
1 180	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	1 184	1 206	
140	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	140	143	
				1 537	1 565	1.0
TOTAL UNITED KINGDOM BONDS						
UNITED STATES BONDS						
585	AT&T Inc. CAD	3.825	25-Nov-20	597	615	
916	United States Treasury	3.625	15-Aug-43	959	1 032	
				1 556	1 647	1.1
TOTAL UNITED STATES BONDS				128 530	130 288	88.0
TOTAL BONDS						
MORTGAGE-BACKED SECURITIES						
418	Equitable Bank	4.350	01-Jan-18	437	451	
132	Peoples Trust	4.200	01-Oct-19	134	144	
				571	595	0.4
TOTAL MORTGAGE-BACKED SECURITIES						

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS†				
2 350	Banner Trust	\$ 2 344	\$ 2 344	
100	Bay Street Funding Trust - Class A	100	100	
875	Brookfield Asset Management Inc., Class A	873	873	
2 000	Clarity Trust	1 994	1 994	
1 000	Darwin Receivables Trust - Senior Notes	997	997	
2 700	King Street Funding Trust	2 692	2 692	
525	Merit Trust - Senior Notes	522	522	
2 600	Prime Trust - Senior Notes	2 593	2 593	
3 350	Ridge Trust	3 340	3 340	
625	Zeus Receivables Trust - Senior Notes	621	621	
TOTAL SHORT-TERM INVESTMENTS		16 076	16 076	10.9
TOTAL INVESTMENTS		145 177	146 959	99.3
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	23	—
TOTAL PORTFOLIO		\$ 145 177	146 982	99.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			998	0.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 147 980	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.16% to 1.43% and mature between July 3, 2014 and November 26, 2014.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 223 Sold USD 205 @ 1.0883	15-Jul-14	\$ 4
Bought CAD 744 Sold USD 680 @ 1.0944	15-Jul-14	19
TOTAL FOREIGN EXCHANGE		\$ 23

All counterparties have a credit rating of at least A.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 146 959	\$ 145 671	\$ 146 583
Cash	62	25	81
Due from investment dealers	328	147	733
Subscriptions receivable	379	–	83
Unrealized gain on foreign exchange contracts	23	1	–
Dividends receivable, interest accrued and other assets	903	869	906
TOTAL ASSETS	148 654	146 713	148 386
LIABILITIES			
Due to investment dealers	634	68	774
Redemptions payable	13	371	246
Unrealized loss on foreign exchange contracts	–	7	–
Accounts payable and accrued expenses	27	25	31
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	674	471	1 051
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 147 980	\$ 146 242	\$ 147 335
Investments at cost	\$ 145 177	\$ 148 001	\$ 143 281
NAV, END OF PERIOD			
SERIES C	\$ 6 121	\$ 6 327	\$ 8 260
ADVISOR SERIES	\$ 3 789	\$ 4 296	\$ 4 199
SERIES D	\$ 18 769	\$ 17 931	\$ 22 251
SERIES F	\$ 4 469	\$ 4 060	\$ 3 808
SERIES O	\$ 114 832	\$ 113 628	\$ 108 817
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 11.03	\$ 10.68	\$ 11.21
ADVISOR SERIES	\$ 11.03	\$ 10.68	\$ 11.21
SERIES D	\$ 10.95	\$ 10.60	\$ 11.14
SERIES F	\$ 10.99	\$ 10.64	\$ 11.18
SERIES O	\$ 10.82	\$ 10.48	\$ 11.01

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 2 438	\$ 2 413
Net realized gain (loss) on investments	630	840
Net gain (loss) on foreign currencies and other net assets	(48)	–
Change in unrealized gain (loss) on investments	4 141	(4 962)
TOTAL INCOME (LOSS)	7 161	(1 709)
EXPENSES (see notes – Fund Specific Information)		
Management fees	105	124
Administration fees	38	33
Board of Governors costs	1	2
GST/HST	13	17
TOTAL EXPENSES	157	176
INCREASE (DECREASE) IN NAV	\$ 7 004	\$ (1 885)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 272	\$ (146)
ADVISOR SERIES	\$ 179	\$ (92)
SERIES D	\$ 847	\$ (310)
SERIES F	\$ 196	\$ (78)
SERIES O	\$ 5 510	\$ (1 259)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.49	\$ (0.19)
ADVISOR SERIES	\$ 0.49	\$ (0.20)
SERIES D	\$ 0.52	\$ (0.16)
SERIES F	\$ 0.52	\$ (0.16)
SERIES O	\$ 0.53	\$ (0.14)

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 7 004	\$ (1 885)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(630)	(840)
Change in unrealized loss (gain) on investments	(4 141)	4 962
(Increase) decrease in accrued receivables	(594)	(2 993)
Increase (decrease) in accrued payables	210	530
Cost of investments purchased	(293 298)	(340 560)
Proceeds on sales of investments	296 752	356 565
NET CASH PROVIDED BY OPERATING ACTIVITIES	5 303	15 779
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	27 797	17 045
Cash paid on redemption of redeemable units	(32 598)	(32 653)
Distributions paid to holders of redeemable units	(465)	(125)
NET CASH USED IN FINANCING ACTIVITIES	\$ (5 266)	\$ (15 733)
Net increase (decrease) in cash for the year	37	46
Cash (bank overdraft), beginning of period	25	81
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 62	\$ 127
Interest received	\$ 2 404	\$ 2 629
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 6 327	\$ 8 260	\$ 4 296	\$ 4 199	\$ 17 931	\$ 22 251	\$ 4 060	\$ 3 808
INCREASE (DECREASE) IN NAV	272	(146)	179	(92)	847	(310)	196	(78)
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	424	560	272	927	1 490	1 347	854	1 221
Reinvestments of distributions to holders of redeemable units	70	89	45	52	240	267	55	56
Redemption of redeemable units	(900)	(1 272)	(958)	(332)	(1 471)	(4 355)	(633)	(800)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(406)	(623)	(641)	647	259	(2 741)	276	477
Distributions from net income	(72)	(91)	(45)	(54)	(268)	(289)	(63)	(57)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(72)	(91)	(45)	(54)	(268)	(289)	(63)	(57)
NET INCREASE (DECREASE) IN NAV	(206)	(860)	(507)	501	838	(3 340)	409	342
NAV AT END OF PERIOD	\$ 6 121	\$ 7 400	\$ 3 789	\$ 4 700	\$ 18 769	\$ 18 911	\$ 4 469	\$ 4 150

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 113 628	\$ 108 817	\$ 146 242	\$ 147 335
INCREASE (DECREASE) IN NAV	5 510	(1 259)	7 004	(1 885)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	24 757	12 990	27 797	17 045
Reinvestments of distributions to holders of redeemable units	1 482	1 528	1 892	1 992
Redemption of redeemable units	(28 636)	(25 894)	(32 598)	(32 653)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(2 397)	(11 376)	(2 909)	(13 616)
Distributions from net income	(1 909)	(1 626)	(2 357)	(2 117)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 909)	(1 626)	(2 357)	(2 117)
NET INCREASE (DECREASE) IN NAV	1 204	(14 261)	1 738	(17 618)
NAV AT END OF PERIOD	\$ 114 832	\$ 94 556	\$ 147 980	\$ 129 717

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued by Canadian governments and corporations that conduct themselves in a socially responsible manner.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	21.8	18.5	12.3
AA	47.2	49.9	49.7
A	17.0	17.9	26.6
BBB	14.0	13.7	11.4
Total	100.0	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	3.5	1.9	5.0
1 – 5 years	32.8	33.5	27.2
5 – 10 years	27.5	30.5	21.6
> 10 years	36.2	34.1	46.2
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.6% (December 31, 2013 – 6.4%, January 1, 2013 – 6.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	130 883	–	130 883
Short-term investments	–	16 076	–	16 076
Derivatives – assets	–	23	–	23
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	146 982	–	146 982
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	125 879	–	125 879
Short-term investments	–	19 792	–	19 792
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(7)	–	(7)
Total financial instruments	–	145 665	–	145 665
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	114 699	–	114 699
Short-term investments	–	31 884	–	31 884
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	146 583	–	146 583
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series D	0.50%
Series F	0.50%

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	51	50
Advisor Series	102	101
Series D	58	103
Series F	52	51
Series O	54	53
Value of all units	3	4

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	593	737
Issued number of units	39	50
Reinvested number of units	6	8
Redeemed number of units	(83)	(114)
Ending number of units	555	681

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Advisor Series		
Opening units	402	375
Issued number of units	26	83
Reinvested number of units	4	5
Redeemed number of units	(88)	(30)
Ending number of units	344	433
Series D		
Opening units	1 691	1 998
Issued number of units	137	122
Reinvested number of units	22	24
Redeemed number of units	(136)	(392)
Ending number of units	1 714	1 752
Series F		
Opening units	382	341
Issued number of units	78	109
Reinvested number of units	5	5
Redeemed number of units	(58)	(72)
Ending number of units	407	383
Series O		
Opening units	10 840	9 882
Issued number of units	2 302	1 190
Reinvested number of units	138	141
Redeemed number of units	(2 669)	(2 353)
Ending number of units	10 611	8 860

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Community Values Balanced Fund	1 249	524

Please see the generic notes at the back of the financial statements.

June 30, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	129 602	147 192
Revaluation of investments at FVTPL	115	143
Net assets attributable to holders of redeemable units	129 717	147 335
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(1 857)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(28)
Increase (decrease) in net assets attributable to holders of redeemable units		(1 885)

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
7 273 011	Phillips, Hager & North High Yield Bond Fund*	\$ 84 199	\$ 86 150	
TOTAL MUTUAL FUND UNITS		84 199	86 150	3.1

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
AUSTRALIAN BONDS						
6 310	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 6 310	\$ 6 511	
TOTAL AUSTRALIAN BONDS				6 310	6 511	0.2

CANADIAN BONDS

CORPORATE

4 188	407 International Inc.	3.870	24-Nov-17	4 461	4 434	
400	407 International Inc.	3.350	16-May-24	400	405	
1 905	407 International Inc.	4.450	15-Nov-41	1 928	2 006	
760	407 International Inc.	4.680	07-Oct-53	760	836	
2 614	Access Justice Durham Ltd.	5.015	31-Aug-39	2 783	2 901	
3 429	Aéroports de Montréal	6.950	16-Apr-32	3 523	4 370	
679	Aéroports de Montréal	6.611	11-Apr-33	705	828	
10 120	Alliance Pipeline LP	7.181	30-Jun-23	12 267	12 123	
2 511	Alliance Pipeline LP	5.546	31-Dec-23	2 798	2 786	
2 198	Alliance Pipeline LP	6.765	31-Dec-25	2 535	2 617	
9 827	Alliance Pipeline LP	7.217	31-Dec-25	11 989	11 947	
1 420	AltaGas Ltd.	4.400	15-Mar-24	1 419	1 508	
4 300	AltaLink Investments LP	5.207	16-Dec-16	4 300	4 617	
4 336	AltaLink Investments LP	3.674	05-Jun-19	4 351	4 557	
6 645	AltaLink Investments LP	3.265	05-Jun-20	6 641	6 803	
3 130	AltaLink LP	3.621	17-Sep-20	3 130	3 321	
11 855	AltaLink LP	3.668	06-Nov-23	11 810	12 357	
2 440	AltaLink LP	5.381	26-Mar-40	3 129	2 931	
34 839	Bank of Montreal	3.490	10-Jun-16	36 156	36 072	
6 293	Bank of Montreal	2.960	02-Aug-16	6 466	6 459	
5 895	Bank of Montreal	4.550	01-Aug-17	6 451	6 367	
1 158	Bank of Montreal	2.240	11-Dec-17	1 166	1 169	
13 705	Bank of Nova Scotia	1.800	09-May-16	13 699	13 746	
52 104	Bank of Nova Scotia	2.100	08-Nov-16	52 267	52 533	
9 990	Bank of Nova Scotia	2.740	01-Dec-16	10 083	10 220	
14 903	Bank of Nova Scotia	4.100	08-Jun-17	15 627	15 869	
1 205	Bank of Nova Scotia	2.242	22-Mar-18	1 211	1 214	
2 910	Bank of Nova Scotia	2.873	04-Jun-21	2 910	2 934	
4 220	BC Tel	9.650	08-Apr-22	5 700	5 944	
4 470	bcIMC Realty Corp.	3.510	29-Jun-22	4 487	4 636	
10 500	Bell Aliant Regional Communications LP	6.290	17-Feb-15	11 506	10 784	
1 870	Bell Aliant Regional Communications LP	1.798	22-Apr-16	1 870	1 870	
4 220	Bell Aliant Regional Communications LP	4.370	13-Sep-17	4 424	4 499	
606	Bell Aliant Regional Communications LP	3.540	12-Jun-20	606	627	
277	Bell Canada	4.400	16-Mar-18	277	299	
9 155	Bell Canada	3.250	17-Jun-20	9 131	9 400	
1 507	Bell Canada	3.350	22-Mar-23	1 467	1 500	
1 540	Bell Canada	7.300	23-Feb-32	1 585	2 045	
5 530	Bow Centre Street LP	3.693	14-Jun-22	5 534	5 508	
6 360	Bow Centre Street LP	3.797	13-Jun-23	6 360	6 390	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
240	British Columbia Ferry Services Inc.	4.702	23-Oct-43	\$ 240	\$ 262	
450	Brookfield Asset Management Inc.	4.540	31-Mar-23	460	475	
5 460	Brookfield Asset Management Inc.	5.040	08-Mar-24	5 530	5 901	
6 802	Brookfield Asset Management Inc.	4.820	28-Jan-26	6 818	7 085	
7 005	Brookfield Asset Management Inc.	5.950	14-Jun-35	6 880	7 625	
4 400	Brookfield Renewable Power Inc.	6.132	30-Nov-16	4 400	4 812	
1 539	BRP Finance ULC	4.790	07-Feb-22	1 539	1 664	
6 770	Caisse Centrale Desjardins	2.795	19-Nov-18	6 770	6 923	
2 375	Cameco Corp.	3.750	14-Nov-22	2 380	2 391	
8 815	Cameco Corp.	4.190	24-Jun-24	8 811	8 920	
9 340	Canadian Credit Card Trust	1.596	24-Sep-15	9 340	9 352	
6 700	Canadian Imperial Bank of Commerce	4.750	22-Dec-14	6 891	6 808	
17 065	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	17 492	17 265	
26 813	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	26 787	26 874	
3 079	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	3 126	3 143	
3 206	Canadian Pacific Railway Ltd.	6.910	01-Oct-24	3 890	3 788	
2 500	Canadian Utilities Ltd.	3.122	09-Nov-22	2 500	2 529	
790	Canadian Utilities Ltd.	9.400	01-May-23	1 219	1 154	
135	Capital Desjardins Inc.	3.797	23-Nov-20	135	139	
10 329	Cards II Trust	1.984	15-Jan-16	10 351	10 398	
490	Caterpillar Financial Services Ltd.	2.200	01-Jun-15	492	494	
4 965	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	4 964	4 998	
3 380	Centre Street Trust	3.690	14-Jun-21	3 380	3 370	
4 519	Choice Properties LP	3.000	20-Apr-16	4 607	4 602	
2 740	Choice Properties LP	3.000	20-Apr-17	2 801	2 804	
4 115	Choice Properties LP	3.600	20-Apr-20	4 204	4 240	
4 165	Choice Properties LP	3.600	20-Sep-21	4 173	4 227	
2 500	Choice Properties LP	3.600	20-Sep-22	2 457	2 494	
6 045	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	6 061	6 154	
1 570	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	1 570	1 623	
3 960	Crombie Real Estate Investment Trust	3.986	31-Oct-18	3 960	4 121	
2 035	Crombie Real Estate Investment Trust	3.962	01-Jun-21	2 043	2 076	
4 089	CU Inc.	6.800	13-Aug-19	5 197	4 966	
2 255	CU Inc.	5.896	20-Nov-34	2 927	2 820	
5 887	CU Inc.	5.556	30-Oct-37	7 489	7 160	
1 265	CU Inc.	6.500	07-Mar-39	1 820	1 733	
1 090	CU Inc.	4.558	07-Nov-53	1 090	1 175	
2 660	Dollarama Inc.	1.808	16-May-17	2 660	2 661	
2 290	Dollarama Inc.	3.095	05-Nov-18	2 290	2 339	
5 689	Eagle Credit Card Trust	2.849	17-Oct-18	5 689	5 840	
7 515	Emera Inc.	4.100	20-Oct-14	7 770	7 574	
8 175	Emera Inc.	2.960	13-Dec-16	8 206	8 380	
5 035	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	5 034	5 052	
2 605	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	2 761	2 834	
475	Enbridge Gas Distribution Inc.	6.160	16-Dec-33	634	616	
2 822	Enbridge Inc.	5.000	09-Aug-16	3 139	3 010	
3 955	Enbridge Inc.	1.714	13-Mar-17	3 955	3 955	
9 200	Enbridge Inc.	4.770	02-Sep-19	9 611	10 203	
7 405	Enbridge Inc.	4.530	09-Mar-20	8 273	8 155	
3 815	Enbridge Inc.	4.260	01-Feb-21	3 813	4 141	
1 200	Enbridge Inc.	3.160	11-Mar-21	1 209	1 223	
5 495	Enbridge Inc.	3.940	30-Jun-23	5 495	5 762	
3 005	Enbridge Inc.	4.570	11-Mar-44	3 002	3 115	
2 005	Enbridge Income Fund Holdings Inc.	2.920	14-Dec-17	2 005	2 050	
4 800	Enbridge Pipelines Inc.	6.620	19-Nov-18	5 700	5 693	
1 235	Enbridge Pipelines Inc.	3.790	17-Aug-23	1 235	1 301	
7 415	Enbridge Pipelines Inc.	8.200	15-Feb-24	10 608	10 314	
2 270	Enbridge Pipelines Inc.	5.350	10-Nov-39	2 849	2 721	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
4 605	Enersource Corp.	4.521	29-Apr-21	\$ 4 628	\$ 5 080	
570	Enersource Corp.	5.297	29-Apr-41	716	666	
6 935	Enmax Corp.	6.150	19-Jun-18	7 912	7 806	
900	EPCOR Utilities Inc.	6.650	15-Apr-38	1 211	1 228	
1 538	EPCOR Utilities Inc.	5.750	24-Nov-39	1 536	1 904	
3 055	First Capital Realty Inc.	4.790	30-Aug-24	3 138	3 247	
900	Gaz Metropolitan Inc.	4.930	18-Jun-19	1 033	1 008	
2 477	Gaz Metropolitan Inc.	5.450	12-Jul-21	2 984	2 900	
13 166	Genesis Trust II	2.295	15-Feb-17	13 166	13 342	
17 925	Genesis Trust II	2.433	15-May-19	17 925	18 065	
4 390	Golden Credit Card Trust	3.824	15-May-15	4 618	4 485	
17 556	Golden Credit Card Trust	3.510	15-May-16	17 815	18 165	
3 405	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	3 405	3 435	
971	Greater Toronto Airports Authority	7.050	12-Jun-30	1 369	1 329	
2 085	Greater Toronto Airports Authority	7.100	04-Jun-31	2 466	2 872	
12 440	Hollis Receivables Term Trust II	2.235	26-Sep-16	12 440	12 583	
10 530	Hollis Receivables Term Trust II	2.434	26-Jun-19	10 530	10 575	
2 816	Horizon Holdings Inc.	3.033	25-Jul-22	2 816	2 806	
18 000	HSBC Bank Canada	2.572	23-Nov-15	18 053	18 254	
1 515	HSBC Bank Canada	2.901	13-Jan-17	1 515	1 555	
2 000	Hydro One Inc.	3.130	19-Nov-14	2 070	2 014	
4 365	Hydro One Inc.	4.640	03-Mar-16	4 744	4 594	
3 134	Hydro One Inc.	2.780	09-Oct-18	3 134	3 224	
3 225	Hydro One Inc.	6.930	01-Jun-32	4 625	4 430	
2 925	Hydro One Inc.	6.030	03-Mar-39	4 000	3 789	
1 010	Hydro One Inc.	6.590	22-Apr-43	1 459	1 429	
7 675	Inter Pipeline Ltd.	1.758	30-May-17	7 675	7 679	
1 700	Inter Pipeline Ltd.	3.839	30-Jul-18	1 700	1 798	
4 675	Inter Pipeline Ltd.	4.637	30-May-44	4 675	4 771	
5 095	John Deere Canada Funding Inc.	2.300	17-Jan-18	5 086	5 147	
1 660	John Deere Canada Funding Inc.	2.650	16-Jul-18	1 660	1 695	
2 965	John Deere Canada Funding Inc.	2.350	24-Jun-19	2 962	2 964	
3 710	Loblaw Companies Ltd.	5.220	18-Jun-20	3 997	4 183	
7 485	Loblaw Companies Ltd.	4.860	12-Sep-23	7 523	8 172	
1 095	Loblaw Companies Ltd.	6.450	09-Feb-28	1 167	1 314	
3 020	Loblaw Companies Ltd.	6.500	22-Jan-29	3 347	3 631	
3 740	Lower Mattagami Energy LP	2.228	23-Oct-17	3 740	3 779	
2 080	Manitoba Telecom Services Inc.	4.000	27-May-24	2 079	2 106	
3 390	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	3 389	3 492	
1 934	Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	1 934	1 998	
15 670	MI Developments Inc.	6.050	22-Dec-16	15 613	16 724	
12 690	Molson Coors Capital Finance ULC	5.000	22-Sep-15	13 613	13 205	
2 287	National Bank of Canada	2.050	11-Jan-16	2 299	2 305	
4 735	North Battleford Power LP	4.958	31-Dec-32	4 735	5 139	
1 105	Nova Scotia Power Inc.	8.400	23-Oct-15	1 331	1 198	
1 530	Nova Scotia Power Inc.	9.750	02-Aug-19	2 134	2 037	
545	Nova Scotia Power Inc.	6.950	25-Aug-33	778	747	
995	OMERS Realty Corp.	3.203	24-Jul-20	995	1 032	
5 400	OMERS Realty Corp.	2.971	05-Apr-21	5 409	5 488	
6 107	OMERS Realty Corp.	3.358	05-Jun-23	6 109	6 210	
3 172	Ontrea Inc.	4.619	09-Apr-18	3 172	3 418	
4 260	OPB Finance Trust	3.890	04-Jul-42	4 257	4 136	
995	Pembina Pipeline Corp.	4.890	29-Mar-21	1 111	1 110	
4 145	Pembina Pipeline Corp.	3.770	24-Oct-22	4 166	4 296	
3 120	Pembina Pipeline Corp.	4.810	25-Mar-44	3 117	3 238	
3 615	Rogers Communications Inc.	3.000	06-Jun-17	3 705	3 717	
1 440	Rogers Communications Inc.	2.800	13-Mar-19	1 440	1 456	
5 965	Rogers Communications Inc.	5.340	22-Mar-21	6 695	6 765	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
5 175	Rogers Communications Inc.	4.000	13-Mar-24	\$ 5 160	\$ 5 290	
6 465	Rogers Communications Inc.	6.680	04-Nov-39	7 422	8 130	
35 705	Royal Bank of Canada*	2.680	08-Dec-16	36 055	36 512	
21 311	Royal Bank of Canada*	3.660	25-Jan-17	22 480	22 308	
26 930	Royal Bank of Canada*	2.580	13-Apr-17	27 192	27 487	
13 176	Royal Bank of Canada*	2.260	12-Mar-18	13 174	13 289	
10 889	Royal Bank of Canada*	2.820	12-Jul-18	11 096	11 173	
4 118	SEC LP and Arci Ltd.	5.188	29-Aug-33	4 118	4 343	
1 965	Shaw Communications Inc.	5.500	07-Dec-20	2 221	2 240	
8 004	Shaw Communications Inc.	6.750	09-Nov-39	8 177	9 758	
930	Sobeys Inc.	7.160	26-Feb-18	1 072	1 079	
5 205	Sobeys Inc.	3.520	08-Aug-18	5 272	5 393	
6 698	Sobeys Inc.	4.700	08-Aug-23	6 678	7 144	
1 680	TELUS Corp.	5.050	23-Jul-20	1 883	1 889	
2 045	TELUS Corp.	3.600	26-Jan-21	2 039	2 127	
2 315	TELUS Corp.	4.850	05-Apr-44	2 312	2 394	
16 865	Teranet Holdings LP	4.807	16-Dec-20	17 874	18 561	
3 815	Teranet Holdings LP	5.754	17-Dec-40	3 783	4 256	
785	Terasen Gas Inc.	6.000	02-Oct-37	1 056	1 004	
75	Terasen Gas Inc.	6.550	24-Feb-39	109	103	
4 192	Thomson Reuters Corp.	6.000	31-Mar-16	4 720	4 484	
6 370	Thomson Reuters Corp.	3.369	23-May-19	6 370	6 576	
11 093	Thomson Reuters Corp.	4.350	30-Sep-20	11 930	11 978	
8 080	Tim Hortons Inc.	4.200	01-Jun-17	8 412	8 576	
6 400	Tim Hortons Inc.	2.850	01-Apr-19	6 398	6 470	
4 300	Tim Hortons Inc.	4.520	01-Dec-23	4 308	4 546	
2 210	TMX Group Ltd.	1.975	03-Oct-16	2 226	2 215	
5 595	TMX Group Ltd.	3.253	03-Oct-18	5 595	5 811	
3 310	TMX Group Ltd.	4.461	03-Oct-23	3 310	3 545	
10 500	Toronto Hydro Corp.	4.490	12-Nov-19	11 700	11 616	
5 034	Toronto Hydro Corp.	3.540	18-Nov-21	5 217	5 297	
11 875	Toronto-Dominion Bank	2.433	15-Aug-17	11 861	12 069	
2 140	TransCanada PipeLines Ltd.	9.450	20-Mar-18	2 873	2 669	
135	TransCanada PipeLines Ltd.	11.800	20-Nov-20	217	204	
3 629	TransCanada PipeLines Ltd.	3.650	15-Nov-21	3 697	3 842	
75	TransCanada PipeLines Ltd.	7.900	15-Apr-27	99	105	
4 859	TransCanada PipeLines Ltd.	7.340	18-Jul-28	6 758	6 562	
2 450	TransCanada PipeLines Ltd.	8.200	15-Aug-31	3 718	3 592	
4 600	Union Gas Ltd.	11.500	28-Aug-15	6 253	5 109	
1 000	Union Gas Ltd.	5.350	27-Apr-18	1 162	1 118	
3 500	Union Gas Ltd.	8.750	03-Aug-18	4 657	4 349	
3 855	Union Gas Ltd.	3.790	10-Jul-23	3 854	4 056	
3 940	Union Gas Ltd.	8.650	10-Nov-25	5 548	5 750	
3 312	Union Gas Ltd.	4.200	02-Jun-44	3 310	3 323	
5 364	Wells Fargo Canada Corp.	3.040	29-Jan-21	5 362	5 448	
7 010	West Edmonton Mall Property Inc.	4.056	13-Feb-24	7 010	7 153	
165	West Edmonton Mall Property Inc.	4.309	13-Feb-24	165	170	
7 700	Westcoast Energy Inc.	8.500	23-Nov-15	8 953	8 393	
1 245	Westcoast Energy Inc.	8.500	04-Sep-18	1 632	1 523	
2 767	Westcoast Energy Inc.	9.900	10-Jan-20	4 019	3 728	
2 395	Westcoast Energy Inc.	3.883	28-Oct-21	2 430	2 520	
810	Winnipeg Airport Authority Inc.	4.569	20-Nov-19	914	891	
1 530	Winnipeg Airport Authority Inc.	3.039	14-Apr-23	1 530	1 501	
3 243	Winnipeg Airport Authority Inc.	6.102	20-Nov-40	3 243	3 813	
				1 178 189	1 194 153	42.8

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL						
47 795	Canada Housing Trust No. 1	4.100	15-Dec-18	\$ 52 748	\$ 52 593	
151 566	Canada Housing Trust No. 1	1.950	15-Jun-19	151 800	152 307	
24 713	Canada Housing Trust No. 1	3.350	15-Dec-20	25 759	26 506	
44 006	Canada Housing Trust No. 1	3.800	15-Jun-21	48 122	48 410	
1 673	CBC Monetization Trust	4.688	15-May-27	1 673	1 893	
5 485	Government of Canada	1.500	01-Sep-17	5 523	5 522	
20 782	Government of Canada	1.750	01-Mar-19	20 933	20 989	
3 237	Government of Canada	3.250	01-Jun-21	3 517	3 533	
85	Government of Canada	2.750	01-Jun-22	91	90	
450	Government of Canada	5.750	01-Jun-29	630	629	
2 458	Government of Canada	3.500	01-Dec-45	2 788	2 827	
				313 584	315 299	11.3
PROVINCIAL/MUNICIPAL						
4 965	Hospital for Sick Children	5.217	16-Dec-49	4 848	5 728	
1 647	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	1 645	1 715	
200	Ontario Electricity Financial Corp.	8.500	26-May-25	282	298	
5 337	Ontario Electricity Financial Corp.	9.000	26-May-25	8 179	8 174	
19 336	Ontario Electricity Financial Corp.	8.250	22-Jun-26	27 525	28 790	
500	Ontario Infrastructure Projects Corp.	4.600	01-Jun-15	517	516	
3 464	Province of New Brunswick	2.850	02-Jun-23	3 448	3 441	
7 558	Province of New Brunswick	4.800	03-Jun-41	9 180	8 832	
5 262	Province of New Brunswick	3.550	03-Jun-43	5 090	5 038	
18 039	Province of Ontario	4.000	02-Jun-21	19 544	19 711	
42 299	Province of Ontario	8.100	08-Sep-23	58 462	59 844	
44 199	Province of Ontario	3.500	02-Jun-24	45 187	45 832	
18 710	Province of Ontario	8.500	02-Dec-25	27 967	28 160	
1 555	Province of Ontario	8.000	02-Jun-26	2 155	2 285	
67 648	Province of Ontario	7.600	02-Jun-27	93 002	98 228	
97 625	Province of Ontario	6.500	08-Mar-29	130 580	131 897	
24 682	Province of Ontario	6.200	02-Jun-31	31 047	32 941	
23 513	Province of Ontario	5.850	08-Mar-33	29 815	30 603	
47 711	Province of Ontario	5.600	02-Jun-35	61 084	61 084	
12 152	Province of Ontario	4.700	02-Jun-37	13 420	14 019	
37 356	Province of Ontario	4.600	02-Jun-39	41 848	42 665	
52 213	Province of Ontario	4.650	02-Jun-41	60 463	60 451	
24 251	Province of Ontario	3.500	02-Jun-43	22 921	23 328	
69 912	Province of Ontario	3.450	02-Jun-45	64 966	66 705	
19 992	Province of Ontario Residual Strip	0.000	02-Jun-41	7 982	7 202	
3 148	Province of Quebec	9.375	16-Jan-23	4 606	4 696	
25 655	Province of Quebec	8.500	01-Apr-26	37 896	38 519	
20 445	Province of Quebec	5.750	01-Dec-36	26 107	26 591	
6 327	Province of Quebec	4.250	01-Dec-43	6 720	6 856	
13 961	Province of Quebec Residual Strip	0.000	01-Dec-41	5 292	4 829	
8 842	TransLink	3.800	02-Nov-20	8 864	9 467	
				860 642	878 445	31.5
TOTAL CANADIAN BONDS				2 352 415	2 387 897	85.6
UNITED KINGDOM BONDS						
4 045	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	4 014	4 071	
12 815	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	12 859	13 094	
790	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	790	805	
TOTAL UNITED KINGDOM BONDS				17 663	17 970	0.6

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED STATES BONDS						
1 800	Anheuser-Busch InBev Finance Inc. CAD	2.375	25-Jan-18	\$ 1 791	\$ 1 824	
3 575	Anheuser-Busch InBev Worldwide Inc. CAD	3.650	15-Jan-16	3 709	3 690	
9 720	AT&T Inc. CAD	3.825	25-Nov-20	9 754	10 213	
18 105	Bank of America Corp. CAD	1.818	01-Jun-16	17 983	18 051	
3 345	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	3 345	3 375	
1 285	JPMorgan Chase & Co. CAD	3.190	05-Mar-21	1 285	1 300	
2 735	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	2 639	2 892	
17 706	United States Treasury	3.625	15-Aug-43	18 504	19 953	
TOTAL UNITED STATES BONDS				59 010	61 298	2.2
TOTAL BONDS				2 435 398	2 473 676	88.6
MORTGAGE-BACKED SECURITIES						
6 815	Equitable Bank	4.350	01-Jan-18	7 049	7 365	
2 114	Peoples Trust	4.200	01-Oct-19	2 113	2 307	
TOTAL MORTGAGE-BACKED SECURITIES				9 162	9 672	0.4
MORTGAGES						
CMHC Insured						
2 672	4.930% Nov 01, 2019			2 725	2 918	
2 057	4.930% Dec 01, 2019			2 071	2 280	
1 914	4.850% Jan 01, 2020			1 931	2 116	
1 740	4.260% Nov 01, 2022			1 740	1 884	
TOTAL MORTGAGES				8 467	9 198	0.3
SHORT-TERM INVESTMENTS†						
22 500	Banner Trust			22 415	22 415	
13 600	Bay Street Funding Trust - Class A			13 526	13 526	
5 000	Bell Canada International Inc.			4 985	4 985	
7 750	Brookfield Asset Management Inc., Class A			7 732	7 732	
8 800	Central 1 Credit Union			8 746	8 746	
7 900	Clarity Trust			7 876	7 876	
9 350	Darwin Receivables Trust - Senior Notes			9 295	9 295	
2 850	Enbridge Inc.			2 847	2 847	
2 750	Government of Canada Treasury Bills			2 743	2 743	
9 050	HSBC Bank Canada			9 042	9 042	
21 875	Inter Pipeline Ltd.			21 807	21 807	
2 000	King Street Funding Trust			1 987	1 987	
16 575	Merit Trust - Senior Notes			16 488	16 488	
37 000	Prime Trust - Senior Notes			36 824	36 824	
3 050	Ridge Trust			3 041	3 041	
15 000	SAFE Trust - Series 1996-1			14 938	14 938	
12 650	Zeus Receivables Trust - Senior Notes			12 584	12 584	
TOTAL SHORT-TERM INVESTMENTS				196 876	196 876	7.1
TOTAL INVESTMENTS				2 734 102	2 775 572	99.5
UNREALIZED GAIN ON FUTURES CONTRACTS (SCHEDULE A)				—	285	—
UNREALIZED LOSS ON FUTURES CONTRACTS (SCHEDULE A)				—	(502)	—
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE B)				—	446	—
TOTAL PORTFOLIO				\$ 2 734 102	2 775 801	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					13 221	0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 2 789 022	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.92% to 1.43% and mature between July 14, 2014 and December 10, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

SCHEDULE A**Futures Contracts**

Number of Contracts	Contracted Value	Unrealized Gain
324	United States 10-Year Note Future, September 2014 Contracts at USD 124.35 per contract	\$ 44 076 \$ 285
		\$ 285

Number of Contracts	Contracted Value	Unrealized Loss
(152)	Euro-Bund Future, September 2014 Contracts at EUR 144.75 per contract	\$ (32 732) \$ (502)
		\$ (502)
TOTAL FUTURES CONTRACTS		\$ (217)

\$2 750 Government of Canada Treasury Bills are held as collateral by counterparties with respect to the above futures contracts.

SCHEDULE B**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 14 988 Sold USD 13 695 @ 1.0944	15-Jul-14	\$ 374
Bought CAD 3 653 Sold USD 3 357 @ 1.0883	15-Jul-14	72
TOTAL FOREIGN EXCHANGE		\$ 446

All counterparties have a credit rating of at least A.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 2 775 572	\$ 2 614 838	\$ 2 897 389
Cash	289	326	296
Due from investment dealers	52 570	–	7 918
Subscriptions receivable	10 832	3 075	2 057
Futures contracts margin receivable	355	69	1 902
Unrealized gain on foreign exchange contracts	446	16	–
Dividends receivable, interest accrued and other assets	16 594	15 518	16 442
TOTAL ASSETS	2 856 658	2 633 842	2 926 004
LIABILITIES			
Due to investment dealers	61 451	–	8 680
Redemptions payable	5 303	3 896	1 294
Unrealized loss on futures contracts	217	–	–
Unrealized loss on foreign exchange contracts	–	186	–
Distributions payable	2	–	–
Accounts payable and accrued expenses	663	726	927
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	67 636	4 808	10 901
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 789 022	\$ 2 629 034	\$ 2 915 103
Investments at cost	\$ 2 734 102	\$ 2 642 945	\$ 2 790 726
NAV, END OF PERIOD			
SERIES C	\$ 148 669	\$ 172 400	\$ 253 987
ADVISOR SERIES	\$ 84 079	\$ 98 849	\$ 120 459
SERIES H	\$ 4 187	\$ 1 282	\$ –
SERIES D	\$ 495 223	\$ 487 125	\$ 725 163
SERIES F	\$ 318 224	\$ 334 696	\$ 320 752
SERIES I	\$ 15 760	\$ 8 257	\$ –
SERIES O	\$ 1 722 880	\$ 1 526 425	\$ 1 494 742
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 11.48	\$ 11.12	\$ 11.70
ADVISOR SERIES	\$ 11.48	\$ 11.13	\$ 11.70
SERIES H	\$ 11.49	\$ 11.13	\$ –
SERIES D	\$ 11.47	\$ 11.12	\$ 11.69
SERIES F	\$ 11.49	\$ 11.13	\$ 11.71
SERIES I	\$ 11.50	\$ 11.14	\$ –
SERIES O	\$ 11.42	\$ 11.06	\$ 11.63

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 48 070	\$ 51 394
Net gain (loss) from futures contracts	(169)	(13)
Other income received from underlying funds	2 824	2 867
Net realized gain (loss) on investments	16 045	30 193
Net gain (loss) on foreign currencies and other net assets	(913)	(46)
Change in unrealized gain (loss) on investments	70 193	(122 733)
TOTAL INCOME (LOSS)	136 050	(38 338)
EXPENSES (see notes – Fund Specific Information)		
Management fees	3 317	4 252
Administration fees	406	461
Board of Governors costs	1	2
GST/HST	366	497
TOTAL EXPENSES	4 090	5 212
INCREASE (DECREASE) IN NAV	\$ 131 960	\$ (43 550)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 7 289	\$ (4 175)
ADVISOR SERIES	\$ 4 102	\$ (2 315)
SERIES H	\$ 111	\$ (57)
SERIES D	\$ 23 163	\$ (8 547)
SERIES F	\$ 15 790	\$ (5 385)
SERIES I	\$ 573	\$ (147)
SERIES O	\$ 80 932	\$ (22 924)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.49	\$ (0.22)
ADVISOR SERIES	\$ 0.49	\$ (0.23)
SERIES H	\$ 0.50	\$ (0.07)
SERIES D	\$ 0.53	\$ (0.19)
SERIES F	\$ 0.53	\$ (0.20)
SERIES I	\$ 0.53	\$ (0.07)
SERIES O	\$ 0.56	\$ (0.15)

* Series H and Series I launched April 2013.

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)*

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 131 960	\$ (43 550)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(16 045)	(30 193)
Change in unrealized loss (gain) on investments	(70 193)	122 733
(Increase) decrease in accrued receivables	(61 403)	(50 976)
Increase (decrease) in accrued payables	62 797	80 660
Cost of investments purchased	(6 085 787)	(6 125 512)
Proceeds on sales of investments	6 010 606	6 001 941
NET CASH PROVIDED BY OPERATING ACTIVITIES	(28 065)	(44 897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	367 118	579 520
Cash paid on redemption of redeemable units	(325 532)	(520 390)
Distributions paid to holders of redeemable units	(13 558)	(12 520)
NET CASH USED IN FINANCING ACTIVITIES	\$ 28 028	\$ 46 610
Net increase (decrease) in cash for the year	(37)	1 713
Cash (bank overdraft), beginning of period	326	296
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 289	\$ 2 009
Interest received	\$ 46 994	\$ 51 162
Dividends received, net of withholding taxes	\$ –	\$ –

* Series H and Series I launched April 2013.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 172 400	\$ 253 987	\$ 98 849	\$ 120 459	\$ 1 282	\$ –	\$ 487 125	\$ 725 163
INCREASE (DECREASE) IN NAV	7 289	(4 175)	4 102	(2 315)	111	(57)	23 163	(8 547)
Early redemption fees	–	–	–	–	–	–	1	–
Proceeds from redeemable units issued	8 834	24 800	7 996	26 096	3 301	1 893	35 661	39 545
Reinvestments of distributions to holders of redeemable units	1 821	2 713	869	1 273	41	5	7 116	8 557
Redemption of redeemable units	(39 658)	(52 394)	(26 613)	(21 270)	(502)	–	(50 129)	(183 237)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(29 003)	(24 881)	(17 748)	6 099	2 840	1 898	(7 351)	(135 135)
Distributions from net income	(2 017)	(3 009)	(1 124)	(1 590)	(46)	(12)	(7 714)	(9 585)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 017)	(3 009)	(1 124)	(1 590)	(46)	(12)	(7 714)	(9 585)
NET INCREASE (DECREASE) IN NAV	(23 731)	(32 065)	(14 770)	2 194	2 905	1 829	8 098	(153 267)
NAV AT END OF PERIOD	\$ 148 669	\$ 221 922	\$ 84 079	\$ 122 653	\$ 4 187	\$ 1 829	\$ 495 223	\$ 571 896

For the periods ended June 30 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 334 696	\$ 320 752	\$ 8 257	\$ –	\$ 1 526 425	\$ 1 494 742	\$ 2 629 034	\$ 2 915 103
INCREASE (DECREASE) IN NAV	15 790	(5 385)	573	(147)	80 932	(22 924)	131 960	(43 550)
Early redemption fees	2	–	–	–	1	–	4	–
Proceeds from redeemable units issued	53 411	104 294	8 646	5 278	249 269	377 614	367 118	579 520
Reinvestments of distributions to holders of redeemable units	2 571	2 892	124	35	20 968	20 986	33 510	36 461
Redemption of redeemable units	(83 133)	(71 201)	(1 617)	–	(123 884)	(192 288)	(325 536)	(520 390)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(27 149)	35 985	7 153	5 313	146 354	206 312	75 096	95 591
Distributions from net income	(5 113)	(5 381)	(223)	(40)	(30 831)	(29 364)	(47 068)	(48 981)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(5 113)	(5 381)	(223)	(40)	(30 831)	(29 364)	(47 068)	(48 981)
NET INCREASE (DECREASE) IN NAV	(16 472)	25 219	7 503	5 126	196 455	154 024	159 988	3 060
NAV AT END OF PERIOD	\$ 318 224	\$ 345 971	\$ 15 760	\$ 5 126	\$ 1 722 880	\$ 1 648 766	\$ 2 789 022	\$ 2 918 163

* Series H and Series I launched April 2013.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations. It also invests in derivatives.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	17.4	11.8	8.2
AA	44.7	49.4	46.9
A	18.0	18.8	27.7
BBB	16.4	15.6	14.3
BB	0.8	1.5	1.0
B	2.3	2.5	1.2
Unrated*	0.4	0.4	0.7
Total	100.0	100.0	100.0

* Mortgages, which represent 100% (December 31, 2013 – 100%, January 1, 2013 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation ("CMHC") guaranteed mortgages, and therefore have the backing of an AAA rated issuer.

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	2.8	1.5	5.3
1 – 5 years	37.4	38.0	29.9
5 – 10 years	23.6	25.8	20.0
> 10 years	36.2	34.7	44.8
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.6% (December 31, 2013 – 6.4%, January 1, 2013 – 6.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	86 150	–	–	86 150
Fixed-income and debt securities	–	2 492 546	–	2 492 546
Short-term investments	–	196 876	–	196 876
Derivatives – assets	285	446	–	731
Derivatives – liabilities	(502)	–	–	(502)
Total financial instruments	85 933	2 689 868	–	2 775 801
% of total portfolio	3.1	96.9	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	111 246	–	–	111 246
Fixed-income and debt securities	–	2 289 452	–	2 289 452
Short-term investments	–	214 140	–	214 140
Derivatives – assets	–	16	–	16
Derivatives – liabilities	–	(186)	–	(186)
Total financial instruments	111 246	2 503 422	–	2 614 668
% of total portfolio	4.3	95.7	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	87 697	–	–	87 697
Fixed-income and debt securities	–	2 279 461	–	2 279 461
Short-term investments	–	530 231	–	530 231
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	87 697	2 809 692	–	2 897 389
% of total portfolio	3.0	97.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND

Investment Management®

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.00%
Advisor Series	1.00%
Series H	0.90%
Series D	0.50%
Series F	0.50%
Series I	0.40%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series H	0.05%
Series D	0.04%
Series F	0.05%
Series I	0.05%
Series O	0.02%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	50	49
Advisor Series	99	98
Series H	89	87
Series D	50	50
Series F	51	50
Series I	89	88
Value of all units	5	5

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Please see the generic notes at the back of the financial statements.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	15 497	21 710
Issued number of units	775	2 122
Reinvested number of units	159	235
Redeemed number of units	(3 481)	(4 497)
Ending number of units	12 950	19 570
Advisor Series		
Opening units	8 885	10 295
Issued number of units	701	2 234
Reinvested number of units	76	111
Redeemed number of units	(2 338)	(1 824)
Ending number of units	7 324	10 816
Series H		
Opening units	115	–
Issued number of units	289	161
Reinvested number of units	4	–
Redeemed number of units	(44)	–
Ending number of units	364	161
Series D		
Opening units	43 821	62 034
Issued number of units	3 129	3 383
Reinvested number of units	624	743
Redeemed number of units	(4 412)	(15 697)
Ending number of units	43 162	50 463
Series F		
Opening units	30 066	27 394
Issued number of units	4 681	8 921
Reinvested number of units	225	251
Redeemed number of units	(7 274)	(6 085)
Ending number of units	27 698	30 481
Series I		
Opening units	741	–
Issued number of units	759	449
Reinvested number of units	11	3
Redeemed number of units	(141)	–
Ending number of units	1 370	452
Series O		
Opening units	137 995	128 536
Issued number of units	22 008	32 439
Reinvested number of units	1 847	1 834
Redeemed number of units	(10 957)	(16 579)
Ending number of units	150 893	146 230

June 30, 2014

**Investments by other related Investment Funds
(000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
RBC Select Choices Conservative Portfolio	2 610	2 599
RBC Select Choices Balanced Portfolio	3 710	3 614
RBC Select Choices Growth Portfolio	956	922
RBC Monthly Income Bond Fund	14 727	16 600
RBC Balanced Growth & Income Fund	5 372	2 254
RBC Target 2015 Education Fund	–	1 028
RBC Target 2020 Education Fund	5 329	4 923
RBC Target 2025 Education Fund	2 616	2 221
RBC PH&N Total Return Bond GIF	–	1 140
Total	35 320	35 301

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 915 192	2 912 118
Revaluation of investments at FVTPL	2 971	2 985
Net assets attributable to holders of redeemable units	2 918 163	2 915 103

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	(43 536)
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(14)
Increase (decrease) in net assets attributable to holders of redeemable units	(43 550)

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH INFLATION-LINKED BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
534	Teranet Holdings LP	3.270	01-Dec-31	\$ 531	\$ 607	
				531	607	0.9
FEDERAL						
75	Government of Canada	4.250	01-Dec-21	–	100	
4	Government of Canada	2.500	01-Jun-24	4	4	
15 897	Government of Canada	4.250	01-Dec-26	16 223	23 493	
5 591	Government of Canada	4.000	01-Dec-31	9 859	8 827	
3 074	Government of Canada	3.000	01-Dec-36	425	4 573	
1	Government of Canada	4.000	01-Jun-41	1	1	
113	Government of Canada	2.000	01-Dec-41	–	147	
6 324	Government of Canada	1.500	01-Dec-44	6 809	7 470	
682	Government of Canada	3.500	01-Dec-45	779	784	
8 387	Government of Canada	1.250	01-Dec-47	9 077	9 356	
				43 177	54 755	81.6
PROVINCIAL						
4 112	Province of Ontario	2.000	01-Dec-36	4 293	4 513	
613	Province of Quebec	4.500	01-Dec-21	765	780	
1 509	Province of Quebec	4.500	01-Dec-26	1 934	2 088	
3 257	Province of Quebec	4.250	01-Dec-31	4 491	4 665	
				11 483	12 046	17.9
TOTAL CANADIAN BONDS				\$ 55 191	67 408	100.4
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					(277)	(0.4)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 67 131	100.0

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 67 408	\$ 84 655	\$ 169 847
Cash	24	24	76
Due from investment dealers	67	56	–
Subscriptions receivable	2	16	314
Dividends receivable, interest accrued and other assets	128	173	263
TOTAL ASSETS	67 629	84 924	170 500
LIABILITIES			
Redemptions payable	467	122	77
Accounts payable and accrued expenses	31	36	89
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	498	158	166
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 67 131	\$ 84 766	\$ 170 334
Investments at cost	\$ 55 191	\$ 72 551	\$ 150 169
NAV, END OF PERIOD			
SERIES C	\$ 21 764	\$ 26 592	\$ 72 950
ADVISOR SERIES	\$ 2 411	\$ 3 123	\$ 7 069
SERIES D	\$ 15 991	\$ 15 575	\$ 34 751
SERIES F	\$ 8 983	\$ 12 557	\$ 25 030
SERIES O	\$ 17 982	\$ 26 919	\$ 30 534
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 11.15	\$ 10.24	\$ 12.57
ADVISOR SERIES	\$ 11.15	\$ 10.24	\$ 12.57
SERIES D	\$ 11.20	\$ 10.29	\$ 12.64
SERIES F	\$ 11.17	\$ 10.27	\$ 12.63
SERIES O	\$ 11.27	\$ 10.35	\$ 12.73

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 2 584	\$ 12 867
Net realized gain (loss) on investments	5 071	(11 803)
Change in unrealized gain (loss) on investments	113	(17 310)
TOTAL INCOME (LOSS)	7 768	(16 246)
EXPENSES (see notes – Fund Specific Information)		
Management fees	155	353
Administration fees	16	31
Board of Governors costs	1	2
GST/HST	16	39
TOTAL EXPENSES	188	425
INCREASE (DECREASE) IN NAV	\$ 7 580	\$ (16 671)
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 2 448	\$ (6 735)
ADVISOR SERIES	\$ 282	\$ (723)
SERIES D	\$ 1 600	\$ (3 210)
SERIES F	\$ 1 155	\$ (2 557)
SERIES O	\$ 2 095	\$ (3 446)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.53	\$ (1.43)
ADVISOR SERIES	\$ 0.53	\$ (1.43)
SERIES D	\$ 0.56	\$ (1.42)
SERIES F	\$ 0.56	\$ (1.41)
SERIES O	\$ 0.59	\$ (1.41)

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 7 580	\$ (16 671)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(5 071)	11 803
Change in unrealized loss (gain) on investments	(113)	17 310
(Increase) decrease in accrued receivables	48	329
Increase (decrease) in accrued payables	340	2 722
Cost of investments purchased	(373 212)	(376 416)
Proceeds on sales of investments	395 643	394 716
NET CASH PROVIDED BY OPERATING ACTIVITIES	25 215	33 793
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 660	14 826
Cash paid on redemption of redeemable units	(28 660)	(48 389)
Distributions paid to holders of redeemable units	(215)	(182)
NET CASH USED IN FINANCING ACTIVITIES	\$ (25 215)	\$ (33 745)
Net increase (decrease) in cash for the year	–	48
Cash (bank overdraft), beginning of period	24	76
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 24	\$ 124
Interest received	\$ 2 629	\$ 12 901
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 26 592	\$ 72 950	\$ 3 123	\$ 7 069	\$ 15 575	\$ 34 751	\$ 12 557	\$ 25 030
INCREASE (DECREASE) IN NAV	2 448	(6 735)	282	(723)	1 600	(3 210)	1 155	(2 557)
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	259	2 170	84	530	1 198	3 305	926	2 147
Reinvestments of distributions to holders of redeemable units	313	698	36	73	273	400	38	269
Redemption of redeemable units	(7 502)	(25 096)	(1 075)	(2 103)	(2 373)	(13 481)	(5 505)	(6 225)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(6 930)	(22 228)	(955)	(1 500)	(902)	(9 776)	(4 541)	(3 809)
Distributions from net income	(346)	(747)	(39)	(78)	(282)	(416)	(188)	(356)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(346)	(747)	(39)	(78)	(282)	(416)	(188)	(356)
NET INCREASE (DECREASE) IN NAV	(4 828)	(29 710)	(712)	(2 301)	416	(13 402)	(3 574)	(6 722)
NAV AT END OF PERIOD	\$ 21 764	\$ 43 240	\$ 2 411	\$ 4 768	\$ 15 991	\$ 21 349	\$ 8 983	\$ 18 308

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 26 919	\$ 30 534	\$ 84 766	\$ 170 334
INCREASE (DECREASE) IN NAV	2 095	(3 446)	7 580	(16 671)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 193	6 674	3 660	14 826
Reinvestments of distributions to holders of redeemable units	338	585	998	2 025
Redemption of redeemable units	(12 205)	(1 484)	(28 660)	(48 389)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(10 674)	5 775	(24 002)	(31 538)
Distributions from net income	(358)	(610)	(1 213)	(2 207)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(358)	(610)	(1 213)	(2 207)
NET INCREASE (DECREASE) IN NAV	(8 937)	1 719	(17 635)	(50 416)
NAV AT END OF PERIOD	\$ 17 982	\$ 32 253	\$ 67 131	\$ 119 918

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide inflation-protected interest income to help investors preserve their real (or inflation-adjusted) purchasing power over the long term.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	81.2	81.2	82.8
AA	6.7	9.7	7.1
A	11.2	8.4	9.7
BBB	0.9	0.7	0.4
Total	100.0	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	3.3
1 – 5 years	–	–	–
5 – 10 years	1.2	7.6	3.7
> 10 years	98.8	92.4	93.0
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 15.9% (December 31, 2013 – 15.8%, January 1, 2013 – 15.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	67 408	–	67 408
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	67 408	–	67 408
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	84 655	–	84 655
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	84 655	–	84 655
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	151 119	–	151 119
Short-term investments	–	18 728	–	18 728
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	169 847	–	169 847
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.80%
Advisor Series	0.80%
Series D	0.45%
Series F	0.30%

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.02%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	51	51
Advisor Series	101	100
Series D	52	51
Series F	52	51
Series O	53	51
Value of all units	3	3

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	15 241
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	2 597	5 803
Issued number of units	23	178
Reinvested number of units	29	60
Redeemed number of units	(698)	(2 080)
Ending number of units	1 951	3 961

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	305	562
Issued number of units	8	44
Reinvested number of units	3	6
Redeemed number of units	(100)	(175)
Ending number of units	216	437
Series D		
Opening units	1 514	2 749
Issued number of units	109	269
Reinvested number of units	25	34
Redeemed number of units	(220)	(1 106)
Ending number of units	1 428	1 946
Series F		
Opening units	1 223	1 982
Issued number of units	87	178
Reinvested number of units	3	23
Redeemed number of units	(509)	(512)
Ending number of units	804	1 671
Series O		
Opening units	2 600	2 400
Issued number of units	107	592
Reinvested number of units	31	50
Redeemed number of units	(1 142)	(122)
Ending number of units	1 596	2 920

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	119 767	170 136
Revaluation of investments at FVTPL	151	198
Net assets attributable to holders of redeemable units	119 918	170 334

June 30
2013

Comprehensive income

Comprehensive income as reported under Canadian GAAP	(16 624)
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(47)
Increase (decrease) in net assets attributable to holders of redeemable units	(16 671)

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
45 236	Atlantic Power LP	5.950	23-Jun-36	\$ 31 096	\$ 33 437	
11 815	Baytex Energy Corp. USD	6.750	17-Feb-21	12 716	13 691	
68 331	Baytex Energy Corp.	6.625	19-Jul-22	69 204	73 585	
6 000	Baytex Energy Corp. USD	5.625	01-Jun-24	6 502	6 432	
2 000	Brookfield Residential Properties Inc. USD	6.500	15-Dec-20	1 973	2 267	
30 000	Canadian Energy Services & Technology Corp.	7.375	17-Apr-20	30 185	31 995	
15 000	Cogeco Inc.	6.000	05-Mar-20	15 000	15 356	
25 000	CWB Capital Trust	6.199	31-Dec-56	25 000	26 290	
37 750	GFL Environmental Corp.	7.500	18-Jun-18	38 756	39 024	
28 000	Gibson Energy Inc.	7.000	15-Jul-20	27 617	30 485	
15 000	Gibson Energy Inc.	5.375	15-Jul-22	15 000	15 150	
67 571	Great Canadian Gaming Corp.	6.625	25-Jul-22	69 038	72 160	
5 539	InnVest Real Estate Investment Trust, Convertible	6.750	31-Mar-16	5 407	5 876	
10 000	Island Timberlands LP USD	6.160	30-Aug-25	12 122	12 992	
55 400	Kruger Products LP	8.000	09-Aug-18	56 354	60 536	
39 911	MI Developments Inc.	6.050	22-Dec-16	38 395	42 596	
40 000	MPL 2 Acquisition Canco Inc. USD	9.875	15-Aug-18	37 438	46 188	
52 960	Newalta Corp.	7.750	14-Nov-19	55 442	57 616	
28 000	Newalta Corp.	5.875	01-Apr-21	28 000	28 910	
11 500	Noranda Operating Trust	6.875	28-Dec-16	11 516	11 849	
12 000	Parkland Fuel Corp.	5.500	28-May-21	12 000	12 195	
23 000	Precision Drilling Corp.	6.500	15-Mar-19	23 000	24 327	
72 950	Quebecor Media Inc.	7.375	15-Jan-21	77 765	79 819	
188 450	Quebecor Media Inc.	6.625	15-Jan-23	189 985	195 831	
42 159	Savanna Energy Services Corp.	7.000	25-May-18	42 864	43 775	
10 000	Sirius XM Canada Holdings Inc.	5.625	23-Apr-21	10 000	10 075	
65 000	Trilogy Energy Corp.	7.250	13-Dec-19	66 603	69 144	
33 590	Vermilion Energy Inc.	6.500	10-Feb-16	34 529	34 735	
13 240	Videotron Ltd. USD	6.375	15-Dec-15	13 546	14 158	
2 862	Videotron Ltd. USD	9.125	15-Apr-18	3 250	3 152	
59 499	Videotron Ltd.	7.125	15-Jan-20	64 458	64 162	
36 350	Videotron Ltd.	6.875	15-Jul-21	39 399	40 296	
28 820	Wajax Corp.	6.125	23-Oct-20	28 890	30 249	
52 270	Western Energy Services Corp.	7.875	30-Jan-19	52 968	55 439	
				1 246 018	1 303 792	39.5
FRANCE BONDS						
12 000	CGG S.A. USD	6.875	15-Jan-22	13 241	12 832	
				13 241	12 832	0.4
LUXEMBOURG BONDS						
47 125	Intelsat Jackson Holdings S.A. USD	7.250	01-Apr-19	54 866	53 661	
93 914	Intelsat Jackson Holdings S.A. USD	7.250	15-Oct-20	107 601	108 192	
54 000	Intelsat Jackson Holdings S.A. USD	7.500	01-Apr-21	65 456	63 362	
				227 923	225 215	6.8
UNITED KINGDOM BONDS						
66 813	Virgin Media Finance Plc. USD	8.375	15-Oct-19	79 704	75 546	
				79 704	75 546	2.3

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED STATES BONDS						
131 409	CCO Holdings LLC	7.000	15-Jan-19	\$ 144 610	\$ 148 234	
107 058	CCO Holdings LLC	8.125	30-Apr-20	124 303	123 906	
70 000	CCO Holdings LLC	7.375	01-Jun-20	79 553	81 576	
22 596	CDW LLC	8.500	01-Apr-19	27 549	26 212	
28 000	Chrysler Group LLC	8.000	15-Jun-19	33 637	32 593	
18 000	Chrysler Group LLC	8.250	15-Jun-21	22 073	21 793	
66 158	EP Energy LLC	6.875	01-May-19	72 468	75 422	
128 770	HCA Holdings Inc.	7.750	15-May-21	156 297	150 923	
3 450	HCA Inc.	7.250	15-Sep-20	4 157	3 947	
8 000	Hot Topic Inc.	9.250	15-Jun-21	8 144	9 515	
108 860	Merrill Lynch & Co. Inc. CAD	5.290	30-May-22	106 350	115 120	
16 623	Oshkosh Corp.	8.500	01-Mar-20	20 237	19 239	
32 100	QVC Inc.	7.375	15-Oct-20	36 223	36 765	
105 619	Reynolds Group Issuer Inc.	7.125	15-Apr-19	117 095	118 297	
67 558	Reynolds Group Issuer Inc.	7.875	15-Aug-19	80 512	78 820	
78 620	Reynolds Group Issuer Inc.	6.875	15-Feb-21	86 317	90 919	
27 000	Sabine Pass LNG LP	6.500	01-Nov-20	27 084	31 321	
4 967	T-Mobile USA Inc.	6.464	28-Apr-19	5 745	5 590	
3 000	T-Mobile USA Inc.	6.542	28-Apr-20	3 118	3 468	
24 000	T-Mobile USA Inc.	6.250	01-Apr-21	24 873	27 297	
20 000	T-Mobile USA Inc.	6.633	28-Apr-21	20 996	23 174	
10 000	T-Mobile USA Inc.	6.731	28-Apr-22	11 727	11 547	
110 074	T-Mobile USA Inc.	6.625	01-Apr-23	115 618	127 983	
46 500	The Goldman Sachs Group Inc. CAD	5.200	19-Apr-22	44 716	48 542	
35 000	The Howard Hughes Corp.	6.875	01-Oct-21	36 061	40 135	
15 000	Time Inc.	5.750	15-Apr-22	16 434	16 201	
3 254	Wells Enterprises Inc.	6.750	01-Feb-20	3 202	3 658	
				1 429 099	1 472 197	44.7
TOTAL BONDS				2 995 985	3 089 582	93.7
SHORT-TERM INVESTMENTS*				102 152	102 152	3.1
TOTAL INVESTMENTS				3 098 137	3 191 734	96.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	41 598	1.3
TOTAL PORTFOLIO				\$ 3 098 137	3 233 332	98.1
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					62 446	1.9
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 3 295 778	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.10% to 1.42% and mature between July 2, 2014 and December 5, 2014.

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2014

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 182 158 Sold USD 165 000 @ 1.1040	22-Jul-14	\$ 6 059
Bought CAD 22 100 Sold USD 20 000 @ 1.1050	22-Jul-14	755
Bought CAD 131 864 Sold USD 120 000 @ 1.0989	06-Aug-14	3 742
Bought CAD 185 235 Sold USD 170 000 @ 1.0896	20-Aug-14	3 671
Bought CAD 251 344 Sold USD 230 000 @ 1.0928	21-Aug-14	5 693
Bought CAD 130 637 Sold USD 120 000 @ 1.0886	29-Aug-14	2 447
Bought CAD 262 174 Sold USD 240 000 @ 1.0924	03-Sep-14	5 764
Bought CAD 240 760 Sold USD 220 000 @ 1.0944	04-Sep-14	5 713
Bought CAD 71 071 Sold USD 65 000 @ 1.0934	10-Sep-14	1 615
Bought CAD 240 549 Sold USD 220 000 @ 1.0934	11-Sep-14	5 462
Bought CAD 38 065 Sold USD 35 000 @ 1.0876	17-Sep-14	660
Bought CAD 53 470 Sold USD 50 000 @ 1.0694	30-Sep-14	17

TOTAL FOREIGN EXCHANGE		\$ 41 598
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All counterparties have a credit rating of at least A.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 3 191 734	\$ 3 224 436	\$ 3 168 677
Cash	61 069	33 704	84 150
Due from investment dealers	5 440	–	7 595
Subscriptions receivable	11 958	1 893	1 517
Unrealized gain on foreign exchange contracts	41 598	1 991	4 660
Dividends receivable, interest accrued and other assets	42 794	40 950	40 363
TOTAL ASSETS	3 354 593	3 302 974	3 306 962
LIABILITIES			
Due to investment dealers	42 256	–	–
Redemptions payable	15 282	1 547	2 119
Unrealized loss on foreign exchange contracts	–	11 043	2 320
Distributions payable	69	–	–
Accounts payable and accrued expenses	1 208	1 263	1 470
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	58 815	13 853	5 909
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 3 295 778	\$ 3 289 121	\$ 3 301 053
Investments at cost	\$ 3 098 137	\$ 3 119 153	\$ 3 058 217
NAV, END OF PERIOD			
SERIES C	\$ 382 700	\$ 404 326	\$ 468 240
ADVISOR SERIES	\$ 13 416	\$ 13 651	\$ 14 352
SERIES D	\$ 689 575	\$ 665 058	\$ 773 936
SERIES F	\$ 259 081	\$ 266 739	\$ 335 285
SERIES O	\$ 1 951 006	\$ 1 939 347	\$ 1 709 240
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 12.40	\$ 12.18	\$ 12.22
ADVISOR SERIES	\$ 12.40	\$ 12.18	\$ 12.22
SERIES D	\$ 12.27	\$ 12.06	\$ 12.11
SERIES F	\$ 12.34	\$ 12.12	\$ 12.17
SERIES O	\$ 11.85	\$ 11.64	\$ 11.69

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 107 366	\$ 101 887
Net realized gain (loss) on investments	52 523	54 160
Net gain (loss) on foreign currencies and other net assets	(44 861)	(33 931)
Change in unrealized gain (loss) on investments	38 964	(73 067)
TOTAL INCOME (LOSS)	153 992	49 049
EXPENSES (see notes – Fund Specific Information)		
Management fees	6 049	6 919
Administration fees	629	649
Board of Governors costs	1	2
GST/HST	659	820
Withholding tax	149	–
TOTAL EXPENSES	7 487	8 390
INCREASE (DECREASE) IN NAV	\$ 146 505	\$ 40 659
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 15 402	\$ 3 691
ADVISOR SERIES	\$ 534	\$ 104
SERIES D	\$ 28 415	\$ 8 172
SERIES F	\$ 10 966	\$ 3 724
SERIES O	\$ 91 188	\$ 24 968
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.48	\$ 0.08
ADVISOR SERIES	\$ 0.48	\$ 0.08
SERIES D	\$ 0.51	\$ 0.12
SERIES F	\$ 0.52	\$ 0.13
SERIES O	\$ 0.55	\$ 0.17

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 146 505	\$ 40 659
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(52 523)	(54 160)
Change in unrealized loss (gain) on investments	(38 964)	73 067
(Increase) decrease in accrued receivables	(17 349)	390
Increase (decrease) in accrued payables	56 005	8 846
Cost of investments purchased	(3 046 656)	(5 830 637)
Proceeds on sales of investments	3 120 195	5 793 328
NET CASH PROVIDED BY OPERATING ACTIVITIES	167 213	31 493
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	246 449	378 213
Cash paid on redemption of redeemable units	(361 686)	(457 697)
Distributions paid to holders of redeemable units	(24 611)	(23 419)
NET CASH USED IN FINANCING ACTIVITIES	\$ (139 848)	\$ (102 903)
Net increase (decrease) in cash for the year	27 365	(71 410)
Cash (bank overdraft), beginning of period	33 704	84 150
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 61 069	\$ 12 740
Interest received	\$ 105 522	\$ 101 161
Dividends received, net of withholding taxes	\$ (149)	\$ –

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 404 326	\$ 468 240	\$ 13 651	\$ 14 352	\$ 665 058	\$ 773 936	\$ 266 739	\$ 335 285
INCREASE (DECREASE) IN NAV	15 402	3 691	534	104	28 415	8 172	10 966	3 724
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	14 382	24 239	700	1 941	50 333	67 836	17 534	17 745
Reinvestments of distributions to holders of redeemable units	6 825	8 248	178	200	15 283	16 032	4 636	5 685
Redemption of redeemable units	(50 124)	(49 568)	(1 363)	(1 337)	(52 795)	(155 141)	(34 499)	(66 634)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(28 917)	(17 081)	(485)	804	12 821	(71 273)	(12 329)	(43 204)
Distributions from net income	(8 111)	(9 662)	(284)	(317)	(16 719)	(17 790)	(6 295)	(7 580)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(8 111)	(9 662)	(284)	(317)	(16 719)	(17 790)	(6 295)	(7 580)
NET INCREASE (DECREASE) IN NAV	(21 626)	(23 052)	(235)	591	24 517	(80 891)	(7 658)	(47 060)
NAV AT END OF PERIOD	\$ 382 700	\$ 445 188	\$ 13 416	\$ 14 943	\$ 689 575	\$ 693 045	\$ 259 081	\$ 288 225

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 939 347	\$ 1 709 240	\$ 3 289 121	\$ 3 301 053
INCREASE (DECREASE) IN NAV	91 188	24 968	146 505	40 659
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	163 500	266 452	246 449	378 213
Reinvestments of distributions to holders of redeemable units	36 420	33 290	63 342	63 455
Redemption of redeemable units	(222 905)	(185 017)	(361 686)	(457 697)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(22 985)	114 725	(51 895)	(16 029)
Distributions from net income	(56 544)	(51 525)	(87 953)	(86 874)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(56 544)	(51 525)	(87 953)	(86 874)
NET INCREASE (DECREASE) IN NAV	11 659	88 168	6 657	(62 244)
NAV AT END OF PERIOD	\$ 1 951 006	\$ 1 797 408	\$ 3 295 778	\$ 3 238 809

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2014

The Fund was closed to new investors effective November 26, 2010. Existing investors who hold units of the Fund can continue to make additional investments into the Fund. In addition, RBC GAM may maintain capacity for certain investors, including other related funds, that may invest in the Fund.

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with a high level of income and the opportunity for capital appreciation by investing primarily in medium quality Canadian and/or foreign corporate bonds, convertible bonds, preferred shares and government bonds issued or traded in Canadian and U.S. dollars.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AA	1.2	–	–
A	2.4	2.5	9.2
BBB	5.5	11.1	24.5
BB	22.5	32.7	26.4
B	67.7	52.9	32.1
Unrated*	0.7	0.8	7.8
Total	100.0	100.0	100.0

* Unrated represents primarily income trusts which are not covered by rating agencies.

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	0.4	0.9	8.2
1 – 5 years	34.8	26.3	46.1
5 – 10 years	62.4	69.3	38.3
> 10 years	2.4	3.5	7.4
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.5% (December 31, 2013 – 3.5%, January 1, 2013 – 3.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

Currency risk

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 089 582	–	3 089 582
Short-term investments	–	102 152	–	102 152
Derivatives – assets	–	41 598	–	41 598
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	3 233 332	–	3 233 332
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 998 602	–	2 998 602
Short-term investments	–	225 834	–	225 834
Derivatives – assets	–	1 991	–	1 991
Derivatives – liabilities	–	(11 043)	–	(11 043)
Total financial instruments	–	3 215 384	–	3 215 384
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	3 112 297	–	3 112 297
Short-term investments	–	56 380	–	56 380
Derivatives – assets	–	4 660	–	4 660
Derivatives – liabilities	–	(2 320)	–	(2 320)
Total financial instruments	–	3 171 017	–	3 171 017
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

Investment Management®

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.25%
Advisor Series	1.25%
Series D	0.75%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.05%
Advisor Series	0.05%
Series D	0.05%
Series F	0.05%
Series O	0.03%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	51	50
Advisor Series	101	99
Series D	52	51
Series F	52	51
Value of all units	3	3

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	33 203	38 311
Issued number of units	1 163	1 967
Reinvested number of units	552	678
Redeemed number of units	(4 050)	(4 022)
Ending number of units	30 868	36 934
Advisor Series		
Opening units	1 121	1 174
Issued number of units	57	158
Reinvested number of units	14	16
Redeemed number of units	(110)	(108)
Ending number of units	1 082	1 240
Series D		
Opening units	55 152	63 913
Issued number of units	4 109	5 552
Reinvested number of units	1 249	1 331
Redeemed number of units	(4 307)	(12 722)
Ending number of units	56 203	58 074
Series F		
Opening units	22 003	27 545
Issued number of units	1 424	1 445
Reinvested number of units	377	469
Redeemed number of units	(2 801)	(5 434)
Ending number of units	21 003	24 025
Series O		
Opening units	166 580	146 173
Issued number of units	13 809	22 584
Reinvested number of units	3 084	2 864
Redeemed number of units	(18 757)	(15 631)
Ending number of units	164 716	155 990

Please see the generic notes at the back of the financial statements.

June 30, 2014

**Investments by other related Investment Funds
(000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
RBC Select Choices Balanced Portfolio	1 194	1 152
RBC Select Choices Growth Portfolio	924	884
Phillips, Hager & North Total Return Bond Fund	7 273	9 555
Phillips, Hager & North PRisM Balanced Fund	3 019	2 624
Phillips, Hager & North Enhanced Total Return Bond Fund	2 875	2 918
Phillips, Hager & North Monthly Income Fund	10 278	9 967
Phillips, Hager & North LifeTime 2015 Fund	35	27
Phillips, Hager & North LifeTime 2020 Fund	50	40
Phillips, Hager & North LifeTime 2025 Fund	77	59
Phillips, Hager & North LifeTime 2030 Fund	91	69
Phillips, Hager & North LifeTime 2035 Fund	102	75
Phillips, Hager & North LifeTime 2040 Fund	77	52
Phillips, Hager & North LifeTime 2045 Fund	91	58
Phillips, Hager & North Total Return Bond Trust	526	838
Total	26 612	28 318

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 228 391	3 291 222
Revaluation of investments at FVTPL	10 418	9 831
Net assets attributable to holders of redeemable units	3 238 809	3 301 053
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		40 072
Revaluation of investments at FVTPL (see note 3 in the generic notes)		587
Increase (decrease) in net assets attributable to holders of redeemable units		40 659

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH SHORT INFLATION-LINKED BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
1 147	Government of Canada	4.250	01-Dec-21	\$ 1 523	\$ 1 516	
TOTAL INVESTMENTS				<u>\$ 1 523</u>	1 516	99.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					11	0.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 1 527</u>	100.0

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<small>(see note 2 and note 8 in the generic notes)</small>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 1 516	\$ 825	\$ 458
Cash	18	7	23
Subscriptions receivable	6	2	3
Dividends receivable, interest accrued and other assets	5	3	1
TOTAL ASSETS	1 545	837	485
LIABILITIES			
Due to investment dealers	18	–	17
Redemptions payable	–	1	–
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	18	1	17
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 527	\$ 836	\$ 468
Investments at cost	\$ 1 523	\$ 885	\$ 448
NAV, END OF PERIOD			
SERIES 0	\$ 1 527	\$ 836	\$ 468
NAV PER UNIT, END OF PERIOD			
SERIES 0	\$ 10.45	\$ 9.74	\$ 10.72

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ (52)	\$ 14
Net realized gain (loss) on investments	85	–
Change in unrealized gain (loss) on investments	53	(52)
TOTAL INCOME (LOSS)	86	(38)
EXPENSES (see notes – Fund Specific Information)		
Board of Governors costs	–	2
Expenses reimbursed by manager	–	(2)
TOTAL EXPENSES	–	–
INCREASE (DECREASE) IN NAV	\$ 86	\$ (38)
INCREASE (DECREASE) IN NAV		
SERIES 0	\$ 86	\$ (38)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES 0	\$ 0.64	\$ (0.58)

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 86	\$ (38)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(85)	–
Change in unrealized loss (gain) on investments	(53)	52
(Increase) decrease in accrued receivables	(6)	(2)
Increase (decrease) in accrued payables	17	(15)
Cost of investments purchased	(777)	(373)
Proceeds on sales of investments	224	12
NET CASH PROVIDED BY OPERATING ACTIVITIES	(594)	(364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	761	380
Cash paid on redemption of redeemable units	(156)	(34)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 605	\$ 346
Net increase (decrease) in cash for the year	11	(18)
Cash (bank overdraft), beginning of period	7	23
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 18	\$ 5
Interest received	\$ (54)	\$ 13
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series 0	
	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 836	\$ 468
INCREASE (DECREASE) IN NAV	86	(38)
Early redemption fees	—	—
Proceeds from redeemable units issued	761	380
Reinvestments of distributions to holders of redeemable units	—	—
Redemption of redeemable units	(156)	(34)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	605	346
Distributions from net income	—	—
Distributions from net gains	—	—
Distributions from capital	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—
NET INCREASE (DECREASE) IN NAV	691	308
NAV AT END OF PERIOD	\$ 1 527	\$ 776

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide interest income that is hedged against inflation by investing in shorter-term real return bonds and inflation-linked bonds issued by Canadian and foreign governments and corporations.

Financial instrument risk and capital management (see note 4 in the generic notes)
Credit risk (%)

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	100.0	100.0	100.0
Total	100.0	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	–
1 – 5 years	–	–	–
5 – 10 years	100.0	100.0	100.0
> 10 years	–	–	–
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.5% (December 31, 2013 – 6.8%, January 1, 2013 – 7.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	1 516	–	1 516
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 516	–	1 516
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	825	–	825
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	825	–	825
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	458	–	458
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	458	–	458
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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PHILLIPS, HAGER & NORTH
SHORT INFLATION-LINKED BOND FUND

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series 0	16 799	16 799
Value of all units	176	164

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	1
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series 0		
Opening units	86	44
Issued number of units	76	35
Reinvested number of units	–	–
Redeemed number of units	(16)	(3)
Ending number of units	146	76

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
Phillips, Hager & North LifeTime 2015 Fund	101	46
Phillips, Hager & North LifeTime 2020 Fund	28	23
Total	129	69

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	776	468
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	776	468
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(38)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		(38)

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LONG INFLATION-LINKED BOND FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
FEDERAL						
22 978	Government of Canada	1.500	01-Dec-44	\$ 27 261	\$ 27 138	99.6
SHORT-TERM INVESTMENTS*						
				50	50	0.2
TOTAL INVESTMENTS				<u>\$ 27 311</u>	<u>27 188</u>	<u>99.8</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					71	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					<u>\$ 27 259</u>	<u>100.0</u>

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.85% and mature on July 3, 2014.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 27 188	\$ 18 726	\$ 9 318
Cash	15	34	30
Subscriptions receivable	354	296	213
Dividends receivable, interest accrued and other assets	28	23	8
TOTAL ASSETS	27 585	19 079	9 569
LIABILITIES			
Due to investment dealers	318	–	352
Redemptions payable	7	30	11
Accounts payable and accrued expenses	1	–	–
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	326	30	363
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 27 259	\$ 19 049	\$ 9 206
Investments at cost	\$ 27 311	\$ 21 306	\$ 8 877
NAV, END OF PERIOD			
SERIES 0	\$ 27 259	\$ 19 049	\$ 9 206
NAV PER UNIT, END OF PERIOD			
SERIES 0	\$ 11.32	\$ 9.91	\$ 12.31

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 523	\$ 126
Net realized gain (loss) on investments	(9)	1
Change in unrealized gain (loss) on investments	2 457	(2 231)
TOTAL INCOME (LOSS)	2 971	(2 104)
EXPENSES (see notes – Fund Specific Information)		
Administration fees	1	1
Board of Governors costs	–	2
Expenses reimbursed by manager	–	(2)
TOTAL EXPENSES	1	1
INCREASE (DECREASE) IN NAV	\$ 2 970	\$ (2 105)
INCREASE (DECREASE) IN NAV		
SERIES O	\$ 2 970	\$ (2 105)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES O	\$ 1.34	\$ (2.00)

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30

(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 2 970	\$ (2 105)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	9	(1)
Change in unrealized loss (gain) on investments	(2 457)	2 231
(Increase) decrease in accrued receivables	(63)	(67)
Increase (decrease) in accrued payables	296	(221)
Cost of investments purchased	(9 620)	(12 522)
Proceeds on sales of investments	3 606	5 341
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 259)	(7 344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	7 388	7 949
Cash paid on redemption of redeemable units	(2 148)	(573)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 5 240	\$ 7 376
Net increase (decrease) in cash for the year	(19)	32
Cash (bank overdraft), beginning of period	34	30
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 15	\$ 62
Interest received	\$ 517	\$ 118
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series 0	
	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 19 049	\$ 9 206
INCREASE (DECREASE) IN NAV	2 970	(2 105)
Early redemption fees	–	–
Proceeds from redeemable units issued	7 388	7 949
Reinvestments of distributions to holders of redeemable units	–	3
Redemption of redeemable units	(2 148)	(573)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	5 240	7 379
Distributions from net income	–	(3)
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	(3)
NET INCREASE (DECREASE) IN NAV	8 210	5 271
NAV AT END OF PERIOD	\$ 27 259	\$ 14 477

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide interest income that is hedged against inflation by investing primarily in longer-term real-return bonds and inflation-linked bonds issued by Canadian and foreign governments and corporations.

Financial instrument risk and capital management (see note 4 in the generic notes)
Credit risk (%)

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	100.0	100.0	100.0
Total	100.0	100.0	100.0

Interest rate risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	2.3
1 – 5 years	–	–	–
5 – 10 years	–	–	–
> 10 years	100.0	100.0	97.7
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 24.5% (December 31, 2013 – 24.0%, January 1, 2013 – 25.8%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	27 138	–	27 138
Short-term investments	–	50	–	50
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	27 188	–	27 188
% of total portfolio	–	100.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	18 676	–	18 676
Short-term investments	–	50	–	50
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	18 726	–	18 726
% of total portfolio	–	100.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	9 118	–	9 118
Short-term investments	–	200	–	200
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	9 318	–	9 318
% of total portfolio	–	100.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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PHILLIPS, HAGER & NORTH
LONG INFLATION-LINKED BOND FUND

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series 0	16 101	16 101
Value of all units	182	160

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	1
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series 0		
Opening units	1 921	747
Issued number of units	690	680
Reinvested number of units	–	–
Redeemed number of units	(204)	(49)
Ending number of units	2 407	1 378

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
Phillips, Hager & North LifeTime 2015 Fund	94	106
Phillips, Hager & North LifeTime 2020 Fund	295	272
Phillips, Hager & North LifeTime 2025 Fund	445	356
Phillips, Hager & North LifeTime 2030 Fund	392	318
Phillips, Hager & North LifeTime 2035 Fund	442	344
Phillips, Hager & North LifeTime 2040 Fund	334	238
Phillips, Hager & North LifeTime 2045 Fund	388	271
Total	2 390	1 905

Please see the generic notes at the back of the financial statements.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	14 454	9 192
Revaluation of investments at FVTPL	23	14
Net assets attributable to holders of redeemable units	14 477	9 206
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(2 114)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		9
Increase (decrease) in net assets attributable to holders of redeemable units		(2 105)

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES					PREFERRED EQUITIES (cont.)				
16 400	Bank of Montreal, Preferred Series 13, 4.500%	\$ 423	\$ 424		95 900	Enbridge Inc., Preferred Series 11, 4.400%	\$ 2 398	\$ 2 421	
211 900	Bank of Montreal, Preferred Series 14, 5.250%	5 524	5 530		75 300	Enbridge Inc., Preferred Series B, 4.000%	1 865	1 875	
215 100	Bank of Montreal, Preferred Series 15, 5.800%	5 612	5 720		79 400	Enbridge Inc., Preferred Series D, 4.000%	1 964	1 973	
45 200	Bank of Montreal, Preferred Series 16, 5.200%	1 125	1 141		92 900	Enbridge Inc., Preferred Series F, 4.000%	2 316	2 318	
43 100	Bank of Montreal, Preferred Series 23, 5.400%	1 105	1 107		132 500	Enbridge Inc., Preferred Series H, 4.000%	3 162	3 167	
231 400	Bank of Montreal, Preferred Series 27, 4.000%	5 785	5 880		4 900	Enbridge Inc., Preferred Series N, 4.000%	123	123	
131 600	Bank of Nova Scotia, Preferred Series 14, 4.500%	3 269	3 385		24 000	Enbridge Inc., Preferred Series P, 4.000%	589	591	
231 600	Bank of Nova Scotia, Preferred Series 15, 4.500%	5 924	5 971		153 700	Enbridge Inc., Preferred Series R, 4.000%	3 729	3 793	
60 600	Bank of Nova Scotia, Preferred Series 16, 5.250%	1 553	1 580		11 400	Fortis Inc., Preferred Series E, 4.900%	295	297	
108 500	Bank of Nova Scotia, Preferred Series 17, 5.600%	2 827	2 823		25 000	Fortis Inc., Preferred Series G, 5.250%	618	623	
191 300	Bank of Nova Scotia, Preferred Series 18, 5.000%	4 807	4 828		45 800	Fortis Inc., Preferred Series H, 4.900%	977	983	
77 000	Bank of Nova Scotia, Preferred Series 20, 5.000%	1 937	1 948		96 200	Fortis Inc., Preferred Series J, 4.750%	2 299	2 311	
130 700	Bank of Nova Scotia, Preferred Series 22, 5.000%	3 315	3 326		123 700	Great-West Lifeco Inc., Preferred Series G, 5.200%	2 834	3 099	
40 000	Brookfield Asset Management Inc., Preferred Series 2, 2.100%	699	702		96 800	Great-West Lifeco Inc., Preferred Series M, 5.800%	2 441	2 551	
44 300	Brookfield Asset Management Inc., Preferred Series 22, 7.000%	1 120	1 121		156 200	Great-West Lifeco Inc., Preferred Series N, 3.650%	3 376	3 369	
65 000	Brookfield Asset Management Inc., Preferred Series 32, 4.500%	1 633	1 693		72 600	Great-West Lifeco Inc., Preferred Series P, 5.400%	1 815	1 851	
48 300	Brookfield Asset Management Inc., Preferred Series 37, 4.900%	910	1 059		21 700	Great-West Lifeco Inc., Preferred Series Q, 5.150%	536	544	
127 000	Brookfield Asset Management Inc., Preferred Series 40, 4.500%	3 175	3 226		44 900	Great-West Lifeco Inc., Preferred Series S, 5.250%	1 123	1 138	
71 400	Canadian Imperial Bank of Commerce, Preferred Series 29, 5.400%	1 707	1 821		56 200	Manulife Financial Corporation, Preferred Series 2, 4.650%	1 316	1 318	
156 100	Canadian Imperial Bank of Commerce, Preferred Series 39, 3.900%	3 902	3 956		18 600	National Bank of Canada, Preferred Series 28, 3.800%	464	481	
113 200	Canadian Utilities Ltd., Preferred Series CC, 4.500%	2 515	2 537		6 500	Power Corp of Canada, Preferred Series B, 5.350%	145	163	
207 700	Canadian Utilities Ltd., Preferred Series DD, 4.500%	4 629	4 650		19 000	Power Financial Corp., Preferred Series T, 4.200%	475	493	
15 600	CU Inc., Preferred Series 4, 3.800%	338	342		108 900	Royal Bank of Canada, Preferred Series AA, 4.450%*	2 691	2 785	
279 300	Enbridge Inc., Preferred Series 3, 4.000%	6 795	6 801		25 000	Royal Bank of Canada, Preferred Series AB, 4.700%*	611	641	
41 600	Enbridge Inc., Preferred Series 7, 4.400 %	1 040	1 053		140 100	Royal Bank of Canada, Preferred Series AC, 4.600%*	3 394	3 594	
					36 000	Royal Bank of Canada, Preferred Series AD, 4.500%*	862	923	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
PREFERRED EQUITIES (cont.)				
5 000	Royal Bank of Canada, Preferred Series AF, 4.450%*	\$ 115	\$ 129	
40 000	Royal Bank of Canada, Preferred Series AG, 4.500%*	1 009	1 029	
146 100	Royal Bank of Canada, Preferred Series AJ, 5.000%*	3 682	3 711	
85 000	Royal Bank of Canada, Preferred Series AV, 6.250%*	2 152	2 157	
146 600	Royal Bank of Canada, Preferred Series AX, 6.100%*	3 756	3 768	
68 100	Sun Life Financial Inc., Preferred Series 1, 4.750%	1 517	1 654	
58 900	Sun Life Financial Inc., Preferred Series 4, 4.450%	1 251	1 339	
92 300	Sun Life Financial Inc., Preferred Series 5, 4.450%	1 950	2 099	
51 100	Sun Life Financial Inc., Preferred Series 5, 4.500%	1 076	1 174	
233 200	Toronto-Dominion Bank, Preferred Series 1, 3.900%	5 830	5 914	
91 500	Toronto-Dominion Bank, Preferred Series P, 5.250%	2 394	2 409	
153 100	Toronto-Dominion Bank, Preferred Series Q, 5.600%	4 041	4 037	
30 000	Toronto-Dominion Bank, Preferred Series R, 5.600%	795	794	
134 400	Toronto-Dominion Bank, Preferred Series S, 5.000%	3 355	3 390	
91 100	Toronto-Dominion Bank, Preferred Series Y, 5.100%	2 290	2 327	
95 300	TransCanada Corp., Preferred Series 1, 4.600%	2 210	2 215	
227 700	TransCanada Corp., Preferred Series 3, 4.000%	4 576	4 705	
78 900	TransCanada Corp., Preferred Series 5, 4.400%	1 767	1 782	
88 200	TransCanada Corp., Preferred Series 7, 4.000%	2 208	2 226	
262 200	TransCanada Corp., Preferred Series 9, 4.250%	6 555	6 639	
TOTAL PREFERRED EQUITIES		166 616	169 547	4.9
COMMON EQUITIES				
Consumer Discretionary				
836 400	Cineplex Inc.	30 939	34 669	
518 300	Gildan Activewear Inc., Class A	27 047	32 586	
145 100	Linamar Corp.	3 978	9 134	
663 500	Shaw Communications Inc., Class B	17 154	18 153	
597 900	Thomson Corp.	22 838	23 228	
294 900	Tim Hortons Inc.	17 210	17 213	
		119 166	134 983	3.9
Consumer Staples				
1 409 500	Alimentation Couche-Tard Inc.	33 700	41 200	
679 300	Empire Co. Ltd., Class A	48 077	49 290	
567 600	Loblaw Companies Ltd.	25 993	27 029	
		107 770	117 519	3.4

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy				
1 596 150	ARC Resources Ltd.	\$ 44 071	\$ 51 859	
471 800	Calfrac Well Services Ltd.	7 019	9 412	
1 078 100	Cameco Corp.	22 457	22 565	
387 300	Canadian Natural Resources Ltd.	12 763	18 989	
528 500	Cenovus Energy Inc.	15 941	18 281	
567 100	Crescent Point Energy Corp.	23 907	26 818	
1 431 980	Enbridge Inc.	65 043	72 501	
239 500	Encana Corp.	4 573	6 055	
236 400	Keyera Corp.	17 435	18 583	
225 300	Payto Exploration & Development Corp.	6 937	9 082	
717 400	PrairieSky Royalty Ltd.	21 270	27 835	
704 300	Suncor Energy Inc.	25 611	32 046	
2 772 500	Talisman Energy Inc.	31 136	31 274	
228 300	Tourmaline Oil Corp.	9 678	12 844	
700 100	TransCanada Corp.	32 830	35 656	
921 200	Trilogy Energy Corp.	26 582	26 899	
704 600	Trinidad Drilling Ltd.	6 753	8 533	
157 000	Vermilion Energy Inc.	8 634	11 657	
		382 640	440 889	12.7
Financials				
767 000	Bank of Montreal	57 962	60 271	
1 345 400	Bank of Nova Scotia	79 717	95 712	
368 200	Brookfield Asset Management Inc., Class A	14 949	17 309	
186 870	Canadian Real Estate Investment Trust	7 932	8 594	
551 900	CI Financial Corp.	17 911	19 344	
1 036 400	Cominar Real Estate Investment Trust	19 077	19 536	
2 287 571	Crombie Real Estate Investment Trust	29 919	30 745	
1 064 000	Industrial Alliance Insurance & Financial Services Inc.	43 827	49 753	
2 794 200	Manulife Financial Corporation	55 448	59 265	
678 100	National Bank of Canada	29 819	30 691	
2 201 700	Power Corporation of Canada	62 949	65 280	
7 075 300	Pure Industrial Real Estate Investment Trust	31 843	32 405	
1 835 710	Royal Bank of Canada*	117 083	140 028	
755 100	Sun Life Financial Inc.	28 005	29 615	
2 125 100	Toronto-Dominion Bank	95 348	116 732	
		691 789	775 280	22.3
Industrials				
208 900	Canadian National Railway Co.	10 230	14 498	
350 600	SNC-Lavalin Group Inc.	17 972	19 676	
857 900	Toromont Industries Ltd.	20 486	22 571	
1 048 500	TransForce Inc.	22 677	25 762	
		71 365	82 507	2.4
Information Technology				
471 900	CGI Group Inc., Class A	16 341	17 847	
351 400	Open Text Corp.	17 925	17 992	
		34 266	35 839	1.0

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
488 500	Agnico Eagle Mines Ltd.	\$ 15 429	\$ 19 960	
236 000	Agrium Inc.	23 128	23 069	
856 800	Barrick Gold Corp.	15 938	16 742	
2 433 900	Eldorado Gold Corp.	15 694	19 861	
659 100	Goldcorp Inc.	17 809	19 628	
		87 998	99 260	2.9
Telecommunication Services				
453 880	Rogers Communications Inc., Class B	19 440	19 490	
462 600	TELUS Corp.	15 862	18 398	
		35 302	37 888	1.1
Utilities				
624 750	Algonquin Power & Utilities Corp.	4 385	5 142	
424 250	Brookfield Infrastructure Partners LP	16 549	18 892	
323 210	Brookfield Renewable Energy Partners LP	9 404	10 194	
517 900	Canadian Utilities Ltd., Class A	19 717	20 716	
684 600	Fortis Inc.	20 980	22 229	
539 300	Pattern Energy Group Inc.	15 896	19 080	
		86 931	96 253	2.8
TOTAL COMMON EQUITIES		1 617 227	1 820 418	52.5

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
10 278 360	Phillips, Hager & North High Yield Bond Fund*	\$ 119 834	\$ 121 748	
18 699 858	RBC High Yield Bond Fund*	199 597	205 809	
TOTAL MUTUAL FUND UNITS		319 431	327 557	9.4

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
AUSTRALIAN BONDS						
1 895	Brookfield Infrastructure Finance Pty Ltd. CAD	3.455	10-Oct-17	\$ 1 895	\$ 1 955	
TOTAL AUSTRALIAN BONDS				1 895	1 955	0.1
CANADIAN BONDS						
CORPORATE						
355	407 International Inc.	3.880	16-Jun-15	364	364	
1 250	407 International Inc.	3.870	24-Nov-17	1 323	1 324	
560	407 International Inc.	3.350	16-May-24	560	567	
105	407 International Inc.	4.450	15-Nov-41	108	111	
310	407 International Inc.	4.680	07-Oct-53	310	341	
131	Access Justice Durham Ltd.	5.015	31-Aug-39	144	145	
3 015	Alliance Pipeline LP	7.181	30-Jun-23	3 607	3 611	
759	Alliance Pipeline LP	5.546	31-Dec-23	842	842	
2 903	Alliance Pipeline LP	6.765	31-Dec-25	3 452	3 457	
1 865	Alliance Pipeline LP	7.217	31-Dec-25	2 264	2 267	
580	AltaGas Ltd.	4.400	15-Mar-24	580	616	
1 650	AltaLink Investments LP	5.207	16-Dec-16	1 763	1 772	
1 917	AltaLink Investments LP	3.674	05-Jun-19	1 922	2 015	
1 530	AltaLink Investments LP	3.265	05-Jun-20	1 533	1 566	
1 200	AltaLink LP	3.621	17-Sep-20	1 200	1 273	
3 280	AltaLink LP	3.668	06-Nov-23	3 270	3 419	
1 280	AltaLink LP	5.381	26-Mar-40	1 533	1 538	
13 840	Bank of Montreal	3.490	10-Jun-16	14 233	14 330	
810	Bank of Montreal	2.960	02-Aug-16	831	831	
2 765	Bank of Montreal	4.550	01-Aug-17	2 984	2 986	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 867	Bank of Montreal	2.240	11-Dec-17	\$ 1 883	\$ 1 884	
2 135	Bank of Montreal	4.870	22-Apr-20	2 192	2 192	
4 074	Bank of Nova Scotia	2.250	08-May-15	4 105	4 105	
3 500	Bank of Nova Scotia	3.610	22-Feb-16	3 616	3 617	
11 638	Bank of Nova Scotia	1.800	09-May-16	11 614	11 673	
11 525	Bank of Nova Scotia	2.100	08-Nov-16	11 526	11 620	
10 685	Bank of Nova Scotia	2.740	01-Dec-16	10 868	10 931	
6 089	Bank of Nova Scotia	4.100	08-Jun-17	6 395	6 484	
2 935	Bank of Nova Scotia	2.242	22-Mar-18	2 949	2 957	
1 805	Bank of Nova Scotia	2.873	04-Jun-21	1 805	1 820	
4 295	Bell Aliant Regional Communications LP	6.290	17-Feb-15	4 412	4 411	
745	Bell Aliant Regional Communications LP	1.798	22-Apr-16	745	745	
964	Bell Canada	4.400	16-Mar-18	1 033	1 040	
2 300	Bell Canada	3.250	17-Jun-20	2 298	2 362	
180	Bell Canada	3.350	22-Mar-23	179	179	
825	Bell Canada	4.700	11-Sep-23	847	900	
1 120	Bow Centre Street LP	3.693	14-Jun-22	1 115	1 116	
2 275	Bow Centre Street LP	3.797	13-Jun-23	2 275	2 286	
90	British Columbia Ferry Services Inc.	4.702	23-Oct-43	90	98	
1 235	Brookfield Asset Management Inc.	4.540	31-Mar-23	1 249	1 304	
1 630	Brookfield Asset Management Inc.	5.040	08-Mar-24	1 655	1 762	
3 870	Brookfield Asset Management Inc.	4.820	28-Jan-26	3 867	4 031	
1 530	Brookfield Asset Management Inc.	5.950	14-Jun-35	1 468	1 665	
750	Brookfield Renewable Power Inc.	6.132	30-Nov-16	800	820	
224	Caisse Centrale Desjardins	3.502	05-Oct-17	226	235	
2 765	Caisse Centrale Desjardins	2.795	19-Nov-18	2 765	2 828	
1 340	Cameco Corp.	5.670	02-Sep-19	1 504	1 514	
755	Cameco Corp.	3.750	14-Nov-22	757	760	
3 510	Cameco Corp.	4.190	24-Jun-24	3 509	3 552	
3 300	Canadian Credit Card Trust	1.596	24-Sep-15	3 300	3 304	
90	Canadian Imperial Bank of Commerce	3.100	02-Mar-15	91	91	
1 252	Canadian Imperial Bank of Commerce	3.400	14-Jan-16	1 281	1 288	
5 622	Canadian Imperial Bank of Commerce	1.750	01-Jun-16	5 615	5 635	
7 390	Canadian Imperial Bank of Commerce	2.650	08-Nov-16	7 508	7 544	
235	Canadian Utilities Ltd.	9.400	01-May-23	343	343	
4 560	Cards II Trust	1.984	15-Jan-16	4 585	4 591	
261	Cards II Trust	3.333	15-May-16	269	269	
1 750	Caterpillar Financial Services Ltd.	2.290	01-Jun-18	1 750	1 761	
1 005	Centre Street Trust	3.690	14-Jun-21	1 001	1 002	
1 390	Choice Properties LP	3.000	20-Apr-16	1 416	1 416	
1 080	Choice Properties LP	3.000	20-Apr-17	1 104	1 105	
1 635	Choice Properties LP	3.600	20-Apr-20	1 670	1 685	
1 655	Choice Properties LP	3.600	20-Sep-21	1 658	1 680	
995	Choice Properties LP	3.600	20-Sep-22	978	993	
1 775	Choice Properties Real Estate Investment Trust	3.498	08-Feb-21	1 775	1 807	
1 200	Choice Properties Real Estate Investment Trust	4.903	05-Jul-23	1 303	1 304	
625	Choice Properties Real Estate Investment Trust	4.293	08-Feb-24	625	646	
1 565	Crombie Real Estate Investment Trust	3.986	31-Oct-18	1 565	1 629	
805	Crombie Real Estate Investment Trust	3.962	01-Jun-21	808	821	
1 065	CU Inc.	6.145	22-Nov-17	1 211	1 211	
555	CU Inc.	9.920	01-Apr-22	806	806	
1 150	CU Inc.	6.215	06-Mar-24	1 362	1 430	
1 000	CU Inc.	5.896	20-Nov-34	1 247	1 250	
1 500	CU Inc.	5.556	30-Oct-37	1 820	1 824	
150	CU Inc.	5.580	26-May-38	171	184	
780	CU Inc.	6.500	07-Mar-39	1 065	1 069	
1 555	CU Inc.	4.558	07-Nov-53	1 580	1 677	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
1 060	Dollarama Inc.	1.808	16-May-17	\$ 1 060	\$ 1 060	
1 990	Dollarama Inc.	3.095	05-Nov-18	1 990	2 032	
2 211	Eagle Credit Card Trust	2.849	17-Oct-18	2 211	2 270	
500	Emera Inc.	4.100	20-Oct-14	504	504	
1 235	Emera Inc.	2.960	13-Dec-16	1 234	1 266	
5 500	Emera Inc.	4.830	02-Dec-19	6 037	6 047	
2 010	Enbridge Gas Distribution Inc.	1.850	24-Apr-17	2 010	2 017	
1 050	Enbridge Gas Distribution Inc.	4.040	23-Nov-20	1 113	1 142	
140	Enbridge Gas Distribution Inc.	6.160	16-Dec-33	180	181	
1 555	Enbridge Inc.	1.714	13-Mar-17	1 555	1 555	
1 310	Enbridge Inc.	4.770	02-Sep-19	1 448	1 453	
2 230	Enbridge Inc.	4.530	09-Mar-20	2 453	2 456	
4 001	Enbridge Inc.	4.260	01-Feb-21	4 027	4 343	
470	Enbridge Inc.	3.160	11-Mar-21	474	479	
4 700	Enbridge Inc.	3.190	05-Dec-22	4 671	4 715	
1 975	Enbridge Inc.	3.940	30-Jun-23	1 975	2 071	
1 350	Enbridge Inc.	5.120	28-Sep-40	1 394	1 510	
1 175	Enbridge Inc.	4.570	11-Mar-44	1 174	1 218	
905	Enbridge Income Fund Holdings Inc.	2.920	14-Dec-17	907	925	
1 935	Enbridge Pipelines Inc.	6.620	19-Nov-18	2 293	2 295	
555	Enbridge Pipelines Inc.	8.200	15-Feb-24	757	772	
840	Encana Corp.	5.800	18-Jan-18	942	945	
1 115	Enersource Corp.	4.521	29-Apr-21	1 129	1 230	
1 330	Enersource Corp.	5.297	29-Apr-41	1 551	1 555	
2 445	Enmax Corp.	6.150	19-Jun-18	2 750	2 752	
274	EPCOR Utilities Inc.	5.800	31-Jan-18	309	309	
1 070	First Capital Realty Inc.	4.790	30-Aug-24	1 094	1 137	
867	Gaz Metropolitan Inc.	5.450	12-Jul-21	1 014	1 015	
5 089	Genesis Trust II	2.295	15-Feb-17	5 089	5 157	
7 140	Genesis Trust II	2.433	15-May-19	7 140	7 196	
2 175	Granite Real Estate Investment Trust Holdings LP	3.788	05-Jul-21	2 177	2 194	
4 803	Hollis Receivables Term Trust II	2.235	26-Sep-16	4 803	4 858	
4 195	Hollis Receivables Term Trust II	2.434	26-Jun-19	4 195	4 213	
836	Horizon Holdings Inc.	3.033	25-Jul-22	832	833	
9 580	HSBC Bank Canada	2.572	23-Nov-15	9 676	9 715	
719	HSBC Bank Canada	2.901	13-Jan-17	725	738	
2 362	Hydro One Inc.	2.780	09-Oct-18	2 375	2 430	
4 745	Hydro One Inc.	6.350	31-Jan-34	6 179	6 197	
120	Hydro One Inc.	6.590	22-Apr-43	169	170	
3 080	Inter Pipeline Ltd.	1.758	30-May-17	3 080	3 081	
1 875	Inter Pipeline Ltd.	4.637	30-May-44	1 875	1 914	
2 050	John Deere Canada Funding Inc.	2.300	17-Jan-18	2 046	2 071	
1 200	John Deere Canada Funding Inc.	2.350	24-Jun-19	1 198	1 200	
2 165	Loblaw Companies Ltd.	5.220	18-Jun-20	2 342	2 441	
3 251	Loblaw Companies Ltd.	4.860	12-Sep-23	3 276	3 549	
900	Loblaw Companies Ltd.	6.050	09-Jun-34	991	1 045	
1 125	Lower Mattagami Energy LP	2.228	23-Oct-17	1 125	1 137	
835	Manitoba Telecom Services Inc.	4.000	27-May-24	834	845	
1 225	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-23	1 225	1 262	
3 424	Maritimes & Northeast Pipeline LP	6.900	30-Nov-19	3 857	3 858	
1 100	Molson Coors Capital Finance ULC	5.000	22-Sep-15	1 145	1 145	
350	National Bank of Canada	2.050	11-Jan-16	351	353	
250	National Bank of Canada	3.580	26-Apr-16	259	259	
1 821	North Battleford Power LP	4.958	31-Dec-32	1 821	1 977	
430	Nova Scotia Power Inc.	8.850	19-May-25	619	619	
1 780	OMERS Realty Corp.	2.971	05-Apr-21	1 780	1 809	
2 669	OMERS Realty Corp.	3.358	05-Jun-23	2 681	2 714	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
663	Ontrea Inc.	4.619	09-Apr-18	\$ 663	\$ 714	
345	Pembina Pipeline Corp.	4.890	29-Mar-21	385	385	
1 545	Pembina Pipeline Corp.	3.770	24-Oct-22	1 517	1 601	
1 565	Pembina Pipeline Corp.	4.810	25-Mar-44	1 564	1 624	
1 190	Rogers Communications Inc.	3.000	06-Jun-17	1 220	1 224	
560	Rogers Communications Inc.	2.800	13-Mar-19	560	566	
1 955	Rogers Communications Inc.	5.340	22-Mar-21	2 195	2 217	
2 030	Rogers Communications Inc.	4.000	13-Mar-24	2 024	2 075	
2 180	Rogers Communications Inc.	6.680	04-Nov-39	2 637	2 742	
6 700	Royal Bank of Canada*	2.680	08-Dec-16	6 765	6 852	
11 024	Royal Bank of Canada*	3.660	25-Jan-17	11 536	11 540	
910	Royal Bank of Canada*	2.580	13-Apr-17	918	929	
2 005	Royal Bank of Canada*	2.364	21-Sep-17	2 030	2 031	
8 250	Royal Bank of Canada*	2.260	12-Mar-18	8 196	8 321	
4 330	Royal Bank of Canada*	2.820	12-Jul-18	4 403	4 443	
1 554	SEC LP and Arci Ltd.	5.188	29-Aug-33	1 554	1 639	
775	Shaw Communications Inc.	5.500	07-Dec-20	876	884	
2 122	Shaw Communications Inc.	6.750	09-Nov-39	2 169	2 587	
1 535	Sobeys Inc.	3.520	08-Aug-18	1 554	1 590	
3 610	Sobeys Inc.	4.700	08-Aug-23	3 605	3 850	
3 015	TELUS Corp.	5.050	23-Jul-20	3 379	3 389	
830	TELUS Corp.	3.600	26-Jan-21	828	863	
915	TELUS Corp.	4.850	05-Apr-44	914	946	
7 075	Teranet Holdings LP	4.807	16-Dec-20	7 537	7 787	
1 740	Teranet Holdings LP	5.754	17-Dec-40	1 699	1 941	
361	Terasen Gas Inc.	6.500	01-May-34	461	477	
600	Terasen Gas Inc.	5.550	25-Sep-36	685	724	
450	Terasen Gas Inc.	6.000	02-Oct-37	574	576	
20	Terasen Gas Inc.	6.550	24-Feb-39	27	27	
4 075	Thomson Reuters Corp.	3.369	23-May-19	4 080	4 207	
5 020	Thomson Reuters Corp.	4.350	30-Sep-20	5 303	5 420	
3 460	Tim Hortons Inc.	4.200	01-Jun-17	3 612	3 672	
2 490	Tim Hortons Inc.	2.850	01-Apr-19	2 489	2 517	
1 745	Tim Hortons Inc.	4.520	01-Dec-23	1 748	1 845	
860	TMX Group Ltd.	1.975	03-Oct-16	862	862	
2 160	TMX Group Ltd.	3.253	03-Oct-18	2 160	2 243	
1 275	TMX Group Ltd.	4.461	03-Oct-23	1 275	1 366	
5 667	Toronto-Dominion Bank	2.433	15-Aug-17	5 653	5 760	
868	Toronto Hydro Corp.	3.540	18-Nov-21	876	913	
1 465	Toronto Hydro Corp.	2.910	10-Apr-23	1 450	1 452	
2 361	TransCanada PipeLines Ltd.	3.650	15-Nov-21	2 427	2 499	
185	Union Gas Ltd.	9.700	06-Nov-17	229	229	
2 000	Union Gas Ltd.	5.350	27-Apr-18	2 235	2 236	
600	Union Gas Ltd.	8.750	03-Aug-18	745	746	
4 395	Union Gas Ltd.	3.790	10-Jul-23	4 433	4 624	
1 332	Union Gas Ltd.	4.200	02-Jun-44	1 331	1 336	
2 574	Wells Fargo Canada Corp.	3.040	29-Jan-21	2 573	2 614	
2 805	West Edmonton Mall Property Inc.	4.056	13-Feb-24	2 805	2 862	
65	West Edmonton Mall Property Inc.	4.309	13-Feb-24	65	67	
1 330	Westcoast Energy Inc.	4.570	02-Jul-20	1 413	1 459	
3 300	Westcoast Energy Inc.	3.883	28-Oct-21	3 406	3 472	
65	Winnipeg Airport Authority Inc.	4.569	20-Nov-19	70	72	
540	Winnipeg Airport Authority Inc.	3.039	14-Apr-23	530	530	
				424 843	432 412	12.5

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL						
22 297	Canada Housing Trust No. 1	4.100	15-Dec-18	\$ 24 516	\$ 24 535	
54 397	Canada Housing Trust No. 1	1.950	15-Jun-19	54 512	54 662	
12 147	Canada Housing Trust No. 1	3.350	15-Dec-20	12 666	13 028	
32 202	Canada Housing Trust No. 1	3.800	15-Jun-21	35 053	35 424	
8 656	Canada Housing Trust No. 1	2.650	15-Mar-22	8 739	8 831	
136 535	Government of Canada	2.250	01-Aug-14	136 692	136 687	
17 835	Government of Canada	1.750	01-Mar-19	17 965	18 012	
670	Government of Canada	3.750	01-Jun-19	739	740	
770	Government of Canada	3.500	01-Jun-20	845	848	
180	Government of Canada	5.750	01-Jun-29	252	252	
5 808	Government of Canada	3.500	01-Dec-45	6 603	6 679	
				298 582	299 698	8.6
PROVINCIAL/MUNICIPAL						
10	Hospital for Sick Children	5.217	16-Dec-49	10	13	
510	Municipal Finance Authority of British Columbia	3.350	01-Jun-22	509	531	
2 450	Ontario Electricity Financial Corp.	8.500	26-May-25	3 504	3 641	
5 959	Ontario Electricity Financial Corp.	8.250	22-Jun-26	8 859	8 873	
2 773	Province of New Brunswick	2.850	02-Jun-23	2 751	2 755	
2 399	Province of New Brunswick	4.800	03-Jun-41	2 793	2 804	
2 173	Province of New Brunswick	3.550	03-Jun-43	2 072	2 081	
23 204	Province of Ontario	4.000	02-Jun-21	25 129	25 355	
12 862	Province of Ontario	8.100	08-Sep-23	18 119	18 198	
2 452	Province of Ontario	3.500	02-Jun-24	2 520	2 543	
9 850	Province of Ontario	8.500	02-Dec-25	14 796	14 825	
1 860	Province of Ontario	8.000	02-Jun-26	2 728	2 732	
29 848	Province of Ontario	7.600	02-Jun-27	42 755	43 341	
39 355	Province of Ontario	6.500	08-Mar-29	52 474	53 171	
9 961	Province of Ontario	6.200	02-Jun-31	13 253	13 294	
9 522	Province of Ontario	5.850	08-Mar-33	12 128	12 393	
20 287	Province of Ontario	5.600	02-Jun-35	25 893	25 973	
4 902	Province of Ontario	4.700	02-Jun-37	5 416	5 655	
13 932	Province of Ontario	4.600	02-Jun-39	15 860	15 912	
21 106	Province of Ontario	4.650	02-Jun-41	24 196	24 436	
10 495	Province of Ontario	3.500	02-Jun-43	9 775	10 096	
30 983	Province of Ontario	3.450	02-Jun-45	28 764	29 562	
7 138	Province of Ontario Residual Strip	0.000	02-Jun-41	2 735	2 571	
5 537	Province of Quebec	9.375	16-Jan-23	8 254	8 260	
10 855	Province of Quebec	8.500	01-Apr-26	16 279	16 298	
4 177	Province of Quebec	5.750	01-Dec-36	5 415	5 433	
4 124	Province of Quebec	4.250	01-Dec-43	4 265	4 469	
5 006	Province of Quebec Residual Strip	0.000	01-Dec-41	1 855	1 731	
2 297	TransLink	3.800	02-Nov-20	2 418	2 459	
				355 525	359 405	10.4
TOTAL CANADIAN BONDS				1 078 950	1 091 515	31.5
UNITED KINGDOM BONDS						
1 630	Heathrow Funding Ltd. CAD	3.000	17-Jun-21	1 618	1 641	
5 490	National Grid Electricity Transmission Plc. CAD	2.730	20-Sep-17	5 530	5 610	
1 967	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-19	1 965	2 005	
TOTAL UNITED KINGDOM BONDS				9 113	9 256	0.3

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
UNITED STATES BONDS						
575	Anheuser-Busch InBev Finance Inc. CAD	2.375	25-Jan-18	\$ 572	\$ 583	
1 270	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-23	1 255	1 293	
4 265	AT&T Inc. CAD	3.825	25-Nov-20	4 285	4 481	
1 345	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	1 345	1 357	
7 135	United States Treasury	3.625	15-Aug-43	7 464	8 041	
TOTAL UNITED STATES BONDS				14 921	15 755	0.4
TOTAL BONDS				1 104 879	1 118 481	32.3
MORTGAGE-BACKED SECURITIES						
118	Equitable Bank	4.350	01-Jan-18	122	127	
36	Peoples Trust	4.200	01-Oct-19	36	40	
TOTAL MORTGAGE-BACKED SECURITIES				158	167	–
SHORT-TERM INVESTMENTS†				27 043	27 043	0.8
TOTAL INVESTMENTS				3 235 354	3 463 213	99.9
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	165	–
TOTAL PORTFOLIO				\$ 3 235 354	3 463 378	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					3 303	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 3 466 681	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.95% to 1.14% and mature between July 2, 2014 and July 16, 2014.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 1 611 Sold USD 1 480 @ 1.0885	18-Aug-14	\$ 30
Bought CAD 5 642 Sold USD 5 157 @ 1.0941	18-Aug-14	134
TOTAL FOREIGN EXCHANGE		\$ 165

All counterparties have a credit rating of at least A.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 3 463 213	\$ 3 166 336	\$ 2 629 593
Cash	868	107	139
Due from investment dealers	2 891	4 722	14 044
Subscriptions receivable	4 389	611	2 037
Unrealized gain on foreign exchange contracts	165	6	–
Dividends receivable, interest accrued and other assets	12 000	10 617	11 303
TOTAL ASSETS	3 483 526	3 182 399	2 657 116
LIABILITIES			
Due to investment dealers	13 437	3 728	18 922
Redemptions payable	1 588	1 243	1 781
Unrealized loss on foreign exchange contracts	–	72	–
Accounts payable and accrued expenses	1 820	1 484	1 394
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	16 845	6 527	22 097
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 3 466 681	\$ 3 175 872	\$ 2 635 019
Investments at cost	\$ 3 235 354	\$ 3 042 073	\$ 2 530 958
NAV, END OF PERIOD			
SERIES C	\$ 2 809 346	\$ 573 572	\$ 581 795
ADVISOR SERIES	\$ 138 985	\$ 131 135	\$ 102 059
SERIES H	\$ 45 610	\$ 36 308	\$ 33 912
SERIES D	\$ 154 740	\$ 138 932	\$ 114 623
SERIES F	\$ 83 020	\$ 81 613	\$ 70 056
SERIES I	\$ 12 721	\$ 10 218	\$ 14 179
SERIES O	\$ 222 259	\$ 2 204 094	\$ 1 718 395
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.74	\$ 10.45	\$ 10.44
ADVISOR SERIES	\$ 10.74	\$ 10.45	\$ 10.44
SERIES H	\$ 10.78	\$ 10.48	\$ 10.45
SERIES D	\$ 11.17	\$ 10.82	\$ 10.72
SERIES F	\$ 11.30	\$ 10.94	\$ 10.81
SERIES I	\$ 11.34	\$ 10.97	\$ 10.82
SERIES O	\$ 11.69	\$ 11.27	\$ 11.04

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 28 201	\$ 28 494
Interest for distribution purposes	18 781	18 984
Other income (loss)	505	1 619
Other income received from underlying funds	9 196	8 534
Net realized gain (loss) on investments	142 605	39 361
Net gain (loss) on foreign currencies and other net assets	(361)	(4)
Change in unrealized gain (loss) on investments	94 381	(53 654)
TOTAL INCOME (LOSS)	293 308	43 334
EXPENSES (see notes – Fund Specific Information)		
Management fees	7 255	7 037
Administration fees	1 064	973
Board of Governors costs	1	2
GST/HST	789	816
Transaction costs	4 029	4 030
Withholding tax	26	–
TOTAL EXPENSES	13 164	12 858
INCREASE (DECREASE) IN NAV	\$ 280 144	\$ 30 476
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 49 271	\$ 3 369
ADVISOR SERIES	\$ 10 458	\$ 291
SERIES H	\$ 3 344	\$ 278
SERIES D	\$ 12 140	\$ 1 048
SERIES F	\$ 6 806	\$ 728
SERIES I	\$ 961	\$ 201
SERIES O	\$ 197 164	\$ 24 561
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.83	\$ 0.04
ADVISOR SERIES	\$ 0.85	\$ 0.05
SERIES H	\$ 0.86	\$ 0.06
SERIES D	\$ 0.92	\$ 0.08
SERIES F	\$ 0.93	\$ 0.09
SERIES I	\$ 0.94	\$ 0.10
SERIES O	\$ 1.02	\$ 0.15

* Series H and Series I launched July 2012.

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)*

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 280 144	\$ 30 476
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(142 605)	(39 361)
Change in unrealized loss (gain) on investments	(94 381)	53 654
(Increase) decrease in accrued receivables	(3 330)	(7 096)
Increase (decrease) in accrued payables	10 390	142
Cost of investments purchased	(4 434 374)	(6 224 548)
Proceeds on sales of investments	4 374 252	5 785 283
NET CASH PROVIDED BY OPERATING ACTIVITIES	(9 904)	(401 450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 418 806	537 018
Cash paid on redemption of redeemable units	(2 400 820)	(127 411)
Distributions paid to holders of redeemable units	(7 321)	(7 456)
NET CASH USED IN FINANCING ACTIVITIES	\$ 10 665	\$ 402 151
Net increase (decrease) in cash for the year	761	701
Cash (bank overdraft), beginning of period	107	139
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 868	\$ 840
Interest received	\$ 17 861	\$ 18 062
Dividends received, net of withholding taxes	\$ 28 217	\$ 28 494

* Series H and Series I launched July 2012.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 573 572	\$ 581 795	\$ 131 135	\$ 102 059	\$ 36 308	\$ 33 912	\$ 138 932	\$ 114 623
INCREASE (DECREASE) IN NAV	49 271	3 369	10 458	291	3 344	278	12 140	1 048
Early redemption fees	1	—	—	—	—	—	2	—
Proceeds from redeemable units issued	2 271 632	85 039	16 897	39 667	11 051	11 995	21 890	28 748
Reinvestments of distributions to holders of redeemable units	24 686	10 843	5 716	1 930	1 804	544	6 627	2 176
Redemption of redeemable units	(81 199)	(65 526)	(18 347)	(11 303)	(4 683)	(13 816)	(17 250)	(14 456)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	2 215 120	30 356	4 266	30 294	8 172	(1 277)	11 269	16 468
Distributions from net income	(13 657)	(15 058)	(3 240)	(3 027)	(1 022)	(831)	(3 563)	(3 113)
Distributions from net gains	(14 960)	—	(3 634)	—	(1 192)	—	(4 038)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(28 617)	(15 058)	(6 874)	(3 027)	(2 214)	(831)	(7 601)	(3 113)
NET INCREASE (DECREASE) IN NAV	2 235 774	18 667	7 850	27 558	9 302	(1 830)	15 808	14 403
NAV AT END OF PERIOD	\$ 2 809 346	\$ 600 462	\$ 138 985	\$ 129 617	\$ 45 610	\$ 32 082	\$ 154 740	\$ 129 026

For the periods ended June 30 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 81 613	\$ 70 056	\$ 10 218	\$ 14 179	\$ 2 204 094	\$ 1 718 395	\$ 3 175 872	\$ 2 635 019
INCREASE (DECREASE) IN NAV	6 806	728	961	201	197 164	24 561	280 144	30 476
Early redemption fees	—	—	—	—	—	—	3	—
Proceeds from redeemable units issued	10 865	19 270	2 766	2 046	83 705	350 253	2 418 806	537 018
Reinvestments of distributions to holders of redeemable units	3 466	1 228	530	184	120 024	49 207	162 853	66 112
Redemption of redeemable units	(15 571)	(9 663)	(1 141)	(4 062)	(2 262 632)	(8 585)	(2 400 823)	(127 411)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 240)	10 835	2 155	(1 832)	(2 058 903)	390 875	180 839	475 719
Distributions from net income	(1 961)	(1 937)	(276)	(330)	(56 052)	(49 272)	(79 771)	(73 568)
Distributions from net gains	(2 198)	—	(337)	—	(64 044)	—	(90 403)	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4 159)	(1 937)	(613)	(330)	(120 096)	(49 272)	(170 174)	(73 568)
NET INCREASE (DECREASE) IN NAV	1 407	9 626	2 503	(1 961)	(1 981 835)	366 164	290 809	432 627
NAV AT END OF PERIOD	\$ 83 020	\$ 79 682	\$ 12 721	\$ 12 218	\$ 222 259	\$ 2 084 559	\$ 3 466 681	\$ 3 067 646

* Series H and Series I launched July 2012.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with monthly income that may consist of dividend income, interest income, realized capital gains and return of capital. Investors in the Fund will also have the potential for modest capital growth.

Financial instrument risk and capital management (see note 4 in the generic notes)**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 41.7% (December 31, 2013 – 43.0%, January 1, 2013 – 43.0%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	23.6	22.9	25.3
AA	32.0	33.6	28.7
A	12.5	12.3	17.7
BBB	11.8	11.1	11.9
BB	8.5	9.0	7.4
B	11.3	10.7	8.1
CCC	0.2	0.3	0.1
Unrated	0.1	0.1	0.8
Total	100.0	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 32.3% (December 31, 2013 – 33.3%, January 1, 2013 – 33.6%) of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	13.9	15.1	27.1
1 – 5 years	30.0	30.0	23.9
5 – 10 years	23.9	25.5	15.5
> 10 years	32.2	29.4	33.5
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.1% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.4

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	1 989 965	–	–	1 989 965
Mutual fund units	327 557	–	–	327 557
Fixed-income and debt securities	–	1 118 648	–	1 118 648
Short-term investments	–	27 043	–	27 043
Derivatives – assets	–	165	–	165
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 317 522	1 145 856	–	3 463 378
% of total portfolio	66.9	33.1	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 784 043	–	–	1 784 043
Mutual fund units	308 333	–	–	308 333
Fixed-income and debt securities	–	1 058 643	–	1 058 643
Short-term investments	–	15 317	–	15 317
Derivatives – assets	–	6	–	6
Derivatives – liabilities	–	(72)	–	(72)
Total financial instruments	2 092 376	1 073 894	–	3 166 270
% of total portfolio	66.1	33.9	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 437 275	–	–	1 437 275
Mutual fund units	248 295	–	–	248 295
Fixed-income and debt securities	–	883 124	–	883 124
Short-term investments	–	60 899	–	60 899
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 685 570	944 023	–	2 629 593
% of total portfolio	64.1	35.9	–	100.0

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

Investment Management®

June 30, 2014

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.65%
Advisor Series	1.65%
Series H	1.50%
Series D	0.90%
Series F	0.65%
Series I	0.50%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series H	0.10%
Series D	0.10%
Series F	0.10%
Series I	0.10%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Advisor Series	119	113
Series H	113	107
Series I	109	104
Series O	59	56
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	54 901	55 703
Issued number of units	212 073	8 073
Reinvested number of units	2 312	1 033
Redeemed number of units	(7 617)	(6 228)
Ending number of units	261 669	58 581

Advisor Series

Opening units	12 551	9 771
Issued number of units	1 578	3 764
Reinvested number of units	535	184
Redeemed number of units	(1 719)	(1 074)
Ending number of units	12 945	12 645

Series H

Opening units	3 466	3 245
Issued number of units	1 037	1 138
Reinvested number of units	168	52
Redeemed number of units	(439)	(1 310)
Ending number of units	4 232	3 125

Series D

Opening units	12 840	10 695
Issued number of units	1 973	2 655
Reinvested number of units	597	202
Redeemed number of units	(1 554)	(1 337)
Ending number of units	13 856	12 215

Series F

Opening units	7 459	6 481
Issued number of units	969	1 764
Reinvested number of units	309	113
Redeemed number of units	(1 390)	(887)
Ending number of units	7 347	7 471

Please see the generic notes at the back of the financial statements.

PHILLIPS, HAGER & NORTH MONTHLY INCOME FUND

Investment Management®

June 30, 2014

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series I		
Opening units	932	1 311
Issued number of units	245	187
Reinvested number of units	47	17
Redeemed number of units	(102)	(371)
Ending number of units	1 122	1 144
Series O		
Opening units	195 565	155 627
Issued number of units	7 171	31 319
Reinvested number of units	10 345	4 412
Redeemed number of units	(194 068)	(768)
Ending number of units	19 013	190 590

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	4 029	100	4 030	100
Related-party brokerage commissions*	498	12	452	11
Commission arrangements†	167	4	217	5

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

Securities lending revenue (\$000s) (see note 6 in the generic notes)

Fair value of securities on loan and collateral received as at:

	June 30 2014	June 30 2013
Fair value of securities loaned	124 215	–
Fair value of collateral received	130 425	–

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Monthly Income Class	11 843	7 489
RBC Phillips, Hager & North Monthly Income Fund	–	181 770
RBC PH&N Monthly Income GIF	4 773	3 882
Total	16 616	193 141

Please see the generic notes at the back of the financial statements.

Fund merger (000s)

At the close of business on June 27, 2014, the RBC Phillips, Hager & North Monthly Income Fund was merged into the Phillips, Hager & North Monthly Income Fund. The purchase method of accounting was adopted for the fund merger. Under this method, the Continuing Fund is identified as the acquiring fund and the Terminated Fund is the acquired fund. This identification was based on aspects of the Continuing Fund such as investment objectives, portfolio composition and asset size of the Fund.

Details of the RBC Phillips, Hager & North Monthly Income Fund (the “Terminated Fund”) and the Phillips, Hager & North Monthly Income Fund (the “Continuing Fund”) are as follows:

Net assets acquired by Continuing Fund	\$ 2 232 784
Exchange ratio Series C	1.01
Units issued by Continuing Fund Series C	208 445

The Continuing Fund identified above acquired all of the assets and assumed all of the liabilities of the Terminated Fund at their fair market value, in return for the issuance by the Continuing Fund of its units equal in value to the net assets transferred from the Terminated Fund. As a result, the unitholders of the Terminated Fund became unitholders of the Continuing Fund. After the merger, the Terminated Fund was wound up.

As at June 27, 2014, all of the investments of the Terminated Fund were disposed of at their fair market value to the Continuing Fund.

The financial statements of the Continuing Fund include the operating results of the Terminated Fund from the date of the merger. All comparative information in these financial statements is that of the Continuing Fund only.

Under the tax reorganization rules in the *Income Tax Act* (Canada), the merger took place on a tax-deferred or “rollover” basis, and both the Terminated Fund and the Continuing Fund are deemed to have a taxation year-end as at June 27, 2014. Those investments with unrealized losses were deemed to have been disposed of at their fair market value and investments with unrealized gains were deemed to be disposed of at their fair market value or at their elected amount. The Fund has no tax liability as at June 27, 2014. All capital and non-capital loss carryforwards expired as a result of the fund merger.

None of the costs related to the merger have been charged to the funds or to the unitholders.

June 30, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	3 065 267	2 631 292
Revaluation of investments at FVTPL	2 379	3 727
Net assets attributable to holders of redeemable units	3 067 646	2 635 019
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		31 824
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(1 348)
Increase (decrease) in net assets attributable to holders of redeemable units		30 476

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH BALANCED FUND

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
3 878 401	RBC Institutional Cash Fund*	\$ 38 784	\$ 38 784	
21 957 703	Phillips, Hager & North Bond Fund*	226 830	229 912	
20 560 857	Phillips, Hager & North Canadian Equity Underlying Fund*	179 061	258 183	
2 240 109	Phillips, Hager & North U.S. Equity Fund*	79 115	106 848	
7 173 806	Phillips, Hager & North Overseas Equity Pension Trust*	71 155	76 876	
TOTAL MUTUAL FUND UNITS		594 945	710 603	99.5
SHORT-TERM INVESTMENTS†		4 449	4 449	0.6
TOTAL INVESTMENTS		<u>\$ 599 394</u>	715 052	100.1
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(585)	(0.1)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 714 467</u>	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.90% to 1.20% and mature between July 2, 2014 and July 25, 2014.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 715 052	\$ 678 107	\$ 658 410
Cash	20	19	195
Due from investment dealers	1	72	5 024
Subscriptions receivable	197	198	65
Dividends receivable, interest accrued and other assets	5	4	1 341
TOTAL ASSETS	715 275	678 400	665 035
LIABILITIES			
Due to investment dealers	50	22	1 454
Redemptions payable	265	433	1 471
Accounts payable and accrued expenses	493	473	483
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	808	928	3 408
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 714 467	\$ 677 472	\$ 661 627
Investments at cost	\$ 599 394	\$ 604 511	\$ 646 985
NAV, END OF PERIOD			
SERIES C	\$ 21 983	\$ 22 353	\$ 21 145
ADVISOR SERIES	\$ 3 436	\$ 2 852	\$ 1 677
SERIES D	\$ 637 728	\$ 595 989	\$ 590 173
SERIES F	\$ 9 375	\$ 8 864	\$ 7 821
SERIES O	\$ 41 945	\$ 47 414	\$ 40 811
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 20.24	\$ 18.97	\$ 17.04
ADVISOR SERIES	\$ 20.25	\$ 18.98	\$ 17.04
SERIES D	\$ 19.98	\$ 18.73	\$ 16.81
SERIES F	\$ 20.00	\$ 18.74	\$ 16.82
SERIES O	\$ 19.78	\$ 18.54	\$ 16.64

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 57	\$ 4 432
Other income received from underlying funds	4 544	1 977
Net realized gain (loss) on investments	7 128	2 314
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) on investments	42 062	15 933
TOTAL INCOME (LOSS)	53 791	24 657
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 559	2 382
Administration fees	139	130
Board of Governors costs	1	2
GST/HST	199	228
TOTAL EXPENSES	2 898	2 742
INCREASE (DECREASE) IN NAV	\$ 50 893	\$ 21 915
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 1 509	\$ 575
ADVISOR SERIES	\$ 211	\$ 46
SERIES D	\$ 45 029	\$ 19 341
SERIES F	\$ 659	\$ 249
SERIES O	\$ 3 485	\$ 1 704
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.33	\$ 0.48
ADVISOR SERIES	\$ 1.33	\$ 0.47
SERIES D	\$ 1.42	\$ 0.58
SERIES F	\$ 1.41	\$ 0.57
SERIES O	\$ 1.49	\$ 0.65

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 50 893	\$ 21 915
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(7 128)	(2 305)
Change in unrealized loss (gain) on investments	(42 062)	(15 933)
(Increase) decrease in accrued receivables	71	4 687
Increase (decrease) in accrued payables	(120)	(1 284)
Cost of investments purchased	(171 629)	(1 219 864)
Proceeds on sales of investments	183 874	1 262 467
NET CASH PROVIDED BY OPERATING ACTIVITIES	13 899	49 683
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	41 062	39 195
Cash paid on redemption of redeemable units	(54 628)	(88 837)
Distributions paid to holders of redeemable units	(332)	(445)
NET CASH USED IN FINANCING ACTIVITIES	\$ (13 898)	\$ (50 087)
Net increase (decrease) in cash for the year	1	(404)
Cash (bank overdraft), beginning of period	19	195
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 20	\$ (209)
Interest received	\$ 56	\$ 5 768
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 22 353	\$ 21 145	\$ 2 852	\$ 1 677	\$ 595 989	\$ 590 173	\$ 8 864	\$ 7 821
INCREASE (DECREASE) IN NAV	1 509	575	211	46	45 029	19 341	659	249
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 640	3 743	612	543	34 109	15 265	1 024	1 276
Reinvestments of distributions to holders of redeemable units	49	113	8	12	4 908	6 347	30	38
Redemption of redeemable units	(3 513)	(4 184)	(239)	(256)	(37 223)	(63 720)	(1 132)	(1 547)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 824)	(328)	381	299	1 794	(42 108)	(78)	(233)
Distributions from net income	(55)	(132)	(8)	(12)	(5 084)	(6 601)	(70)	(90)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(55)	(132)	(8)	(12)	(5 084)	(6 601)	(70)	(90)
NET INCREASE (DECREASE) IN NAV	(370)	115	584	333	41 739	(29 368)	511	(74)
NAV AT END OF PERIOD	\$ 21 983	\$ 21 260	\$ 3 436	\$ 2 010	\$ 637 728	\$ 560 805	\$ 9 375	\$ 7 747

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 47 414	\$ 40 811	\$ 677 472	\$ 661 627
INCREASE (DECREASE) IN NAV	3 485	1 704	50 893	21 915
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	3 677	18 368	41 062	39 195
Reinvestments of distributions to holders of redeemable units	442	564	5 437	7 074
Redemption of redeemable units	(12 521)	(19 130)	(54 628)	(88 837)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(8 402)	(198)	(8 129)	(42 568)
Distributions from net income	(552)	(684)	(5 769)	(7 519)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(552)	(684)	(5 769)	(7 519)
NET INCREASE (DECREASE) IN NAV	(5 469)	822	36 995	(28 172)
NAV AT END OF PERIOD	\$ 41 945	\$ 41 633	\$ 714 467	\$ 633 455

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing primarily in a strategic asset mix of Canadian and foreign equities, Canadian fixed-income securities and money market instruments.

Financial instrument risk and capital management (see note 4 in the generic notes)

During 2013, the Fund began investing primarily in other mutual funds. As at June 30, 2013, the Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk (%)

As at June 30, 2014 and June 30, 2013, the Fund is exposed to credit risk from investments in mutual funds units. These mutual funds invest in debt securities and could enter into over-the-counter derivative markets. As at January 1, 2013, credit-exposed securities, excluding short-term investments, comprise 33.0% of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at January 1, 2013:

Rating	January 1 2013
AAA	26.8
AA	37.1
A	25.5
BBB	10.6
Total	100.0

Interest rate risk (%)

As at June 30, 2014 and June 30, 2013, the Fund is exposed to interest rate risk from investments in mutual fund units. As at January 1, 2013, fixed-income and debt securities, excluding short-term investments, comprise 33.0% of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at January 1, 2013:

Term to maturity	January 1 2013
Less than 1 year	26.9
1 – 5 years	21.1
5 – 10 years	13.0
> 10 years	39.0
Total	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.1% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at June 30, 2013, the Fund is exposed to currency risk from investments in mutual funds units. The table below summarizes the fund's net exposure (after hedging, if any) to currency risks as at January 1, 2013:

Currency	January 1 2013
United States dollar	15.0
Euro	3.6
Pound sterling	2.5
Swiss franc	2.1
Japanese yen	1.6
Hong Kong dollar	1.2
Singapore dollar	0.5
Other currencies	0.5
Total	27.0

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI World ex Canada Total			
Return Net Index (CAD)	+ or - 0.6	+ or - 0.5	+ or - 0.6

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

PHILLIPS, HAGER & NORTH BALANCED FUND

Investment Management®

June 30, 2014

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	710 603	–	–	710 603
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	4 449	–	4 449
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	710 603	4 449	–	715 052
% of total portfolio	99.4	0.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	676 022	–	–	676 022
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 085	–	2 085
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	676 022	2 085	–	678 107
% of total portfolio	99.7	0.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	410 872	–	–	410 872
Fixed-income and debt securities	–	218 472	–	218 472
Short-term investments	–	29 066	–	29 066
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	410 872	247 538	–	658 410
% of total portfolio	62.4	37.6	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	0.75%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.08%
Advisor Series	0.08%
Series D	0.04%
Series F	0.08%
Series O	0.01%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	31	31
Advisor Series	62	62
Series D	33	33
Series F	33	33
Series O	35	34
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

PHILLIPS, HAGER & NORTH BALANCED FUND

Investment Management®

June 30, 2014

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	1 178	1 241
Issued number of units	84	215
Reinvested number of units	2	6
Redeemed number of units	(178)	(240)
Ending number of units	1 086	1 222
Advisor Series		
Opening units	150	98
Issued number of units	32	32
Reinvested number of units	–	1
Redeemed number of units	(12)	(16)
Ending number of units	170	115
Series D		
Opening units	31 823	35 105
Issued number of units	1 759	884
Reinvested number of units	249	369
Redeemed number of units	(1 918)	(3 698)
Ending number of units	31 913	32 660
Series F		
Opening units	473	465
Issued number of units	53	74
Reinvested number of units	2	2
Redeemed number of units	(59)	(90)
Ending number of units	469	451
Series O		
Opening units	2 557	2 452
Issued number of units	190	1 080
Reinvested number of units	23	33
Redeemed number of units	(650)	(1 116)
Ending number of units	2 120	2 449

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	633 430	661 397
Revaluation of investments at FVTPL	25	230
Net assets attributable to holders of redeemable units	633 455	661 627
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		22 120
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(205)
Increase (decrease) in net assets attributable to holders of redeemable units		21 915

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES BALANCED FUND

June 30, 2014

Number of Units/ Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
1 249 336	Phillips, Hager & North Community Values Bond Fund*	\$ 13 425	\$ 13 521	
576 283	Phillips, Hager & North Community Values Canadian Equity Fund*	12 490	15 169	
893 205	Phillips, Hager & North Community Values Global Equity Fund*	9 354	10 731	
TOTAL MUTUAL FUND UNITS		35 269	39 421	94.1
SHORT-TERM INVESTMENTS†				
463	Bank of Nova Scotia	463	463	
2 000	Canadian Imperial Bank of Commerce	1 998	1 998	
TOTAL SHORT-TERM INVESTMENTS		2 461	2 461	5.9
TOTAL INVESTMENTS		\$ 37 730	41 882	100.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			9	—
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 41 891	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.90% to 1.10% and mature between July 2, 2014 and July 4, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 41 882	\$ 16 641	\$ 13 838
Cash	–	1	–
Due from investment dealers	–	–	174
Subscriptions receivable	46	4	1
Dividends receivable, interest accrued and other assets	2	–	–
TOTAL ASSETS	41 930	16 646	14 013
LIABILITIES			
Bank overdraft	15	–	–
Redemptions payable	–	1	130
Accounts payable and accrued expenses	24	17	14
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	39	18	144
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 41 891	\$ 16 628	\$ 13 869
Investments at cost	\$ 37 730	\$ 14 883	\$ 13 562
NAV, END OF PERIOD			
SERIES C	\$ 4 507	\$ 3 354	\$ 2 590
ADVISOR SERIES	\$ 2 019	\$ 1 492	\$ 493
SERIES D	\$ 13 159	\$ 10 670	\$ 10 127
SERIES F	\$ 668	\$ 586	\$ 383
SERIES O	\$ 21 538	\$ 526	\$ 276
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 14.93	\$ 13.98	\$ 12.48
ADVISOR SERIES	\$ 14.94	\$ 13.98	\$ 12.48
SERIES D	\$ 14.82	\$ 13.80	\$ 12.31
SERIES F	\$ 15.02	\$ 13.98	\$ 12.48
SERIES O	\$ 14.92	\$ 13.84	\$ 12.35

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 12	\$ 4
Other income received from underlying funds	230	88
Net realized gain (loss) on investments	56	78
Change in unrealized gain (loss) on investments	2 394	384
TOTAL INCOME (LOSS)	2 692	554
EXPENSES (see notes – Fund Specific Information)		
Management fees	97	70
Administration fees	17	6
Board of Governors costs	1	2
GST/HST	11	8
TOTAL EXPENSES	126	86
INCREASE (DECREASE) IN NAV	\$ 2 566	\$ 468
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 258	\$ 73
ADVISOR SERIES	\$ 115	\$ 16
SERIES D	\$ 840	\$ 349
SERIES F	\$ 45	\$ 12
SERIES O	\$ 1 308	\$ 18
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT		
SERIES C	\$ 1.00	\$ 0.35
ADVISOR SERIES	\$ 1.00	\$ 0.35
SERIES D	\$ 1.08	\$ 0.42
SERIES F	\$ 1.10	\$ 0.43
SERIES O	\$ 0.98	\$ 0.47

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 2 566	\$ 468
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(56)	(78)
Change in unrealized loss (gain) on investments	(2 394)	(384)
(Increase) decrease in accrued receivables	(44)	174
Increase (decrease) in accrued payables	6	(129)
Cost of investments purchased	(114 002)	(98 522)
Proceeds on sales of investments	91 211	97 653
NET CASH PROVIDED BY OPERATING ACTIVITIES	(22 713)	(818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	23 964	2 314
Cash paid on redemption of redeemable units	(1 267)	(1 496)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 22 697	\$ 818
Net increase (decrease) in cash for the year	(16)	–
Cash (bank overdraft), beginning of period	1	–
CASH (BANK OVERDRAFT), END OF PERIOD	\$ (15)	\$ –
Interest received	\$ 10	\$ 4
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 354	\$ 2 590	\$ 1 492	\$ 493	\$ 10 670	\$ 10 127	\$ 586	\$ 383
INCREASE (DECREASE) IN NAV	258	73	115	16	840	349	45	12
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	998	460	558	619	2 167	693	37	201
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(103)	(293)	(146)	(174)	(518)	(733)	—	(76)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	895	167	412	445	1 649	(40)	37	125
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	1 153	240	527	461	2 489	309	82	137
NAV AT END OF PERIOD	\$ 4 507	\$ 2 830	\$ 2 019	\$ 954	\$ 13 159	\$ 10 436	\$ 668	\$ 520

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 526	\$ 276	\$ 16 628	\$ 13 869
INCREASE (DECREASE) IN NAV	1 308	18	2 566	468
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	20 204	341	23 964	2 314
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(500)	(220)	(1 267)	(1 496)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	19 704	121	22 697	818
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	21 012	139	25 263	1 286
NAV AT END OF PERIOD	\$ 21 538	\$ 415	\$ 41 891	\$ 15 155

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing in a strategic asset mix of Canadian and foreign equities, Canadian fixed-income securities and money market instruments of companies that conduct themselves in a socially responsible manner.

**Financial instrument risk and capital management
(see note 4 in the generic notes)**

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.1% (December 31, 2013 – 2.1%, January 1, 2013 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.2%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI World ex Canada Total			
Return Net Index (CAD)	+ or - 0.6	+ or - 0.5	+ or - 0.6

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	39 421	–	–	39 421
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 461	–	2 461
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	39 421	2 461	–	41 882
% of total portfolio	94.1	5.9	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	15 516	–	–	15 516
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 125	–	1 125
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	15 516	1 125	–	16 641
% of total portfolio	93.2	6.8	–	100.0

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
BALANCED FUND**

June 30, 2014

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	13 189	–	–	13 189
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	649	–	649
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	13 189	649	–	13 838
% of total portfolio	95.3	4.7	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	0.75%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	43	43
Advisor Series	84	84
Series D	89	89
Series F	44	44
Series O	46	46
Value of all units	5	4

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	240	208
Issued number of units	69	35
Reinvested number of units	–	–
Redeemed number of units	(7)	(23)
Ending number of units	302	220
Advisor Series		
Opening units	107	40
Issued number of units	38	47
Reinvested number of units	–	–
Redeemed number of units	(10)	(13)
Ending number of units	135	74
Series D		
Opening units	773	822
Issued number of units	151	55
Reinvested number of units	–	–
Redeemed number of units	(36)	(58)
Ending number of units	888	819

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
 BALANCED FUND**

June 30, 2014

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series F		
Opening units	42	31
Issued number of units	2	15
Reinvested number of units	–	–
Redeemed number of units	–	(6)
Ending number of units	44	40
Series O		
Opening units	38	22
Issued number of units	1 439	27
Reinvested number of units	–	–
Redeemed number of units	(34)	(17)
Ending number of units	1 443	32

**Transition to IFRS (\$000s) (see note 8 in the
 generic notes)**

Reconciliation of net assets and comprehensive income as
 previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	15 152	13 869
Revaluation of investments at FVTPL	3	–
Net assets attributable to holders of redeemable units	15 155	13 869
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		465
Revaluation of investments at FVTPL (see note 3 in the generic notes)		3
Increase (decrease) in net assets attributable to holders of redeemable units		468

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
800 000	Corus Entertainment Inc., Class B	\$ 15 927	\$ 19 976	
470 000	Magna International Inc., Class A	15 769	53 984	
1 100 000	Shaw Communications Inc., Class B	21 635	30 096	
666 064	Thomson Corp.	20 655	25 877	
		73 986	129 933	4.6
Consumer Staples				
100 000	George Weston Ltd.	7 127	7 871	
668 538	Loblaw Companies Ltd.	29 630	31 836	
		36 757	39 707	1.4
Energy				
780 000	ARC Resources Ltd.	16 519	25 342	
440 000	Baytex Energy Corp.	15 810	21 670	
873 764	Bonavista Energy Corp.	18 406	14 304	
211 502	Bonterra Energy Corp.	9 622	13 697	
1 600 000	Canadian Natural Resources Ltd.	65 710	78 447	
848 600	Cardinal Energy Ltd.	8 910	15 274	
2 000 000	Cenovus Energy Inc.	60 633	69 179	
630 694	Crescent Point Energy Corp.	26 766	29 826	
1 610 000	Enbridge Inc.	33 088	81 514	
1 000 000	Encana Corp.	32 642	25 280	
525 000	Gibson Energy Inc.	9 801	17 871	
800 000	Husky Energy Inc.	22 985	27 568	
450 000	Inter Pipeline Ltd.	11 318	14 904	
521 500	Pembina Pipeline Corp.	14 899	23 942	
1 100 000	Pengrowth Energy Corp.	11 660	8 415	
118 300	PrairieSky Royalty Ltd.	3 312	4 590	
2 240 000	Suncor Energy Inc.	72 061	101 920	
1 300 000	Talisman Energy Inc.	14 785	14 664	
1 150 000	TransCanada Corp.	44 030	58 570	
600 000	Veresen Inc.	9 900	11 250	
280 000	Vermilion Energy Inc.	13 718	20 790	
789 604	Whitecap Resources Inc.	9 488	13 005	
		526 063	692 022	24.3
Financials				
504 400	Alaris Royalty Corp.	12 301	14 587	
1 205 900	Bank of Montreal	64 856	94 760	
2 150 000	Bank of Nova Scotia	117 612	152 951	
1 640 000	Brookfield Asset Management Inc., Class A	39 421	77 096	
750 000	Brookfield Property Partners LP	15 654	16 718	
880 000	Canadian Apartment Properties Real Estate Investment Trust	20 651	20 117	
931 450	Canadian Imperial Bank of Commerce	55 546	90 444	
1 726 000	CI Financial Corp.	38 074	60 496	
1 050 000	First Capital Realty Inc.	14 602	19 551	
850 000	Great-West Lifeco Inc.	11 760	25 653	
385 000	Intact Financial Corp.	22 057	28 328	
3 100 000	Manulife Financial Corporation	59 232	65 751	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
490 000	National Bank of Canada	\$ 16 052	\$ 22 177	
1 700 000	Power Corporation of Canada	29 014	50 405	
800 546	Power Financial Corp.	13 786	26 586	
2 676 900	Royal Bank of Canada*	92 882	204 194	
900 000	Sun Life Financial Inc.	24 119	35 298	
3 550 000	Toronto-Dominion Bank	70 035	195 002	
		717 654	1 200 114	42.2
Health Care				
494 300	Medical Facilities Corp.	8 319	8 976	
		8 319	8 976	0.3
Industrials				
1 440 000	Canadian National Railway Co.	37 838	99 936	
125 000	Canadian Pacific Railway Ltd.	6 557	24 164	
415 000	Exchange Income Corp.	8 770	9 383	
400 000	Russel Metals Inc.	11 061	13 724	
377 600	WSP Global Inc.	12 744	14 270	
		76 970	161 477	5.7
Information Technology				
560 000	DH Corp.	12 399	17 388	
		12 399	17 388	0.6
Materials				
110 000	Agrium Inc.	7 072	10 753	
1 025 000	Barrick Gold Corp.	40 624	20 029	
2 397 200	Canexus Corp.	14 725	11 746	
725 000	Chemtrade Logistics Income Fund	13 933	15 225	
1 200 000	Goldcorp Inc.	45 119	35 736	
200 000	Labrador Iron Ore Royalty Corp.	6 468	6 136	
830 000	Potash Corporation of Saskatchewan Inc.	19 776	33 681	
550 000	Teck Resources Ltd., Class B	25 718	13 398	
		173 435	146 704	5.2
Telecommunication Services				
1 050 000	BCE Inc.	38 649	50 820	
500 000	Manitoba Telecom Services Inc.	14 275	15 470	
600 000	Rogers Communications Inc., Class B	17 865	25 764	
1 500 000	TELUS Corp.	40 877	59 655	
		111 666	151 709	5.3
Utilities				
1 700 000	Atco Ltd., Class I, Non-Voting	14 782	87 924	
400 000	Brookfield Infrastructure Partners LP	10 036	17 812	
550 000	Brookfield Renewable Energy Partners LP	13 800	17 347	
600 000	Canadian Utilities Ltd., Class A	16 769	24 000	
701 818	Crius Energy Trust	6 661	3 509	
300 000	Pattern Energy Group Inc.	9 069	10 596	
1 000 000	Superior Plus Corp.	7 997	14 190	
950 000	TransAlta Corp.	12 167	12 426	
		91 281	187 804	6.6
TOTAL CANADIAN EQUITIES		1 828 530	2 735 834	96.2

This schedule and the accompanying notes are an integral part of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)
PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

PHILLIPS, HAGER & NORTH
 Investment Management®

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
18 000	Fortis Inc., Convertible	4.000	09-Jan-24	\$ 5 490	\$ 6 881	
TOTAL CANADIAN BONDS				5 490	6 881	0.2
SHORT-TERM INVESTMENTS†				97 932	97 933	3.4
TOTAL INVESTMENTS				1 931 952	2 840 648	99.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	386	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				–	(38)	–
TOTAL PORTFOLIO				\$ 1 931 952	2 840 996	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					5 660	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 2 846 656	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.07% to 1.16% and mature between July 2, 2014 and July 31, 2014.

SCHEDULE A
Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 1 001 Sold USD 930 @ 1.0763	14-Jul-14	\$ 9
Bought CAD 15 506 Sold USD 14 173 @ 1.0941	18-Aug-14	368
Bought CAD 215 Sold USD 200 @ 1.0743	18-Aug-14	1
Bought CAD 323 Sold USD 300 @ 1.0751	18-Aug-14	2
Bought CAD 326 Sold USD 300 @ 1.0872	18-Aug-14	6
		\$ 386
Contracts	Maturity Date	Unrealized Loss
Bought USD 1 610 Sold CAD 1 725 @ 1.0715	09-Jul-14	\$ (7)
Bought USD 1 630 Sold CAD 1 750 @ 1.0737	18-Aug-14	(9)
Bought USD 3 223 Sold CAD 3 464 @ 1.0749	18-Aug-14	(22)
		\$ (38)
TOTAL FOREIGN EXCHANGE		\$ 348

All counterparties have a credit rating of at least A.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 2 840 648	\$ 2 640 333	\$ 2 376 046
Cash	37	27	64
Due from investment dealers	–	–	9 285
Subscriptions receivable	1 127	543	579
Unrealized gain on foreign exchange contracts	386	–	–
Dividends receivable, interest accrued and other assets	8 793	6 756	7 681
TOTAL ASSETS	2 850 991	2 647 659	2 393 655
LIABILITIES			
Due to investment dealers	293	–	7 700
Redemptions payable	2 051	1 046	2 010
Unrealized loss on foreign exchange contracts	38	–	–
Accounts payable and accrued expenses	1 953	1 882	1 889
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 335	2 928	11 599
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 846 656	\$ 2 644 731	\$ 2 382 056
Investments at cost	\$ 1 931 952	\$ 1 927 075	\$ 1 941 053
NAV, END OF PERIOD			
SERIES C	\$ 74 171	\$ 71 435	\$ 65 022
ADVISOR SERIES	\$ 7 728	\$ 7 258	\$ 4 887
SERIES D	\$ 1 891 214	\$ 1 780 315	\$ 1 765 567
SERIES F	\$ 28 591	\$ 25 654	\$ 21 181
SERIES O	\$ 844 952	\$ 760 069	\$ 525 399
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 99.59	\$ 90.69	\$ 79.73
ADVISOR SERIES	\$ 99.61	\$ 90.70	\$ 79.73
SERIES D	\$ 98.70	\$ 89.87	\$ 78.98
SERIES F	\$ 99.41	\$ 90.51	\$ 79.53
SERIES O	\$ 97.15	\$ 88.43	\$ 77.63

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 45 175	\$ 42 428
Interest for distribution purposes	843	838
Other income (loss)	943	586
Net realized gain (loss) on investments	52 577	21 209
Net gain (loss) on foreign currencies and other net assets	(42)	21
Change in unrealized gain (loss) on investments	195 786	14 258
TOTAL INCOME (LOSS)	295 282	79 340
EXPENSES (see notes – Fund Specific Information)		
Management fees	9 780	9 322
Administration fees	671	626
Board of Governors costs	1	2
GST/HST	948	1 008
Transaction costs	277	330
TOTAL EXPENSES	11 677	11 288
INCREASE (DECREASE) IN NAV	\$ 283 605	\$ 68 052
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 7 084	\$ 1 474
ADVISOR SERIES	\$ 751	\$ 99
SERIES D	\$ 186 135	\$ 48 415
SERIES F	\$ 2 773	\$ 578
SERIES O	\$ 86 862	\$ 17 486
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 9.28	\$ 1.82
ADVISOR SERIES	\$ 9.28	\$ 1.81
SERIES D	\$ 9.60	\$ 2.18
SERIES F	\$ 9.79	\$ 2.28
SERIES O	\$ 9.98	\$ 2.59

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 283 605	\$ 68 052
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(52 577)	(21 206)
Change in unrealized loss (gain) on investments	(195 786)	(14 258)
(Increase) decrease in accrued receivables	(2 621)	(5 791)
Increase (decrease) in accrued payables	1 369	(5 076)
Cost of investments purchased	(1 387 778)	(1 379 733)
Proceeds on sales of investments	1 435 478	1 421 035
NET CASH PROVIDED BY OPERATING ACTIVITIES	81 690	63 023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	88 831	191 622
Cash paid on redemption of redeemable units	(165 558)	(251 040)
Distributions paid to holders of redeemable units	(4 953)	(3 113)
NET CASH USED IN FINANCING ACTIVITIES	\$ (81 680)	\$ (62 531)
Net increase (decrease) in cash for the year	10	492
Cash (bank overdraft), beginning of period	27	64
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 37	\$ 556
Interest received	\$ 855	\$ 851
Dividends received, net of withholding taxes	\$ 44 069	\$ 42 428

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 71 435	\$ 65 022	\$ 7 258	\$ 4 887	\$ 1 780 315	\$ 1 765 567	\$ 25 654	\$ 21 181
INCREASE (DECREASE) IN NAV	7 084	1 474	751	99	186 135	48 415	2 773	578
Early redemption fees	–	–	–	–	1	1	–	–
Proceeds from redeemable units issued	2 591	8 931	931	2 892	38 114	45 632	2 482	3 560
Reinvestments of distributions to holders of redeemable units	282	131	31	12	14 322	9 659	230	154
Redemption of redeemable units	(6 919)	(9 477)	(1 211)	(1 264)	(112 290)	(205 671)	(2 295)	(3 266)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(4 046)	(415)	(249)	1 640	(59 853)	(150 379)	417	448
Distributions from net income	(302)	(140)	(32)	(13)	(15 383)	(10 471)	(253)	(164)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(302)	(140)	(32)	(13)	(15 383)	(10 471)	(253)	(164)
NET INCREASE (DECREASE) IN NAV	2 736	919	470	1 726	110 899	(112 435)	2 937	862
NAV AT END OF PERIOD	\$ 74 171	\$ 65 941	\$ 7 728	\$ 6 613	\$ 1 891 214	\$ 1 653 132	\$ 28 591	\$ 22 043

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 760 069	\$ 525 399	\$ 2 644 731	\$ 2 382 056
INCREASE (DECREASE) IN NAV	86 862	17 486	283 605	68 052
Early redemption fees	–	–	1	1
Proceeds from redeemable units issued	44 713	130 607	88 831	191 622
Reinvestments of distributions to holders of redeemable units	7 238	4 648	22 103	14 604
Redemption of redeemable units	(42 844)	(31 363)	(165 559)	(251 041)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	9 107	103 892	(54 624)	(44 814)
Distributions from net income	(11 086)	(6 929)	(27 056)	(17 717)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(11 086)	(6 929)	(27 056)	(17 717)
NET INCREASE (DECREASE) IN NAV	84 883	114 449	201 925	5 521
NAV AT END OF PERIOD	\$ 844 952	\$ 639 848	\$ 2 846 656	\$ 2 387 577

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing primarily in a well-diversified portfolio of dividend income-producing Canadian securities that have a relatively high yield.

Financial instrument risk and capital management (see note 4 in the generic notes)**Other price risk (% impact on net assets)**

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.8	+ or - 0.8	+ or - 0.8

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	2 735 834	–	–	2 735 834
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	6 881	–	6 881
Short-term investments	–	97 933	–	97 933
Derivatives – assets	–	386	–	386
Derivatives – liabilities	–	(38)	–	(38)
Total financial instruments	2 735 834	105 162	–	2 840 996
% of total portfolio	96.3	3.7	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	2 537 782	–	–	2 537 782
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	102 551	–	102 551
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 537 782	102 551	–	2 640 333
% of total portfolio	96.1	3.9	–	100.0

Please see the generic notes at the back of the financial statements.

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	2 252 019	–	–	2 252 019
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	124 027	–	124 027
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 252 019	124 027	–	2 376 046
% of total portfolio	94.8	5.2	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

During the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	June 30 2014	December 31 2013	January 1 2013
Balance at beginning of period	–	–	–
Net purchases	–	–	3 426
Net sales	–	–	–
Net transfers in	–	–	–
Net transfers out	–	–	(3 311)
Realized gains (losses)	–	–	(115)
Unrealized gains (losses)	–	–	–
Balance at end of period	–	–	–

The Fund fair values certain of its Level 3 investments (privately held investments) using prior transaction prices (acquisition cost), although the transaction may not have occurred during the current reporting period. As there may not be a secondary market, and/or there are a limited number of investors, the valuations are reviewed utilizing available market information to determine if the carrying value should be adjusted. Such market information may include, but is not limited to, observations of the trading multiples of public companies considered comparable to the private companies being valued, financial or operational information released by the company, and/or news or corporate events that affect the investment. Valuations may be adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the investments being fair valued by the Fund.

PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.06%
Series F	0.10%
Series O	0.02%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	7	7
Advisor Series	14	14
Series D	7	7
Series F	8	7
Series O	8	8
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	788	816
Issued number of units	28	107
Reinvested number of units	3	2
Redeemed number of units	(74)	(115)
Ending number of units	745	810
Advisor Series		
Opening units	80	61
Issued number of units	11	35
Reinvested number of units	–	–
Redeemed number of units	(13)	(15)
Ending number of units	78	81
Series D		
Opening units	19 809	22 355
Issued number of units	412	560
Reinvested number of units	150	119
Redeemed number of units	(1 211)	(2 528)
Ending number of units	19 160	20 506
Series F		
Opening units	283	266
Issued number of units	28	44
Reinvested number of units	2	2
Redeemed number of units	(25)	(40)
Ending number of units	288	272
Series O		
Opening units	8 596	6 768
Issued number of units	489	1 636
Reinvested number of units	77	58
Redeemed number of units	(464)	(391)
Ending number of units	8 698	8 071

June 30, 2014

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	277	100	330	100
Related-party brokerage commissions*	20	7	67	20
Commission arrangements†	6	2	22	7

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 386 178	2 378 166
Revaluation of investments at FVTPL	1 399	3 890
Net assets attributable to holders of redeemable units	2 387 577	2 382 056

June 30
2013

Comprehensive income

Comprehensive income as reported under Canadian GAAP	70 543
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(2 491)
Increase (decrease) in net assets attributable to holders of redeemable units	68 052

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
64 000	Dollarama Inc.	\$ 5 930	\$ 5 622	
155 800	Gildan Activewear Inc., Class A	6 104	9 795	
156 596	Magna International Inc., Class A	6 084	17 987	
249 100	Shaw Communications Inc., Class B	5 176	6 815	
351 488	Thomson Corp.	11 994	13 655	
101 200	Tim Hortons Inc.	5 097	5 907	
		<u>40 385</u>	<u>59 781</u>	<u>4.5</u>
Consumer Staples				
742 900	Alimentation Couche-Tard Inc.	12 287	21 715	
122 300	Empire Co. Ltd., Class A	8 704	8 874	
262 800	Loblaw Companies Ltd.	11 937	12 515	
96 536	Saputo Group Inc.	2 064	6 172	
		<u>34 992</u>	<u>49 276</u>	<u>3.7</u>
Energy				
808 200	ARC Resources Ltd.	18 489	26 258	
274 300	Cameco Corp.	9 889	5 741	
1 102 800	Canadian Natural Resources Ltd.	37 501	54 070	
907 928	Cenovus Energy Inc.	24 251	31 404	
360 900	Crescent Point Energy Corp.	14 975	17 066	
820 900	Enbridge Inc.	34 339	41 561	
537 928	Encana Corp.	10 887	13 598	
57 200	Keyera Corp.	4 219	4 496	
39 200	PrairieSky Royalty Ltd.	1 098	1 521	
1 255 357	Suncor Energy Inc.	37 625	57 119	
1 365 202	Talisman Energy Inc.	18 283	15 399	
153 300	Tourmaline Oil Corp.	4 928	8 625	
436 200	TransCanada Corp.	19 550	22 216	
		<u>236 034</u>	<u>299 074</u>	<u>22.6</u>
Financials				
285 900	Bank of Montreal	18 558	22 466	
1 128 731	Bank of Nova Scotia	58 636	80 298	
664 100	Brookfield Asset Management Inc., Class A	20 671	31 219	
90 000	Canadian Imperial Bank of Commerce	7 185	8 739	
172 400	CI Financial Corp.	5 529	6 043	
234 300	Industrial Alliance Insurance & Financial Services Inc.	10 443	10 956	
87 000	Intact Financial Corp.	5 609	6 401	
1 901 115	Manulife Financial Corporation	33 641	40 323	
227 300	National Bank of Canada	9 990	10 288	
689 157	Power Corporation of Canada	17 603	20 434	
1 159 566	Royal Bank of Canada*	50 860	88 452	
102 800	Sun Life Financial Inc.	3 793	4 032	
1 779 930	Toronto-Dominion Bank	39 529	97 772	
		<u>282 047</u>	<u>427 423</u>	<u>32.4</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
Health Care				
177 400	Catamaran Corp.	\$ 7 852	\$ 8 359	
252 300	Valeant Pharmaceuticals International Inc.	16 040	34 045	
		<u>23 892</u>	<u>42 404</u>	<u>3.2</u>
Industrials				
618 452	Canadian National Railway Co.	9 925	42 921	
285 000	Finning International Inc.	6 327	8 504	
238 700	SNC-Lavalin Group Inc.	12 054	13 396	
		<u>28 306</u>	<u>64 821</u>	<u>4.9</u>
Information Technology				
525 400	CGI Group Inc., Class A	13 972	19 871	
215 200	Open Text Corp.	11 305	11 018	
		<u>25 277</u>	<u>30 889</u>	<u>2.3</u>
Materials				
142 406	Agnico Eagle Mines Ltd.	4 987	5 819	
108 775	Agrium Inc.	5 734	10 633	
1 224 728	B2Gold Corp.	3 842	3 809	
462 600	Barrick Gold Corp.	14 319	9 039	
233 700	Continental Gold Ltd.	1 866	818	
128 550	Detour Gold Corp.	2 443	1 877	
96 000	Dundee Precious Metals Inc.	984	491	
661 900	Eldorado Gold Corp.	8 200	5 401	
113 700	First Majestic Silver Corp.	2 535	1 311	
421 900	First Quantum Minerals Ltd.	8 376	9 628	
91 000	Franco-Nevada Corp.	3 892	5 574	
417 550	Goldcorp Inc.	17 684	12 435	
121 600	Mountain Province Diamonds Inc.	634	614	
313 700	New Gold Inc.	3 068	2 124	
65 712	Osisko Gold Royalties Ltd.	1 042	1 055	
605 372	Potash Corporation of Saskatchewan Inc.	12 866	24 566	
371 800	Primero Mining Corp.	2 418	3 179	
389 000	Semafo Inc.	1 277	1 949	
257 300	Silver Wheaton Corp.	8 585	7 225	
58 116	Tahoe Resources Inc.	995	1 624	
334 600	Teck Resources Ltd., Class B	15 548	8 151	
1 263 900	Torex Gold Resources Inc.	2 528	2 060	
888 060	Turquoise Hill Resources Ltd.	5 980	3 170	
306 652	Yamana Gold Inc.	3 514	2 692	
		<u>133 317</u>	<u>125 244</u>	<u>9.5</u>
Telecommunication Services				
405 491	Rogers Communications Inc., Class B	11 197	17 412	
649 024	TELUS Corp.	16 090	25 812	
		<u>27 287</u>	<u>43 224</u>	<u>3.3</u>
Utilities				
264 300	Fortis Inc.	7 989	8 582	
		<u>7 989</u>	<u>8 582</u>	<u>0.7</u>
TOTAL CANADIAN EQUITIES		<u>839 526</u>	<u>1 150 718</u>	<u>87.1</u>

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 186 073	Phillips, Hager & North Small Float Fund*	\$ 96 700	\$ 165 095	
TOTAL MUTUAL FUND UNITS		<u>96 700</u>	<u>165 095</u>	12.5
SHORT-TERM INVESTMENTS†		<u>2 247</u>	<u>2 247</u>	0.2
TOTAL INVESTMENTS		<u>\$ 938 473</u>	<u>1 318 060</u>	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>2 507</u>	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$1 320 567</u>	100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.95% to 1.14% and mature between July 2, 2014 and July 9, 2014.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 318 060	\$ 1 237 017	\$ 1 234 391
Cash	553	582	461
Due from investment dealers	10 042	311	–
Subscriptions receivable	783	956	781
Dividends receivable, interest accrued and other assets	2 379	1 743	2 521
TOTAL ASSETS	1 331 817	1 240 609	1 238 154
LIABILITIES			
Due to investment dealers	47	–	–
Redemptions payable	10 631	554	808
Accounts payable and accrued expenses	572	539	613
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	11 250	1 093	1 421
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 320 567	\$ 1 239 516	\$ 1 236 733
Investments at cost	\$ 938 473	\$ 945 875	\$ 1 096 553
NAV, END OF PERIOD			
SERIES C	\$ 13 690	\$ 12 632	\$ 13 022
ADVISOR SERIES	\$ 1 123	\$ 983	\$ 405
SERIES D	\$ 567 894	\$ 521 091	\$ 576 966
SERIES F	\$ 6 948	\$ 6 369	\$ 5 747
SERIES O	\$ 730 912	\$ 698 441	\$ 640 593
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 102.38	\$ 91.45	\$ 78.11
ADVISOR SERIES	\$ 102.39	\$ 91.46	\$ 78.11
SERIES D	\$ 99.97	\$ 88.91	\$ 75.94
SERIES F	\$ 102.00	\$ 90.62	\$ 77.40
SERIES O	\$ 100.01	\$ 88.46	\$ 75.56

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 15 141	\$ 15 035
Interest for distribution purposes	46	27
Net realized gain (loss) on investments	54 416	23 322
Net gain (loss) on foreign currencies and other net assets	(11)	(1)
Change in unrealized gain (loss) on investments	88 445	2 304
TOTAL INCOME (LOSS)	158 037	40 687
EXPENSES (see notes – Fund Specific Information)		
Management fees	2 828	2 788
Administration fees	244	233
Board of Governors costs	1	2
GST/HST	255	288
Transaction costs	399	423
TOTAL EXPENSES	3 727	3 734
INCREASE (DECREASE) IN NAV	\$ 154 310	\$ 36 953
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 1 490	\$ 283
ADVISOR SERIES	\$ 118	\$ 10
SERIES D	\$ 63 625	\$ 15 383
SERIES F	\$ 778	\$ 168
SERIES O	\$ 88 299	\$ 21 109
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 10.91	\$ 1.86
ADVISOR SERIES	\$ 10.92	\$ 1.82
SERIES D	\$ 11.03	\$ 2.17
SERIES F	\$ 11.36	\$ 2.30
SERIES O	\$ 11.52	\$ 2.60

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 154 310	\$ 36 953
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(54 416)	(23 294)
Change in unrealized loss (gain) on investments	(88 445)	(2 304)
(Increase) decrease in accrued receivables	(10 194)	(7 645)
Increase (decrease) in accrued payables	10 157	4 576
Cost of investments purchased	(680 577)	(487 404)
Proceeds on sales of investments	742 395	607 312
NET CASH PROVIDED BY OPERATING ACTIVITIES	73 230	128 194
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	46 175	83 130
Cash paid on redemption of redeemable units	(119 434)	(211 426)
Distributions paid to holders of redeemable units	–	(1)
NET CASH USED IN FINANCING ACTIVITIES	\$ (73 259)	\$ (128 297)
Net increase (decrease) in cash for the year	(29)	(103)
Cash (bank overdraft), beginning of period	582	461
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 553	\$ 358
Interest received	\$ 45	\$ 29
Dividends received, net of withholding taxes	\$ 14 505	\$ 15 035

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 12 632	\$ 13 022	\$ 983	\$ 405	\$ 521 091	\$ 576 966	\$ 6 369	\$ 5 747
INCREASE (DECREASE) IN NAV	1 490	283	118	10	63 625	15 383	778	168
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	605	1 040	22	392	13 215	9 002	430	693
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(1 037)	(2 566)	—	(71)	(30 037)	(106 338)	(629)	(1 231)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(432)	(1 526)	22	321	(16 822)	(97 336)	(199)	(538)
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	1 058	(1 243)	140	331	46 803	(81 953)	579	(370)
NAV AT END OF PERIOD	\$ 13 690	\$ 11 779	\$ 1 123	\$ 736	\$ 567 894	\$ 495 013	\$ 6 948	\$ 5 377

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 698 441	\$ 640 593	\$ 1 239 516	\$ 1 236 733
INCREASE (DECREASE) IN NAV	88 299	21 109	154 310	36 953
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	31 903	72 003	46 175	83 130
Reinvestments of distributions to holders of redeemable units	—	(1)	—	(1)
Redemption of redeemable units	(87 731)	(101 220)	(119 434)	(211 426)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(55 828)	(29 218)	(73 259)	(128 297)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	32 471	(8 109)	81 051	(91 344)
NAV AT END OF PERIOD	\$ 730 912	\$ 632 484	\$ 1 320 567	\$ 1 145 389

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of common shares of Canadian companies.

Financial instrument risk and capital management (see note 4 in the generic notes)**Other price risk (% impact on net assets)**

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.1	+ or - 1.1	+ or - 1.0

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	1 150 718	–	–	1 150 718
Mutual fund units	165 095	–	–	165 095
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 247	–	2 247
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 315 813	2 247	–	1 318 060
% of total portfolio	99.8	0.2	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 032 587	–	–	1 032 587
Mutual fund units	197 046	–	–	197 046
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 384	–	7 384
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 229 633	7 384	–	1 237 017
% of total portfolio	99.4	0.6	–	100.0

Please see the generic notes at the back of the financial statements.

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 033 925	–	–	1 033 925
Mutual fund units	187 786	–	–	187 786
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	12 680	–	12 680
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 221 711	12 680	–	1 234 391
% of total portfolio	99.0	1.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.06%
Series F	0.10%
Series O	0.02%

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	7	7
Advisor Series	13	13
Series D	7	7
Series F	7	7
Value of all units	3	3

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	151
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	138	167
Issued number of units	7	13
Reinvested number of units	–	–
Redeemed number of units	(11)	(32)
Ending number of units	134	148
Advisor Series		
Opening units	11	5
Issued number of units	–	5
Reinvested number of units	–	–
Redeemed number of units	–	(1)
Ending number of units	11	9
Series D		
Opening units	5 861	7 597
Issued number of units	143	116
Reinvested number of units	–	–
Redeemed number of units	(323)	(1 361)
Ending number of units	5 681	6 352

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	70	74
Issued number of units	5	9
Reinvested number of units	–	–
Redeemed number of units	(7)	(15)
Ending number of units	68	68
Series O		
Opening units	7 896	8 478
Issued number of units	342	925
Reinvested number of units	–	–
Redeemed number of units	(929)	(1 291)
Ending number of units	7 309	8 112

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	399	100	423	100
Related-party brokerage commissions*	50	13	36	9
Commission arrangements†	11	3	27	6

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Enhanced Long Government Bond Fund	–	9
Phillips, Hager & North PRISM Balanced Fund	246	252
Total	246	261

Please see the generic notes at the back of the financial statements.

June 30, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 144 731	1 234 878
Revaluation of investments at FVTPL	658	1 855
Net assets attributable to holders of redeemable units	1 145 389	1 236 733
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		38 150
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(1 197)
Increase (decrease) in net assets attributable to holders of redeemable units		36 953

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES CANADIAN EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
5 725	BRP Inc.	\$ 127	\$ 151	
5 600	Cineplex Inc.	151	232	
4 600	Dollarama Inc.	152	404	
9 500	Gildan Activewear Inc., Class A	383	597	
9 200	Leon's Furniture Ltd.	119	133	
6 400	Linamar Corp.	228	403	
11 400	Magna International Inc., Class A	549	1 309	
10 800	Quebecor Inc., Class B	236	279	
44 400	RONA Inc.	551	510	
16 100	Shaw Communications Inc., Class B	342	440	
23 636	Thomson Corp.	852	918	
12 252	Tim Hortons Inc.	452	715	
		4 142	6 091	8.1
Consumer Staples				
6 500	Empire Co. Ltd., Class A	461	472	
15 300	Loblaw Companies Ltd.	667	729	
16 100	Maple Leaf Foods Inc.	283	320	
8 400	Saputo Group Inc.	248	537	
		1 659	2 058	2.7
Energy				
44 500	ARC Resources Ltd.	1 075	1 446	
23 200	Calfrac Well Services Ltd.	335	463	
16 000	Cameco Corp.	482	334	
66 800	Canadian Natural Resources Ltd.	2 344	3 274	
56 141	Cenovus Energy Inc.	1 740	1 941	
20 100	Crescent Point Energy Corp.	834	951	
29 741	Encana Corp.	649	752	
3 100	Keyera Corp.	229	244	
11 120	PrairieSky Royalty Ltd.	340	431	
7 700	Secure Energy Services Inc.	117	181	
75 021	Suncor Energy Inc.	2 543	3 413	
73 500	Talisman Energy Inc.	956	829	
8 400	Tourmaline Oil Corp.	277	473	
24 900	TransCanada Corp.	1 122	1 268	
9 000	Trilogy Energy Corp.	259	263	
28 700	Trinidad Drilling Ltd.	233	348	
		13 535	16 611	22.0
Financials				
18 100	Bank of Montreal	1 180	1 422	
62 679	Bank of Nova Scotia	3 324	4 459	
37 900	Brookfield Asset Management Inc., Class A	1 228	1 782	
4 700	Callidus Capital Corp.	66	84	
11 300	Canaccord Genuity Group Inc.	81	139	
5 800	Canadian Imperial Bank of Commerce	467	563	
18 900	CI Financial Corp.	487	662	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
42 800	Element Financial Corp.	\$ 326	\$ 577	
14 300	Element Financial Corp., Subscription Receipts	182	192	
3 800	First Service Corp.	121	206	
43 064	Great-West Lifeco Inc.	1 111	1 300	
6 600	Home Capital Group Inc.	167	316	
14 900	Industrial Alliance Insurance & Financial Services Inc.	525	697	
5 700	Intact Financial Corp.	369	419	
107 494	Manulife Financial Corporation	2 066	2 280	
12 500	National Bank of Canada	549	566	
36 879	Power Corporation of Canada	1 010	1 093	
65 705	Royal Bank of Canada*	3 329	5 012	
5 800	Sun Life Financial Inc.	214	227	
36 900	The Westaim Corporation†, Subscription Receipts August 24, 2014	98	98	
95 120	Toronto-Dominion Bank	2 943	5 225	
		19 843	27 319	36.2
Health Care				
9 500	Catamaran Corp.	431	448	
14 300	Valeant Pharmaceuticals International Inc.	1 015	1 930	
		1 446	2 378	3.1
Industrials				
16 800	Badger Daylighting Ltd.	273	591	
9 800	Boyd Group Income Fund	313	428	
41 138	Canadian National Railway Co.	1 212	2 855	
14 400	Finning International Inc.	326	430	
2 500	MacDonald Dettwiler & Associates Ltd.	166	218	
8 200	Richelieu Hardware Ltd.	257	398	
2 000	Stantec Inc.	67	132	
16 100	Toromont Industries Ltd.	330	424	
		2 944	5 476	7.2
Information Technology				
27 800	CGI Group Inc., Class A	763	1 051	
1 100	Constellation Software Inc.	143	297	
7 000	Descartes Systems Group Inc.	101	107	
5 600	DH Corp.	145	174	
8 600	Kinaxis Inc.	112	115	
14 904	Open Text Corp.	517	763	
		1 781	2 507	3.3
Materials				
20 300	Agnico Eagle Mines Ltd.	656	829	
6 040	Agrium Inc.	364	590	
3 400	CCL Industries, Class B	127	349	
49 200	Eldorado Gold Corp.	675	401	

This schedule and the accompanying notes are an integral part of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
23 300	First Quantum Minerals Ltd.	\$ 461	\$ 532	
8 100	Franco-Nevada Corp.	343	496	
104 000	Polaris Minerals Corp.	178	281	
35 100	Potash Corporation of Saskatchewan Inc.	1 715	1 424	
22 300	Primerio Mining Corp.	170	191	
9 400	Silver Wheaton Corp.	320	264	
6 200	Stella-Jones Inc.	111	182	
19 400	Teck Resources Ltd., Class B	843	473	
20 700	Yamana Gold Inc.	282	182	
		<u>6 245</u>	<u>6 194</u>	8.2
Telecommunication Services				
28 900	BCE Inc.	1 238	1 399	
29 744	Rogers Communications Inc., Class B	1 022	1 277	
42 236	TELUS Corp.	963	1 680	
		<u>3 223</u>	<u>4 356</u>	5.8
Utilities				
14 300	Fortis Inc.	432	464	
		<u>432</u>	<u>464</u>	0.6
Other				
71 700	iShares S&P/TSX 60 Index Fund	1 465	1 560	
		<u>1 465</u>	<u>1 560</u>	2.1
TOTAL CANADIAN EQUITIES		<u>56 715</u>	<u>75 014</u>	99.3
SHORT-TERM INVESTMENTS[‡]		<u>375</u>	<u>375</u>	0.5
TOTAL INVESTMENTS		<u>\$ 57 090</u>	<u>75 389</u>	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>153</u>	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 75 542</u>	100.0

* Investment in related party (see note 7 in the generic notes).

† Illiquid security.

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.95% to 1.12% and mature between July 2, 2014 and July 3, 2014.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 75 389	\$ 58 962	\$ 56 998
Cash	87	83	120
Subscriptions receivable	33	3	4
Dividends receivable, interest accrued and other assets	171	123	166
TOTAL ASSETS	75 680	59 171	57 288
LIABILITIES			
Due to investment dealers	101	–	–
Redemptions payable	7	164	102
Accounts payable and accrued expenses	30	25	24
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	138	189	126
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 75 542	\$ 58 982	\$ 57 162
Investments at cost	\$ 57 090	\$ 46 205	\$ 51 853
NAV, END OF PERIOD			
SERIES C	\$ 1 345	\$ 1 092	\$ 922
ADVISOR SERIES	\$ 639	\$ 451	\$ 113
SERIES D	\$ 20 947	\$ 18 305	\$ 17 966
SERIES F	\$ 688	\$ 595	\$ 409
SERIES O	\$ 51 923	\$ 38 539	\$ 37 752
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 26.11	\$ 23.49	\$ 19.84
ADVISOR SERIES	\$ 26.10	\$ 23.49	\$ 19.84
SERIES D	\$ 26.04	\$ 23.34	\$ 19.71
SERIES F	\$ 26.42	\$ 23.64	\$ 19.97
SERIES O	\$ 26.32	\$ 23.46	\$ 19.82

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 943	\$ 794
Interest for distribution purposes	5	2
Other income (loss)	2	–
Net realized gain (loss) on investments	1 734	960
Net gain (loss) on foreign currencies and other net assets	(1)	–
Change in unrealized gain (loss) on investments	5 542	667
TOTAL INCOME (LOSS)	8 225	2 423
EXPENSES (see notes – Fund Specific Information)		
Management fees	114	99
Administration fees	34	26
Board of Governors costs	1	2
GST/HST	13	13
Transaction costs	28	28
TOTAL EXPENSES	190	168
INCREASE (DECREASE) IN NAV	\$ 8 035	\$ 2 255
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 123	\$ 26
ADVISOR SERIES	\$ 59	\$ 2
SERIES D	\$ 2 159	\$ 630
SERIES F	\$ 71	\$ 15
SERIES O	\$ 5 623	\$ 1 582
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT		
SERIES C	\$ 2.68	\$ 0.69
ADVISOR SERIES	\$ 2.67	\$ 0.72
SERIES D	\$ 2.77	\$ 0.78
SERIES F	\$ 2.83	\$ 0.83
SERIES O	\$ 2.92	\$ 0.89

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 8 035	\$ 2 255
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(1 734)	(960)
Change in unrealized loss (gain) on investments	(5 542)	(667)
(Increase) decrease in accrued receivables	(78)	(406)
Increase (decrease) in accrued payables	(51)	117
Cost of investments purchased	(76 829)	(42 229)
Proceeds on sales of investments	67 678	49 983
NET CASH PROVIDED BY OPERATING ACTIVITIES	(8 521)	8 093
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	12 103	5 663
Cash paid on redemption of redeemable units	(3 578)	(13 785)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 8 525	\$ (8 122)
Net increase (decrease) in cash for the year	4	(29)
Cash (bank overdraft), beginning of period	83	120
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 87	\$ 91
Interest received	\$ 5	\$ 2
Dividends received, net of withholding taxes	\$ 897	\$ 794

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 092	\$ 922	\$ 451	\$ 113	\$ 18 305	\$ 17 966	\$ 595	\$ 409
INCREASE (DECREASE) IN NAV	123	26	59	2	2 159	630	71	15
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	184	99	139	193	1 845	771	55	203
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–	–	–
Redemption of redeemable units	(54)	(165)	(10)	(45)	(1 362)	(2 815)	(33)	(70)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	130	(66)	129	148	483	(2 044)	22	133
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	–	–	–	–
NET INCREASE (DECREASE) IN NAV	253	(40)	188	150	2 642	(1 414)	93	148
NAV AT END OF PERIOD	\$ 1 345	\$ 882	\$ 639	\$ 263	\$ 20 947	\$ 16 552	\$ 688	\$ 557

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 38 539	\$ 37 752	\$ 58 982	\$ 57 162
INCREASE (DECREASE) IN NAV	5 623	1 582	8 035	2 255
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	9 880	4 397	12 103	5 663
Reinvestments of distributions to holders of redeemable units	–	–	–	–
Redemption of redeemable units	(2 119)	(10 690)	(3 578)	(13 785)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	7 761	(6 293)	8 525	(8 122)
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–
NET INCREASE (DECREASE) IN NAV	13 384	(4 711)	16 560	(5 867)
NAV AT END OF PERIOD	\$ 51 923	\$ 33 041	\$ 75 542	\$ 51 295

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common shares of high-quality Canadian companies.

**Financial instrument risk and capital management
(see note 4 in the generic notes)**

Liquidity risk

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.1% (December 31, 2013 – 0.0%, January 1, 2013 – 0.5%) of the net assets of the Fund.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.0	+ or - 1.0

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	74 916	98	–	75 014
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	375	–	375
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	74 916	473	–	75 389
% of total portfolio	99.4	0.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	58 762	–	–	58 762
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	200	–	200
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	58 762	200	–	58 962
% of total portfolio	99.7	0.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	55 727	271	–	55 998
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 000	–	1 000
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	55 727	1 271	–	56 998
% of total portfolio	97.8	2.2	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

Investment Management®

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	27	27
Advisor Series	53	53
Series D	55	55
Series F	28	28
Series O	29	29
Value of all units	5	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	681
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	46	46
Issued number of units	8	5
Reinvested number of units	–	–
Redeemed number of units	(2)	(8)
Ending number of units	52	43
Advisor Series		
Opening units	19	6
Issued number of units	5	9
Reinvested number of units	–	–
Redeemed number of units	–	(2)
Ending number of units	24	13
Series D		
Opening units	784	911
Issued number of units	76	39
Reinvested number of units	–	–
Redeemed number of units	(56)	(138)
Ending number of units	804	812

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	25	21
Issued number of units	2	9
Reinvested number of units	–	–
Redeemed number of units	(1)	(3)
Ending number of units	26	27
Series O		
Opening units	1 642	1 905
Issued number of units	416	214
Reinvested number of units	–	–
Redeemed number of units	(85)	(516)
Ending number of units	1 973	1 603

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	28	100	28	100
Related-party brokerage commissions*	2	7	1	4
Commission arrangements [†]	1	4	1	4

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Community Values		
Balanced Fund	576	246

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
CANADIAN EQUITY FUND**

June 30, 2014

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as
previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	51 261	57 048
Revaluation of investments at FVTPL	34	114
Net assets attributable to holders of redeemable units	51 295	57 162

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	2 335
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(80)
Increase (decrease) in net assets attributable to holders of redeemable units	2 255

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
110 775	Magna International Inc., Class A	\$ 5 490	\$ 12 724	
209 620	Quebecor Inc., Class B	5 435	5 412	
387 190	Shaw Communications Inc., Class B	8 456	10 594	
354 562	Thomson Corp.	9 972	13 775	
68 003	Tim Hortons Inc.	3 970	3 969	
		33 323	46 474	4.8
Consumer Staples				
312 075	Alimentation Couche-Tard Inc.	7 913	9 122	
321 767	Loblaw Companies Ltd.	13 946	15 323	
159 152	Maple Leaf Foods Inc.	2 196	3 161	
42 702	Metro Inc., Class A	2 762	2 817	
		26 817	30 423	3.1
Energy				
98 513	AltaGas Ltd.	3 597	4 835	
365 130	ARC Resources Ltd.	10 442	11 863	
232 043	Bonavista Energy Corp.	3 419	3 799	
764 734	Canadian Natural Resources Ltd.	26 640	37 495	
467 233	Cenovus Energy Inc.	13 498	16 162	
301 810	Crew Energy Inc.	2 399	3 334	
525 887	Enbridge Inc.	21 097	26 625	
562 561	Encana Corp.	12 166	14 221	
693 797	Gear Energy Ltd.	2 873	4 350	
98 589	Gibson Energy Inc.	2 856	3 356	
381 531	Husky Energy Inc.	10 752	13 148	
225 069	Imperial Oil Ltd.	11 167	12 656	
648 904	Pengrowth Energy Corp.	3 206	4 964	
24 900	PrairieSky Royalty Ltd.	697	966	
87 116	ShawCor Ltd.	3 709	5 169	
940 613	Suncor Energy Inc.	31 303	42 798	
620 032	Talisman Energy Inc.	6 974	6 994	
443 291	TransCanada Corp.	17 500	22 577	
305 810	Trican Well Service Ltd.	4 447	5 269	
		188 742	240 581	24.8
Financials				
340 033	Bank of Montreal	21 746	26 720	
749 720	Bank of Nova Scotia	40 450	53 335	
485 406	Brookfield Asset Management Inc., Class A	15 694	22 819	
470 844	Brookfield Property Partners LP	8 180	10 495	
211 723	Canadian Imperial Bank of Commerce	17 304	20 558	
263 571	Chartwell Retirement Residences Real Estate Investment Trust	2 518	2 857	
380 759	CI Financial Corp.	9 455	13 346	
9 710	Fairfax Financial Holdings Ltd.	3 792	4 915	
67 500	Granite Real Estate Investment Trust	2 575	2 666	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
153 751	Great-West Lifeco Inc.	\$ 4 601	\$ 4 640	
96 876	Intact Financial Corp.	5 867	7 128	
1 232 602	Manulife Financial Corporation	22 728	26 143	
161 482	Onex Corporation	6 108	10 661	
966 261	Plaza Retail Real Estate Investment Trust	3 940	3 952	
358 262	Power Corporation of Canada	9 811	10 622	
836 719	Royal Bank of Canada*	49 463	63 825	
193 280	Sun Life Financial Inc.	6 406	7 580	
527 449	The Westaim Corporation†, Subscription Receipts August 24, 2014	1 398	1 398	
973 923	Toronto-Dominion Bank	35 621	53 498	
		267 657	347 158	35.7
Industrials				
1 578 761	Bombardier Inc., Class B	5 922	5 952	
631 777	Canadian National Railway Co.	23 913	43 845	
90 911	Canadian Pacific Railway Ltd.	12 108	17 574	
187 887	Finning International Inc.	3 882	5 607	
213 024	Progressive Waste Solutions Ltd.	5 427	5 835	
235 316	WestJet Airlines Ltd.	5 709	6 165	
		56 961	84 978	8.8
Information Technology				
161 140	Blackberry Ltd.	1 439	1 763	
111 674	Celestica Inc.	1 231	1 499	
137 317	CGI Group Inc., Class A	4 688	5 193	
144 754	DH Corp.	4 118	4 495	
54 876	Open Text Corp.	2 799	2 810	
		14 275	15 760	1.6
Materials				
94 851	Agnico Eagle Mines Ltd.	3 048	3 876	
120 954	Agrium Inc.	11 707	11 823	
366 725	Barrick Gold Corp.	6 868	7 166	
198 057	Dominion Diamond Corp.	3 003	3 054	
170 985	First Quantum Minerals Ltd.	3 182	3 902	
705 411	Goldcorp Inc.	18 691	21 007	
160 129	Labrador Iron Ore Royalty Corp.	4 846	4 913	
873 698	Lundin Mining Corp.	4 646	5 129	
424 218	Potash Corporation of Saskatchewan Inc.	14 968	17 215	
249 855	Teck Resources Ltd., Class B	5 960	6 086	
46 328	West Fraser Timber Co. Ltd.	2 151	2 396	
236 165	Yamana Gold Inc.	2 023	2 074	
		81 093	88 641	9.1
Telecommunication Services				
201 484	BCE Inc.	9 093	9 752	
79 535	Rogers Communications Inc., Class B	3 145	3 415	
333 772	TELUS Corp.	8 511	13 274	
		20 749	26 441	2.7

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH CANADIAN EQUITY VALUE FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
182 316	Atco Ltd., Class I, Non-Voting	\$ 6 898	\$ 9 429	
173 369	Capital Power Corp.	4 260	4 572	
		11 158	14 001	1.4
Other				
446 326	iShares S&P/TSX 60 Index Fund	8 621	9 712	
		8 621	9 712	1.0
TOTAL CANADIAN EQUITIES		709 396	904 169	93.0

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
6 609	Fortis Inc., Convertible	4.000	09-Jan-24	\$ 2 209	\$ 2 527	
TOTAL CANADIAN BONDS				2 209	2 527	0.3
SHORT-TERM INVESTMENTS†						
660	Bank of Montreal			659	659	
24 910	Canadian Imperial Bank of Commerce			24 886	24 886	
29 640	National Bank of Canada			29 611	29 611	
2 970	Toronto-Dominion Bank			2 967	2 967	
TOTAL SHORT-TERM INVESTMENTS				58 123	58 123	6.0
TOTAL INVESTMENTS				\$ 769 728	964 819	99.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					6 482	0.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 971 301	100.0

* Investment in related party (see note 7 in the generic notes).

† Illiquid security.

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.14% to 1.16% and mature between July 2, 2014 and July 31, 2014.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 964 819	\$ 500 232	\$ 279 685
Cash	34	66	–
Due from investment dealers	8 375	–	808
Subscriptions receivable	917	1 871	1 416
Dividends receivable, interest accrued and other assets	2 791	973	700
TOTAL ASSETS	976 936	503 142	282 609
LIABILITIES			
Bank overdraft	–	–	4
Due to investment dealers	4 089	1 394	2 348
Redemptions payable	814	271	328
Distributions payable	2	–	–
Accounts payable and accrued expenses	730	143	108
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	5 635	1 808	2 788
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 971 301	\$ 501 334	\$ 279 821
Investments at cost	\$ 769 728	\$ 438 888	\$ 266 616
NAV, END OF PERIOD			
SERIES C	\$ 11 764	\$ 10 343	\$ 9 977
ADVISOR SERIES	\$ 303 903	\$ 1 910	\$ 1 363
SERIES H	\$ 257	\$ 231	\$ –
SERIES D	\$ 69 276	\$ 62 460	\$ 54 426
SERIES F	\$ 104 880	\$ 48 817	\$ 31 012
SERIES I	\$ 4 412	\$ 4 186	\$ –
SERIES O	\$ 476 809	\$ 373 387	\$ 183 043
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 13.96	\$ 12.86	\$ 11.35
ADVISOR SERIES	\$ 13.94	\$ 12.86	\$ 11.35
SERIES H	\$ 13.96	\$ 12.86	\$ –
SERIES D	\$ 14.12	\$ 13.00	\$ 11.47
SERIES F	\$ 14.15	\$ 13.03	\$ 11.50
SERIES I	\$ 14.13	\$ 13.02	\$ –
SERIES O	\$ 14.10	\$ 12.99	\$ 11.47

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 7 325	\$ 4 858
Interest for distribution purposes	309	147
Other income (loss)	39	108
Net realized gain (loss) on investments	21 388	383
Net gain (loss) on foreign currencies and other net assets	(4)	–
Change in unrealized gain (loss) on investments	35 816	(1 126)
TOTAL INCOME (LOSS)	64 873	4 370
EXPENSES (see notes – Fund Specific Information)		
Management fees	711	528
Administration fees	172	104
Board of Governors costs	1	2
GST/HST	85	69
Transaction costs	359	290
TOTAL EXPENSES	1 328	993
INCREASE (DECREASE) IN NAV	\$ 63 545	\$ 3 377
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 1 170	\$ 60
ADVISOR SERIES	\$ 594	\$ 9
SERIES H	\$ 26	\$ –
SERIES D	\$ 7 218	\$ 522
SERIES F	\$ 6 630	\$ 266
SERIES I	\$ 484	\$ –
SERIES O	\$ 47 423	\$ 2 520
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT		
SERIES C	\$ 1.45	\$ 0.03
ADVISOR SERIES	\$ 1.01	\$ 0.03
SERIES H	\$ 1.47	\$ –
SERIES D	\$ 1.52	\$ 0.08
SERIES F	\$ 1.54	\$ 0.09
SERIES I	\$ 1.57	\$ –
SERIES O	\$ 1.60	\$ 0.15

* Series H and Series I launched August 2013.

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 63 545	\$ 3 377
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(21 388)	(383)
Change in unrealized loss (gain) on investments	(35 816)	1 126
(Increase) decrease in accrued receivables	(9 239)	849
Increase (decrease) in accrued payables	3 827	(1 455)
Cost of investments purchased	(932 291)	(375 450)
Proceeds on sales of investments	524 908	316 329
NET CASH PROVIDED BY OPERATING ACTIVITIES	(406 454)	(55 607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	457 715	91 903
Cash paid on redemption of redeemable units	(46 463)	(36 261)
Distributions paid to holders of redeemable units	(4 830)	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 406 422	\$ 55 642
Net increase (decrease) in cash for the year	(32)	35
Cash (bank overdraft), beginning of period	66	(4)
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 34	\$ 31
Interest received	\$ (1 039)	\$ 144
Dividends received, net of withholding taxes	\$ 6 894	\$ 4 858

* Series H and Series I launched August 2013.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)*	Series C		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 10 343	\$ 9 977	\$ 1 910	\$ 1 363	\$ 231	\$ –	\$ 62 460	\$ 54 426
INCREASE (DECREASE) IN NAV	1 170	60	594	9	26	–	7 218	522
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	1 535	1 378	301 954	613	–	–	6 794	20 382
Reinvestments of distributions to holders of redeemable units	265	–	45	–	6	–	1 774	–
Redemption of redeemable units	(1 279)	(1 624)	(553)	(300)	–	–	(7 104)	(16 945)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	521	(246)	301 446	313	6	–	1 464	3 437
Distributions from net income	(34)	–	(6)	–	(1)	–	(502)	–
Distributions from net gains	(236)	–	(41)	–	(5)	–	(1 364)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(270)	–	(47)	–	(6)	–	(1 866)	–
NET INCREASE (DECREASE) IN NAV	1 421	(186)	301 993	322	26	–	6 816	3 959
NAV AT END OF PERIOD	\$ 11 764	\$ 9 791	\$ 303 903	\$ 1 685	\$ 257	\$ –	\$ 69 276	\$ 58 385

For the periods ended June 30 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 48 817	\$ 31 012	\$ 4 186	\$ –	\$ 373 387	\$ 183 043	\$ 501 334	\$ 279 821
INCREASE (DECREASE) IN NAV	6 630	266	484	–	47 423	2 520	63 545	3 377
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	58 607	10 592	–	–	88 825	58 938	457 715	91 903
Reinvestments of distributions to holders of redeemable units	138	–	129	–	11 043	–	13 400	–
Redemption of redeemable units	(7 494)	(4 565)	(259)	–	(29 774)	(12 827)	(46 463)	(36 261)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	51 251	6 027	(130)	–	70 094	46 111	424 652	55 642
Distributions from net income	(523)	–	(42)	–	(5 638)	–	(6 746)	–
Distributions from net gains	(1 295)	–	(86)	–	(8 457)	–	(11 484)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(1 818)	–	(128)	–	(14 095)	–	(18 230)	–
NET INCREASE (DECREASE) IN NAV	56 063	6 293	226	–	103 422	48 631	469 967	59 019
NAV AT END OF PERIOD	\$ 104 880	\$ 37 305	\$ 4 412	\$ –	\$ 476 809	\$ 231 674	\$ 971 301	\$ 338 840

* Series H and Series I launched August 2013.

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide long-term capital growth. To achieve the Fund's investment objective, we invest primarily in equities of Canadian companies priced below the manager's assessment of their true value and offering long-term opportunities for growth.

Financial instrument risk and capital management (see note 4 in the generic notes)**Liquidity risk**

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.1% (December 31, 2013 – 0.0%, January 1, 2013 – 0.0%) of the net assets of the Fund.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.9	+ or - 0.9	+ or - 0.9

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	902 771	1 398	–	904 169
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	2 527	–	2 527
Short-term investments	–	58 123	–	58 123
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	902 771	62 048	–	964 819
% of total portfolio	93.6	6.4	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	458 493	–	–	458 493
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	41 739	–	41 739
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	458 493	41 739	–	500 232
% of total portfolio	91.7	8.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	260 476	–	–	260 476
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	19 209	–	19 209
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	260 476	19 209	–	279 685
% of total portfolio	93.1	6.9	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series H	1.60%
Series D	1.00%
Series F	0.75%
Series I	0.60%

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series H	0.10%
Series D	0.10%
Series F	0.10%
Series I	0.10%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	96	94
Advisor Series	100	98
Series H	88	85
Series D	113	110
Series F	114	111
Series I	87	85
Series O	119	115
Value of all units	10	9

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	804	879
Issued number of units	116	119
Reinvested number of units	19	–
Redeemed number of units	(96)	(140)
Ending number of units	843	858

Please see the generic notes at the back of the financial statements.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	149	120
Issued number of units	21 686	54
Reinvested number of units	3	–
Redeemed number of units	(41)	(26)
Ending number of units	21 797	148
Series H		
Opening units	18	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	18	–
Series D		
Opening units	4 804	4 745
Issued number of units	502	1 730
Reinvested number of units	127	–
Redeemed number of units	(525)	(1 438)
Ending number of units	4 908	5 037
Series F		
Opening units	3 747	2 697
Issued number of units	4 199	896
Reinvested number of units	10	–
Redeemed number of units	(546)	(387)
Ending number of units	7 410	3 206
Series I		
Opening units	322	–
Issued number of units	(1)	–
Reinvested number of units	9	–
Redeemed number of units	(18)	–
Ending number of units	312	–
Series O		
Opening units	28 737	15 963
Issued number of units	6 450	5 003
Reinvested number of units	789	–
Redeemed number of units	(2 166)	(1 086)
Ending number of units	33 810	19 880

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	359	100	290	100
Related-party brokerage commissions*	37	10	57	20
Commission arrangements [†]	22	6	11	4

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

June 30, 2014

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
RBC Select Balanced Portfolio	1 202	–
RBC Select Growth Portfolio	1 300	–
RBC Select Aggressive Growth Portfolio	836	–
Phillips, Hager & North LifeTime 2015 Fund	26	24
Phillips, Hager & North LifeTime 2020 Fund	54	46
Phillips, Hager & North LifeTime 2025 Fund	59	48
Phillips, Hager & North LifeTime 2030 Fund	57	46
Phillips, Hager & North LifeTime 2035 Fund	83	69
Phillips, Hager & North LifeTime 2040 Fund	82	67
Phillips, Hager & North LifeTime 2045 Fund	173	127
Total	3 872	427

Fund merger (000s)

At the close of business on June 27, 2014, the RBC DS Canadian Focus Fund was merged into the Phillips, Hager & North Canadian Equity Value Fund. The purchase method of accounting was adopted for the fund merger. Under this method, the Continuing Fund is identified as the acquiring fund and the Terminated Fund is the acquired fund. This identification was based on aspects of the Continuing Fund such as investment objectives, portfolio composition and asset size of the Fund.

Details of the RBC DS Canadian Focus Fund (the “Terminated Fund”) and the Phillips, Hager & North Canadian Equity Value Fund (the “Continuing Fund”) are as follows:

Net assets acquired by Continuing Fund	\$ 388 539
Exchange ratio Series F	1.51
Units issued by Continuing Fund Series F	2 847
Exchange ratio Advisor Series	1.40
Units issued by Continuing Fund Advisor Series	21 648
Exchange ratio Series 0	1.55
Units issued by Continuing Fund Series 0	3 338

The Continuing Fund identified above acquired all of the assets and assumed all of the liabilities of the Terminated Fund at their fair market value, in return for the issuance by the Continuing Fund of its units equal in value to the net assets transferred from the Terminated Fund. As a result, the unitholders of the Terminated Fund became unitholders of the Continuing Fund. After the merger, the Terminated Fund was wound up.

Please see the generic notes at the back of the financial statements.

As at June 27, 2014, all of the investments of the Terminated Fund were disposed of at their fair market value to the Continuing Fund.

The financial statements of the Continuing Fund include the operating results of the Terminated Fund from the date of the merger. All comparative information in these financial statements is that of the Continuing Fund only.

Under the tax reorganization rules in the *Income Tax Act* (Canada), the merger took place on a tax-deferred or “rollover” basis, and both the Terminated Fund and the Continuing Fund are deemed to have a taxation year-end as at June 27, 2014. Those investments with unrealized losses were deemed to have been disposed of at their fair market value and investments with unrealized gains were deemed to be disposed of at their fair market value or at their elected amount. The Fund has no tax liability as at June 27, 2014. All capital and non-capital loss carryforwards expired as a result of the fund merger.

None of the costs related to the merger have been charged to the funds or to the unitholders.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	338 548	279 330
Revaluation of investments at FVTPL	292	491
Net assets attributable to holders of redeemable units	338 840	279 821
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		3 576
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(199)
Increase (decrease) in net assets attributable to holders of redeemable units		3 377

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN EQUITY UNDERLYING FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
218 291	BRP Inc.	\$ 5 269	\$ 5 741	
253 648	Cineplex Inc.	8 443	10 514	
128 803	Dollarama Inc.	8 051	11 315	
335 329	Gildan Activewear Inc., Class A	14 533	21 082	
310 100	Great Canadian Gaming Corp.	3 081	5 293	
339 400	Leon's Furniture Ltd.	4 364	4 921	
169 129	Linamar Corp.	4 363	10 647	
327 040	Magna International Inc., Class A	21 216	37 564	
476 756	Quebecor Inc., Class B	10 952	12 310	
1 805 400	RONA Inc.	22 362	20 726	
525 960	Shaw Communications Inc., Class B	12 027	14 390	
747 514	Thomson Corp.	26 116	29 041	
205 607	Tim Hortons Inc.	11 188	12 001	
		<u>151 965</u>	<u>195 545</u>	7.0
Consumer Staples				
1 571 923	Alimentation Couche-Tard Inc.	31 488	45 947	
255 400	Empire Co. Ltd., Class A	18 108	18 532	
593 874	Loblaw Companies Ltd.	27 202	28 280	
437 541	Maple Leaf Foods Inc.	5 983	8 690	
194 926	Saputo Group Inc.	9 173	12 462	
		<u>91 954</u>	<u>113 911</u>	4.1
Energy				
1 688 025	ARC Resources Ltd.	45 289	54 844	
722 264	Calfrac Well Services Ltd.	10 985	14 408	
609 514	Cameco Corp.	13 344	12 756	
2 311 835	Canadian Natural Resources Ltd.	73 737	113 349	
1 912 245	Cenovus Energy Inc.	58 865	66 145	
762 500	Crescent Point Energy Corp.	31 668	36 059	
1 710 716	Enbridge Inc.	76 681	86 614	
1 111 733	Encana Corp.	21 412	28 105	
117 500	Keyera Corp.	8 666	9 237	
419 800	PrairieSky Royalty Ltd.	12 801	16 288	
298 100	Secure Energy Services Inc.	4 561	6 990	
2 666 646	Suncor Energy Inc.	88 029	121 332	
2 829 664	Talisman Energy Inc.	34 110	31 919	
319 466	Tourmaline Oil Corp.	13 022	17 973	
911 086	TransCanada Corp.	42 090	46 402	
341 600	Trilogy Energy Corp.	9 827	9 975	
970 587	Trinidad Drilling Ltd.	8 366	11 754	
		<u>553 453</u>	<u>684 150</u>	24.4
Financials				
587 726	Bank of Montreal	38 528	46 184	
2 406 092	Bank of Nova Scotia	135 593	171 169	
1 371 810	Brookfield Asset Management Inc., Class A	49 786	64 489	
178 800	Callidus Capital Corp.	2 503	3 201	
415 700	Canaccord Genuity Group Inc.	3 019	5 109	
196 120	Canadian Imperial Bank of Commerce	15 416	19 043	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
361 500	CI Financial Corp.	\$ 11 597	\$ 12 671	
1 544 611	Element Financial Corp.	16 543	20 821	
530 500	Element Financial Corp., Subscription Receipts	6 764	7 114	
142 464	First Service Corp.	4 592	7 704	
331 376	Home Capital Group Inc.	9 446	15 850	
482 341	Industrial Alliance Insurance & Financial Services Inc.	19 300	22 554	
189 400	Intact Financial Corp.	12 263	13 936	
4 033 596	Manulife Financial Corporation	68 849	85 553	
468 000	National Bank of Canada	20 582	21 182	
1 474 536	Power Corporation of Canada	40 277	43 720	
2 482 526	Royal Bank of Canada*	148 290	189 367	
216 900	Sun Life Financial Inc.	8 003	8 507	
1 411 500	The Westaim Corporation†, Subscription Receipts August 24, 2014	3 740	3 740	
3 760 452	Toronto-Dominion Bank	155 479	206 562	
		<u>770 570</u>	<u>968 476</u>	34.6
Health Care				
382 379	Catamaran Corp.	18 980	18 018	
551 676	Valeant Pharmaceuticals International Inc.	49 015	74 443	
		<u>67 995</u>	<u>92 461</u>	3.3
Industrials				
679 847	Badger Daylighting Ltd.	11 514	23 897	
305 150	Boyd Group Income Fund	9 831	13 341	
1 295 604	Canadian National Railway Co.	60 586	89 915	
582 053	Finning International Inc.	13 268	17 368	
74 684	MacDonald Dettwiler & Associates Ltd.	5 321	6 507	
236 077	Richelieu Hardware Ltd.	8 938	11 450	
504 804	SNC-Lavalin Group Inc.	25 016	28 330	
101 791	Stantec Inc.	4 204	6 726	
328 695	Toromont Industries Ltd.	7 074	8 648	
		<u>145 752</u>	<u>206 182</u>	7.4
Information Technology				
1 156 268	CGI Group Inc., Class A	35 700	43 730	
37 334	Constellation Software Inc.	5 397	10 080	
258 800	Descartes Systems Group Inc.	3 735	3 957	
181 900	DH Corp.	4 736	5 648	
316 400	Kinaxis Inc.	4 113	4 224	
463 520	Open Text Corp.	19 793	23 732	
		<u>73 474</u>	<u>91 371</u>	3.3
Materials				
294 896	Agnico Eagle Mines Ltd.	9 803	12 049	
228 871	Agrium Inc.	20 025	22 372	
2 489 842	B2Gold Corp.	6 865	7 743	
973 319	Barrick Gold Corp.	22 727	19 019	
159 492	CCL Industries, Class B	9 397	16 388	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
444 689	Continental Gold Ltd.	\$ 2 033	\$ 1 556	
266 967	Detour Gold Corp.	3 180	3 898	
281 453	Dundee Precious Metals Inc.	1 576	1 438	
1 349 363	Eldorado Gold Corp.	11 490	11 011	
231 587	First Majestic Silver Corp.	3 250	2 670	
863 691	First Quantum Minerals Ltd.	15 099	19 709	
182 314	Franco-Nevada Corp.	6 929	11 167	
868 566	Goldcorp Inc.	26 799	25 866	
246 980	Mountain Province Diamonds Inc.	1 288	1 247	
604 824	New Gold Inc.	4 610	4 095	
136 508	Osisko Gold Royalties Ltd.	2 164	2 191	
2 854 777	Polaris Minerals Corp.	4 670	7 708	
1 293 848	Potash Corporation of Saskatchewan Inc.	55 440	52 504	
771 688	Primero Mining Corp.	5 098	6 598	
841 699	Semafo Inc.	2 875	4 217	
1 047 096	Sherritt International Corp.	4 700	4 523	
536 365	Silver Wheaton Corp.	13 699	15 061	
238 128	Stella-Jones Inc.	5 685	6 977	
114 302	Tahoe Resources Inc.	1 872	3 194	
711 129	Teck Resources Ltd., Class B	19 506	17 323	
2 250 190	Torex Gold Resources Inc.	3 408	3 668	
1 778 964	Turquoise Hill Resources Ltd.	8 646	6 351	
633 506	Yamana Gold Inc.	6 319	5 562	
		<u>279 153</u>	<u>296 105</u>	10.6
Telecommunication Services				
842 143	Rogers Communications Inc., Class B	35 964	36 162	
1 362 640	TELUS Corp.	44 407	54 192	
		<u>80 371</u>	<u>90 354</u>	3.2
Utilities				
544 400	Fortis Inc.	16 485	17 677	
		<u>16 485</u>	<u>17 677</u>	0.6
Other				
621 700	iShares S&P/TSX 60 Index Fund	13 117	13 528	
		<u>13 117</u>	<u>13 528</u>	0.5
TOTAL CANADIAN EQUITIES		<u>2 244 289</u>	<u>2 769 760</u>	99.0
SHORT-TERM INVESTMENTS[‡]		<u>11 068</u>	<u>11 068</u>	0.4
TOTAL INVESTMENTS		<u>\$2 255 357</u>	<u>2 780 828</u>	99.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>16 073</u>	0.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$2 796 901</u>	100.0

* Investment in related party (see note 7 in the generic notes).

† Illiquid security.

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.10% to 1.16% and mature between July 2, 2014 and July 21, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 2 780 828	\$ 2 375 285	\$ 664 522
Cash	657	402	156
Due from investment dealers	13 815	824	–
Subscriptions receivable	426	276	170
Dividends receivable, interest accrued and other assets	5 439	3 963	1 502
TOTAL ASSETS	2 801 165	2 380 750	666 350
LIABILITIES			
Due to investment dealers	3 835	–	–
Redemptions payable	377	244	2 372
Accounts payable and accrued expenses	52	43	12
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 264	287	2 384
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 2 796 901	\$ 2 380 463	\$ 663 966
Investments at cost	\$ 2 255 357	\$ 2 056 354	\$ 642 437
NAV, END OF PERIOD			
SERIES O	\$ 2 796 901	\$ 2 380 463	\$ 663 966
NAV PER UNIT, END OF PERIOD			
SERIES O	\$ 12.56	\$ 11.11	\$ 9.51

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 33 158	\$ 11 326
Interest for distribution purposes	174	34
Other income (loss)	90	–
Net realized gain (loss) on investments	83 144	6 935
Net gain (loss) on foreign currencies and other net assets	(21)	(1)
Change in unrealized gain (loss) on investments	206 540	22 844
TOTAL INCOME (LOSS)	323 085	41 138
EXPENSES (see notes – Fund Specific Information)		
Administration fees	258	72
Board of Governors costs	1	2
GST/HST	25	8
Transaction costs	1 232	894
TOTAL EXPENSES	1 516	976
INCREASE (DECREASE) IN NAV	\$ 321 569	\$ 40 162
INCREASE (DECREASE) IN NAV SERIES 0	\$ 321 569	\$ 40 162
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT SERIES 0	\$ 1.45	\$ 0.54

Statements of Cash Flow (unaudited) (in \$000s)

 For the periods ended June 30
 (see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 321 569	\$ 40 162
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(83 144)	(6 935)
Change in unrealized loss (gain) on investments	(206 540)	(22 844)
(Increase) decrease in accrued receivables	(14 617)	(42 036)
Increase (decrease) in accrued payables	3 977	28 187
Cost of investments purchased	(1 569 669)	(1 871 912)
Proceeds on sales of investments	1 453 810	558 217
NET CASH PROVIDED BY OPERATING ACTIVITIES	(94 614)	(1 317 161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	225 704	1 386 988
Cash paid on redemption of redeemable units	(130 835)	(69 936)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 94 869	\$ 1 317 052
Net increase (decrease) in cash for the year	255	(109)
Cash (bank overdraft), beginning of period	402	156
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 657	\$ 47
Interest received	\$ 181	\$ 34
Dividends received, net of withholding taxes	\$ 31 765	\$ 11 326

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series 0	
	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 380 463	\$ 663 966
INCREASE (DECREASE) IN NAV	321 569	40 162
Early redemption fees	–	–
Proceeds from redeemable units issued	225 704	1 386 988
Reinvestments of distributions to holders of redeemable units	2	2
Redemption of redeemable units	(130 835)	(69 936)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	94 871	1 317 054
Distributions from net income	(2)	(2)
Distributions from net gains	–	–
Distributions from capital	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2)	(2)
NET INCREASE (DECREASE) IN NAV	416 438	1 357 214
NAV AT END OF PERIOD	\$ 2 796 901	\$ 2 021 180

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide significant long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund is expected to be used primarily as an underlying fund for other mutual funds but may also be sold directly to other investors.

Financial instrument risk and capital management (see note 4 in the generic notes)
Liquidity risk

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.1% (December 31, 2013 – 0.0%, January 1, 2013 – 0.5%) of the net assets of the Fund.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.2	+ or - 1.2	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	2 766 020	3 740	–	2 769 760
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 068	–	11 068
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 766 020	14 808	–	2 780 828
% of total portfolio	99.5	0.5	–	100.0

Please see the generic notes at the back of the financial statements.

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	2 354 974	–	–	2 354 974
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	20 311	–	20 311
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 354 974	20 311	–	2 375 285
% of total portfolio	99.1	0.9	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	649 490	3 066	–	652 556
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 966	–	11 966
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	649 490	15 032	–	664 522
% of total portfolio	97.7	2.3	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Operating expenses (see note 7 in the generic notes)

Administration fees of Series O of the Fund are payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series O of the Fund.

Series O	0.02%
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Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series O	46	46
Value of all units	1	1

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY UNDERLYING FUND**

June 30, 2014

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series 0		
Opening units	214 294	69 842
Issued number of units	19 494	143 795
Reinvested number of units	—	—
Redeemed number of units	(11 052)	(7 153)
Ending number of units	222 736	206 484

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	1 232	100	894	100
Related-party brokerage commissions*	154	13	87	10
Commission arrangements†	50	4	45	5

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Securities lending revenue (\$000s) (see note 6 in the generic notes)

Fair value of securities on loan and collateral received as at:

	June 30 2014	June 30 2013
Fair value of securities loaned	151 643	—
Fair value of collateral received	159 225	—

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
RBC Select Very Conservative Class	117	155
RBC Select Conservative Class	200	246
RBC Select Balanced Class	169	216
RBC Select Growth Class	51	65
RBC Select Aggressive Growth Class	20	24
RBC Select Very Conservative Portfolio	13 292	12 052
RBC Select Conservative Portfolio	49 482	46 719
RBC Select Balanced Portfolio	59 250	53 218
RBC Select Growth Portfolio	33 439	31 609
RBC Select Aggressive Growth Portfolio	7 172	6 729
Phillips, Hager & North Balanced Pension Trust	38 385	41 041
Phillips, Hager & North Balanced Fund	20 561	21 717
Phillips, Hager & North LifeTime 2015 Fund	30	28
Phillips, Hager & North LifeTime 2020 Fund	60	54
Phillips, Hager & North LifeTime 2025 Fund	66	56
Phillips, Hager & North LifeTime 2030 Fund	64	55
Phillips, Hager & North LifeTime 2035 Fund	93	81
Phillips, Hager & North LifeTime 2040 Fund	92	79
Phillips, Hager & North LifeTime 2045 Fund	194	150
Total	222 737	214 294

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 019 659	662 471
Revaluation of investments at FVTPL	1 521	1 495
Net assets attributable to holders of redeemable units	2 021 180	663 966
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		40 136
Revaluation of investments at FVTPL (see note 3 in the generic notes)		26
Increase (decrease) in net assets attributable to holders of redeemable units		40 162

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
147 000	Amaya Gaming Group Inc.*, Subscription Receipts	\$ 2 940	\$ 2 940	
32 300	AutoCanada Inc.	2 522	2 553	
267 714	Azure Dynamics Corp.	2 560	—	
602 100	Azure Dynamics Corp., Warrants @ 5.60 November 18, 2014	11	—	
27 900	Canadian Tire Corp. Ltd., Class A	1 929	2 856	
348 000	DHX Media Ltd.	1 650	2 335	
127 000	easyhome Ltd.	1 886	2 534	
3 996 960	Loyalist Group Ltd.	2 031	2 078	
83 300	Magna International Inc., Class A	3 989	9 568	
1 750 000	Mood Media Corp.	3 202	893	
136 837	Performance Sports Group Ltd.	1 763	2 512	
108 700	Shaw Communications Inc., Class B	2 325	2 974	
97 300	Thomson Corp.	3 392	3 780	
993 327	Zungui Haixi Corp.	2 722	—	
		32 922	35 023	6.9
Consumer Staples				
100 700	Alimentation Couche-Tard Inc.	2 005	2 943	
439 294	GLG Life Tech Corp.	3 619	125	
67 330	Loblaw Companies Ltd.	3 195	3 206	
555 556	Small Potatoes Urban Delivery Inc.*, Restricted August 10, 2014	750	750	
555 556	Small Potatoes Urban Delivery Inc. (U.S)*, Restricted August 10, 2014	250	250	
		9 819	7 274	1.4
Energy				
77 900	ARC Resources Ltd.	1 929	2 532	
385 900	Bellatrix Exploration Ltd.	2 197	3 574	
154 282	Bonavista Energy Corp.	2 877	2 527	
89 000	Cameco Corp.	2 157	1 864	
316 900	Canadian Natural Resources Ltd.	11 499	15 538	
150 000	Canyon Services Group Inc.	1 738	2 835	
198 333	Cardinal Energy Ltd.	1 596	3 570	
234 200	Cenovus Energy Inc.	5 294	8 101	
101 463	Crescent Point Energy Corp.	3 431	4 798	
205 659	Enbridge Inc.	7 318	10 413	
194 600	Encana Corp.	4 175	4 919	
105 200	Enerflex Ltd.	1 515	2 138	
500 000	Gear Energy Ltd.	2 000	3 135	
227 400	Kelt Exploration Ltd.	1 565	3 463	
79 980	Pembina Pipeline Corp.	2 330	3 672	
366 000	Raging River Exploration Inc.	961	3 971	
943 326	Spartan Energy Corp.	2 560	3 811	
400 000	Sprott Resource Corp.	1 560	1 264	
405 900	Suncor Energy Inc.	15 479	18 468	
264 500	Talisman Energy Inc.	3 927	2 984	
57 400	Tourmaline Oil Corp.	2 109	3 229	
215 100	TransCanada Corp.	8 376	10 955	

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)				
76 500	Trilogy Energy Corp.	\$ 2 154	\$ 2 234	
248 000	Trinidad Drilling Ltd.	1 746	3 003	
44 100	Vermilion Energy Inc.	2 280	3 274	
276 100	Western Energy Services Corp.	2 228	3 076	
260 000	Whitecap Resources Inc.	2 596	4 282	
		97 597	133 630	26.4
Financials				
99 000	Altus Group Ltd.	1 302	2 271	
305 700	American Hotel Income Properties Real Estate Investment Trust LP	3 101	3 146	
171 000	Bank of Montreal	9 943	13 437	
331 600	Bank of Nova Scotia	17 062	23 590	
1 035 016	BENEV Capital Inc.	2 477	1 998	
135 000	Brookfield Asset Management Inc., Class A	3 646	6 346	
103 900	Brookfield Property Partners LP	2 167	2 316	
214 600	Callidus Capital Corp.	3 004	3 841	
117 300	Canadian Imperial Bank of Commerce	8 552	11 390	
69 365	Canadian Real Estate Investment Trust	2 166	3 190	
128 666	CI Financial Corp.	3 122	4 510	
201 000	Element Financial Corp.	2 012	2 709	
41 900	Intact Financial Corp.	2 478	3 083	
497 900	Manulife Financial Corporation	8 184	10 560	
297 300	Power Corporation of Canada	7 471	8 815	
387 400	Royal Bank of Canada ¹	18 437	29 551	
126 700	Sun Life Financial Inc.	3 735	4 969	
504 300	Toronto-Dominion Bank	15 919	27 701	
		114 778	163 423	32.3
Health Care				
45 900	Catamaran Corp.	2 254	2 163	
1 383 200	Prometic Life Sciences Inc.	1 235	1 494	
91 500	Valeant Pharmaceuticals International Inc.	5 851	12 347	
		9 340	16 004	3.2
Industrials				
157 800	Aecon Group Inc.	2 207	2 675	
250 200	Air Canada, Class B	1 270	2 384	
51 300	Boyd Group Income Fund	1 729	2 243	
259 800	Canadian National Railway Co.	9 218	18 030	
75 800	TransForce Inc.	1 793	1 862	
62 900	WSP Global Inc.	2 123	2 377	
		18 340	29 571	5.8
Information Technology				
101 900	Avigilon Corp.	2 902	2 424	
99 400	CGI Group Inc., Class A	3 367	3 759	
67 500	Open Text Corp.	1 825	3 456	
336 800	Redknee Solutions Inc.	1 967	1 852	
		10 061	11 491	2.3

This schedule and the accompanying notes are an integral part of the financial statements.

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials				
55 800	Agnico Eagle Mines Ltd.	\$ 2 032	\$ 2 280	
38 100	Agrium Inc.	2 752	3 724	
641 800	B2Gold Corp.	2 160	1 996	
229 400	Barrick Gold Corp.	6 154	4 482	
357 200	Canexus Corp.	2 656	1 750	
154 200	Detour Gold Corp.	1 607	2 251	
138 200	Dominion Diamond Corp.	2 025	2 131	
250 600	Eldorado Gold Corp.	2 668	2 045	
151 391	First Quantum Minerals Ltd.	3 038	3 455	
242 900	Goldcorp Inc.	9 743	7 234	
33 500	Methanex Corp.	2 220	2 210	
154 100	Potash Corporation of Saskatchewan Inc.	7 166	6 253	
281 600	Sandstorm Gold Ltd.	2 459	2 087	
87 500	Silver Wheaton Corp.	2 535	2 457	
117 040	Tahoe Resources Inc.	2 021	3 270	
137 300	Teck Resources Ltd., Class B	5 048	3 345	
2 843 000	Teranga Gold Corp.	2 321	2 132	
1 465 400	Torex Gold Resources Inc.	2 377	2 389	
225 000	Torex Gold Resources Inc., Warrants @ 1.50 August 4, 2014	17	32	
45 900	West Fraser Timber Co. Ltd.	2 218	2 373	
		63 217	57 896	11.4
Telecommunication Services				
178 000	BCE Inc.	6 492	8 615	
87 300	Rogers Communications Inc., Class B	2 497	3 749	
		8 989	12 364	2.4
Utilities				
302 900	Algonquin Power & Utilities Corp.	2 064	2 493	
53 300	Canadian Utilities Ltd., Class A	1 896	2 132	
219 691	Crius Energy Trust	1 896	1 098	
200 300	Superior Plus Corp.	1 497	2 842	
		7 353	8 565	1.7
TOTAL CANADIAN EQUITIES		372 416	475 241	93.8
UNITED STATES EQUITIES				
80 000	SPDR S&P 500 ETF Trust	13 540	16 716	
TOTAL UNITED STATES EQUITIES		13 540	16 716	3.3
SHORT-TERM INVESTMENTS†		17 575	17 575	3.5
TOTAL INVESTMENTS		403 531	509 532	100.6
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	146	–
TOTAL PORTFOLIO		\$ 403 531	509 678	100.6
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			(3 105)	(0.6)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 506 573		100.0

* Illiquid security.

† Investment in related party (see note 7 in the generic notes).

‡ Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.95% to 1.16% and mature between July 2, 2014 and July 31, 2014.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 1 556 Sold USD 1 423 @ 1.0934	14-Jul-14	\$ 38
Bought CAD 2 256 Sold USD 2 094 @ 1.0774	18-Aug-14	20
Bought CAD 3 370 Sold USD 3 080 @ 1.0941	18-Aug-14	80
Bought CAD 990 Sold USD 919 @ 1.0771	18-Aug-14	8
TOTAL FOREIGN EXCHANGE		\$ 146

All counterparties have a credit rating of at least A.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 509 532	\$ 450 386	\$ 373 185
Cash	36	2	96
Due from investment dealers	1 554	–	8 373
Subscriptions receivable	65	35	13
Unrealized gain on foreign exchange contracts	146	40	122
Dividends receivable, interest accrued and other assets	1 187	992	988
TOTAL ASSETS	512 520	451 455	382 777
LIABILITIES			
Due to investment dealers	5 462	7 214	7 760
Redemptions payable	325	52	111
Unrealized loss on foreign exchange contracts	–	424	5
Accounts payable and accrued expenses	160	152	166
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	5 947	7 842	8 042
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 506 573	\$ 443 613	\$ 374 735
Investments at cost	\$ 403 531	\$ 388 298	\$ 356 161
NAV, END OF PERIOD			
SERIES C	\$ 2 885	\$ 2 801	\$ 2 722
ADVISOR SERIES	\$ 167	\$ 147	\$ 68
SERIES D	\$ 148 385	\$ 138 825	\$ 149 035
SERIES F	\$ 454	\$ 498	\$ 473
SERIES O	\$ 354 682	\$ 301 342	\$ 222 437
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 35.20	\$ 31.23	\$ 27.82
ADVISOR SERIES	\$ 35.19	\$ 31.22	\$ 27.82
SERIES D	\$ 34.89	\$ 30.83	\$ 27.46
SERIES F	\$ 35.16	\$ 31.03	\$ 27.64
SERIES O	\$ 36.00	\$ 31.64	\$ 28.18

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 5 913	\$ 5 122
Interest for distribution purposes	105	117
Other income (loss)	341	347
Net realized gain (loss) on investments	11 723	1 212
Net gain (loss) on foreign currencies and other net assets	(709)	(229)
Change in unrealized gain (loss) on investments	44 443	(2 461)
TOTAL INCOME (LOSS)	61 816	4 108
EXPENSES (see notes – Fund Specific Information)		
Management fees	733	729
Administration fees	137	118
Board of Governors costs	1	2
GST/HST	69	79
Transaction costs	241	116
Withholding tax	33	16
TOTAL EXPENSES	1 214	1 060
INCREASE (DECREASE) IN NAV	\$ 60 602	\$ 3 048
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 337	\$ –
ADVISOR SERIES	\$ 19	\$ 1
SERIES D	\$ 17 665	\$ 866
SERIES F	\$ 60	\$ –
SERIES O	\$ 42 521	\$ 2 181
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 3.96	\$ 0.01
ADVISOR SERIES	\$ 3.96	\$ (0.01)
SERIES D	\$ 4.06	\$ 0.12
SERIES F	\$ 4.13	\$ 0.16
SERIES O	\$ 4.35	\$ 0.29

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 60 602	\$ 3 048
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(11 723)	(1 205)
Change in unrealized loss (gain) on investments	(44 443)	2 461
(Increase) decrease in accrued receivables	(1 779)	8 325
Increase (decrease) in accrued payables	(1 471)	(7 487)
Cost of investments purchased	(508 782)	(429 525)
Proceeds on sales of investments	505 272	420 298
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 324)	(4 085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	28 471	35 849
Cash paid on redemption of redeemable units	(26 113)	(31 835)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 358	\$ 4 014
Net increase (decrease) in cash for the year	34	(71)
Cash (bank overdraft), beginning of period	2	96
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 36	\$ 25
Interest received	\$ 109	\$ 121
Dividends received, net of withholding taxes	\$ 6 022	\$ 5 106

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 801	\$ 2 722	\$ 147	\$ 68	\$ 138 825	\$ 149 035	\$ 498	\$ 473
INCREASE (DECREASE) IN NAV	337	—	19	1	17 665	866	60	—
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	69	352	6	146	1 806	1 807	12	224
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(322)	(386)	(5)	(36)	(9 911)	(19 531)	(116)	(239)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(253)	(34)	1	110	(8 105)	(17 724)	(104)	(15)
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	84	(34)	20	111	9 560	(16 858)	(44)	(15)
NAV AT END OF PERIOD	\$ 2 885	\$ 2 688	\$ 167	\$ 179	\$ 148 385	\$ 132 177	\$ 454	\$ 458

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 301 342	\$ 222 437	\$ 443 613	\$ 374 735
INCREASE (DECREASE) IN NAV	42 521	2 181	60 602	3 048
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	26 578	33 320	28 471	35 849
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(15 759)	(11 643)	(26 113)	(31 835)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	10 819	21 677	2 358	4 014
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	53 340	23 858	62 960	7 062
NAV AT END OF PERIOD	\$ 354 682	\$ 246 295	\$ 506 573	\$ 381 797

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of Canadian common stocks. The Fund also may invest a portion of its assets in U.S. and international securities in order to achieve greater exposure to industries that are not well represented in Canada.

Financial instrument risk and capital management (see note 4 in the generic notes)**Liquidity risk**

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.8% (December 31, 2013 – 0.4%, January 1, 2013 – 2.0%) of the net assets of the Fund.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.0	+ or - 1.0	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	488 017	2 940	1 000	491 957
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 575	–	17 575
Derivatives – assets	–	146	–	146
Derivatives – liabilities	–	–	–	–
Total financial instruments	488 017	20 661	1 000	509 678
% of total portfolio	95.7	4.1	0.2	100.0

Please see the generic notes at the back of the financial statements.

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	427 325	1 944	–	429 269
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	21 117	–	21 117
Derivatives – assets	–	40	–	40
Derivatives – liabilities	–	(424)	–	(424)
Total financial instruments	427 325	22 677	–	450 002
% of total portfolio	95.0	5.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	349 291	4 336	2 197	355 824
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 361	–	17 361
Derivatives – assets	–	122	–	122
Derivatives – liabilities	–	(5)	–	(5)
Total financial instruments	349 291	21 814	2 197	373 302
% of total portfolio	93.6	5.8	0.6	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

During the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	June 30 2014	December 31 2013	January 1 2013
Balance at beginning of period	–	2 197	–
Net purchases	1 000	–	2 376
Net sales	–	–	–
Net transfers in	1 000	–	–
Net transfers out	(1 000)	(2 796)	(431)
Realized gains (losses)	–	–	(15)
Unrealized gains (losses)	–	599	267
Balance at end of period	1 000	–	2 197

The Fund fair values certain of its Level 3 investments (privately held investments) using prior transaction prices (acquisition cost), although the transaction may not have occurred during the current reporting period. As there may not be a secondary market, and/or there are a limited number of investors, the valuations are reviewed utilizing available market information to determine if the carrying value should be adjusted. Such market information may include, but is not limited to, observations of the trading multiples of public companies considered comparable to the private companies being valued, financial or operational information released by the company, and/or news or corporate events that affect the investment. Valuations

June 30, 2014

may be adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the investments being fair valued by the Fund.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.04%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	19	19
Advisor Series	36	36
Series F	19	19
Series O	20	20
Value of all units	3	3

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	17 618
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	90	98
Issued number of units	2	13
Reinvested number of units	–	–
Redeemed number of units	(10)	(14)
Ending number of units	82	97
Advisor Series		
Opening units	5	2
Issued number of units	–	5
Reinvested number of units	–	–
Redeemed number of units	–	(1)
Ending number of units	5	6
Series D		
Opening units	4 503	5 427
Issued number of units	55	65
Reinvested number of units	–	–
Redeemed number of units	(305)	(697)
Ending number of units	4 253	4 795
Series F		
Opening units	16	17
Issued number of units	1	7
Reinvested number of units	–	–
Redeemed number of units	(4)	(8)
Ending number of units	13	16
Series O		
Opening units	9 526	7 893
Issued number of units	805	1 167
Reinvested number of units	–	–
Redeemed number of units	(479)	(404)
Ending number of units	9 852	8 656

Please see the generic notes at the back of the financial statements.

PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND

Investment Management®

June 30, 2014

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	241	100	116	100
Related-party brokerage commissions*	9	4	15	13
Commission arrangements†	8	3	7	6

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
RBC Select Choices Growth Portfolio	304	301
RBC Select Choices Aggressive Growth Portfolio	308	313
RBC Select Growth Class	11	14
RBC Select Aggressive Growth Class	3	4
RBC Select Growth Portfolio	7 336	6 944
RBC Select Aggressive Growth Portfolio	1 258	1 176
RBC Target 2025 Education Fund	165	316
RBC Target 2030 Education Fund	130	84
Total	9 515	9 152

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	381 401	374 029
Revaluation of investments at FVTPL	396	706
Net assets attributable to holders of redeemable units	381 797	374 735

June 30
2013

Comprehensive income

Comprehensive income as reported under Canadian GAAP	3 358
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(310)
Increase (decrease) in net assets attributable to holders of redeemable units	3 048

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
338 365	Cineplex Inc.	\$ 13 456	\$ 14 025	
209 885	Gildan Activewear Inc., Class A	11 736	13 195	
60 228	Linamar Corp.	2 875	3 791	
276 072	Shaw Communications Inc., Class B	7 227	7 553	
254 162	Thomson Corp.	9 671	9 874	
122 300	Tim Hortons Inc.	7 240	7 139	
		52 205	55 577	7.1
Consumer Staples				
583 292	Alimentation Couche-Tard Inc.	16 708	17 050	
254 352	Empire Co. Ltd., Class A	17 171	18 456	
313 410	Loblaw Companies Ltd.	14 388	14 925	
		48 267	50 431	6.5
Energy				
668 689	ARC Resources Ltd.	20 899	21 725	
90 864	Calfrac Well Services Ltd.	1 521	1 812	
454 000	Cameco Corp.	9 978	9 501	
165 052	Canadian Natural Resources Ltd.	7 000	8 093	
224 918	Cenovus Energy Inc.	7 231	7 780	
236 989	Crescent Point Energy Corp.	10 410	11 207	
595 412	Enbridge Inc.	29 702	30 146	
138 202	Encana Corp.	3 366	3 494	
94 600	Keyera Corp.	6 977	7 437	
46 800	Payto Exploration & Development Corp.	1 539	1 887	
297 300	PrairieSky Royalty Ltd.	8 817	11 535	
297 065	Suncor Energy Inc.	12 049	13 516	
1 150 542	Talisman Energy Inc.	13 157	12 978	
88 852	Tourmaline Oil Corp.	4 647	4 999	
311 119	TransCanada Corp.	15 426	15 845	
383 736	Trilogy Energy Corp.	11 259	11 205	
78 300	Trinidad Drilling Ltd.	755	948	
85 856	Vermilion Energy Inc.	5 989	6 375	
		170 722	180 483	23.1
Financials				
319 951	Bank of Montreal	24 383	25 142	
562 260	Bank of Nova Scotia	36 015	39 999	
153 491	Brookfield Asset Management Inc., Class A	6 787	7 216	
78 367	Canadian Real Estate Investment Trust	3 511	3 604	
217 100	CI Financial Corp.	7 016	7 609	
384 500	Cominar Real Estate Investment Trust	7 173	7 248	
823 637	Crombie Real Estate Investment Trust	10 893	11 070	
454 461	Industrial Alliance Insurance & Financial Services Inc.	19 677	21 251	
1 173 069	Manulife Financial Corporation	23 749	24 881	
279 154	National Bank of Canada	12 576	12 635	
834 386	Power Corporation of Canada	25 009	24 740	

Holdings	Security	Cost	Fair Value	% of Net Assets	
Financials (cont.)					
2 939 048	Pure Industrial Real Estate Investment Trust	\$ 13 820	\$ 13 461		
772 149	Royal Bank of Canada*	54 255	58 900		
314 516	Sun Life Financial Inc.	11 657	12 335		
893 935	Toronto-Dominion Bank	44 850	49 104		
		301 371	319 195	40.9	
Industrials					
151 492	Canadian National Railway Co.	9 358	10 514		
146 639	SNC-Lavalin Group Inc.	7 420	8 229		
308 396	Toromont Industries Ltd.	7 885	8 114		
437 082	TransForce Inc.	10 168	10 739		
		34 831	37 596	4.8	
Information Technology					
203 468	CGI Group Inc., Class A	7 485	7 695		
155 800	Open Text Corp.	8 064	7 977		
		15 549	15 672	2.0	
Materials					
201 609	Agnico Eagle Mines Ltd.	6 434	8 238		
101 206	Agrium Inc.	10 155	9 893		
356 900	Barrick Gold Corp.	6 651	6 974		
1 013 288	Eldorado Gold Corp.	6 695	8 268		
271 913	Goldcorp Inc.	7 389	8 098		
		37 324	41 471	5.3	
Telecommunication Services					
188 427	Rogers Communications Inc., Class B	8 227	8 091		
191 795	TELUS Corp.	7 144	7 628		
		15 371	15 719	2.0	
Utilities					
267 200	Algonquin Power & Utilities Corp.	1 944	2 199		
169 187	Brookfield Infrastructure Partners LP	7 151	7 534		
142 130	Brookfield Renewable Energy Partners LP	4 386	4 483		
215 134	Canadian Utilities Ltd., Class A	8 499	8 605		
299 079	Fortis Inc.	9 464	9 711		
221 014	Pattern Energy Group Inc.	6 697	7 819		
		38 141	40 351	5.2	
TOTAL CANADIAN EQUITIES			713 781	756 495	96.9
SHORT-TERM INVESTMENTS†			25 344	25 344	3.3
TOTAL INVESTMENTS			\$ 739 125	781 839	100.2
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					
			(1 556)	(0.2)	
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 780 283	100.0	

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.10% to 1.14% and mature between July 2, 2014 and July 16, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 781 839	\$ 178 700	\$ 151 549
Cash	447	187	158
Due from investment dealers	–	–	319
Subscriptions receivable	335	89	110
Dividends receivable, interest accrued and other assets	1 697	409	661
TOTAL ASSETS	784 318	179 385	152 797
LIABILITIES			
Due to investment dealers	3 753	90	411
Redemptions payable	154	14	120
Accounts payable and accrued expenses	128	89	97
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 035	193	628
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 780 283	\$ 179 192	\$ 152 169
Investments at cost	\$ 739 125	\$ 162 487	\$ 142 625
NAV, END OF PERIOD			
SERIES C	\$ 6 158	\$ 5 619	\$ 4 999
ADVISOR SERIES	\$ 1 478	\$ 1 286	\$ 559
SERIES D	\$ 79 419	\$ 73 018	\$ 81 791
SERIES F	\$ 823	\$ 733	\$ 552
SERIES O	\$ 692 405	\$ 98 536	\$ 64 268
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 15.08	\$ 13.52	\$ 11.82
ADVISOR SERIES	\$ 15.08	\$ 13.52	\$ 11.82
SERIES D	\$ 15.02	\$ 13.47	\$ 11.78
SERIES F	\$ 15.06	\$ 13.52	\$ 11.84
SERIES O	\$ 14.99	\$ 13.42	\$ 11.73

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 5 232	\$ 2 712
Interest for distribution purposes	64	6
Other income (loss)	609	173
Net realized gain (loss) on investments	20 043	4 995
Net gain (loss) on foreign currencies and other net assets	(1)	(1)
Change in unrealized gain (loss) on investments	26 501	(1 291)
TOTAL INCOME (LOSS)	52 448	6 594
EXPENSES (see notes – Fund Specific Information)		
Management fees	438	449
Administration fees	132	64
Board of Governors costs	1	2
GST/HST	48	51
Transaction costs	1 075	423
TOTAL EXPENSES	1 694	989
INCREASE (DECREASE) IN NAV	\$ 50 754	\$ 5 605
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 674	\$ 159
ADVISOR SERIES	\$ 157	\$ 22
SERIES D	\$ 8 907	\$ 2 781
SERIES F	\$ 89	\$ 21
SERIES O	\$ 40 927	\$ 2 622
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 2.68	\$ 0.34
ADVISOR SERIES	\$ 2.66	\$ 0.34
SERIES D	\$ 2.74	\$ 0.39
SERIES F	\$ 2.75	\$ 0.41
SERIES O	\$ 1.63	\$ 0.46

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 50 754	\$ 5 605
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(20 043)	(4 995)
Change in unrealized loss (gain) on investments	(26 501)	1 291
(Increase) decrease in accrued receivables	(1 534)	279
Increase (decrease) in accrued payables	3 842	(388)
Cost of investments purchased	(1 398 111)	(246 688)
Proceeds on sales of investments	841 516	240 589
NET CASH PROVIDED BY OPERATING ACTIVITIES	(550 077)	(4 307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	585 763	30 646
Cash paid on redemption of redeemable units	(35 072)	(26 005)
Distributions paid to holders of redeemable units	(354)	(308)
NET CASH USED IN FINANCING ACTIVITIES	\$ 550 337	\$ 4 333
Net increase (decrease) in cash for the year	260	26
Cash (bank overdraft), beginning of period	187	158
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 447	\$ 184
Interest received	\$ 60	\$ 6
Dividends received, net of withholding taxes	\$ 4 558	\$ 2 712

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 5 619	\$ 4 999	\$ 1 286	\$ 559	\$ 73 018	\$ 81 791	\$ 733	\$ 552
INCREASE (DECREASE) IN NAV	674	159	157	22	8 907	2 781	89	21
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	392	1 044	109	926	5 336	7 115	90	296
Reinvestments of distributions to holders of redeemable units	22	23	5	5	585	681	7	6
Redemption of redeemable units	(524)	(999)	(73)	(458)	(7 788)	(18 674)	(88)	(217)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(110)	68	41	473	(1 867)	(10 878)	9	85
Distributions from net income	(25)	(27)	(6)	(6)	(639)	(772)	(8)	(8)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(25)	(27)	(6)	(6)	(639)	(772)	(8)	(8)
NET INCREASE (DECREASE) IN NAV	539	200	192	489	6 401	(8 869)	90	98
NAV AT END OF PERIOD	\$ 6 158	\$ 5 199	\$ 1 478	\$ 1 048	\$ 79 419	\$ 72 922	\$ 823	\$ 650

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 98 536	\$ 64 268	\$ 179 192	\$ 152 169
INCREASE (DECREASE) IN NAV	40 927	2 622	50 754	5 605
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	579 836	21 265	585 763	30 646
Reinvestments of distributions to holders of redeemable units	3 927	928	4 546	1 643
Redemption of redeemable units	(26 599)	(5 657)	(35 072)	(26 005)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	557 164	16 536	555 237	6 284
Distributions from net income	(4 222)	(1 138)	(4 900)	(1 951)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4 222)	(1 138)	(4 900)	(1 951)
NET INCREASE (DECREASE) IN NAV	593 869	18 020	601 091	9 938
NAV AT END OF PERIOD	\$ 692 405	\$ 82 288	\$ 780 283	\$ 162 107

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with capital preservation and a reasonably consistent level of income.

Financial instrument risk and capital management (see note 4 in the generic notes)**Other price risk (% impact on net assets)**

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.8	+ or - 0.8	+ or - 0.8
S&P/TSX Capped Income Trust			
Total Return Index	+ or - 0.5	+ or - 0.4	+ or - 0.6

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	756 495	–	–	756 495
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	25 344	–	25 344
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	756 495	25 344	–	781 839
% of total portfolio	96.8	3.2	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	177 250	–	–	177 250
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 450	–	1 450
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	177 250	1 450	–	178 700
% of total portfolio	99.2	0.8	–	100.0

Please see the generic notes at the back of the financial statements.

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	148 699	–	–	148 699
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	2 850	–	2 850
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	148 699	2 850	–	151 549
% of total portfolio	98.1	1.9	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.06%

PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND

Investment Management®

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	49	49
Advisor Series	97	96
Series D	50	50
Series F	51	51
Series O	53	53
Value of all units	5	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	51 288
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	416	423
Issued number of units	26	86
Reinvested number of units	2	2
Redeemed number of units	(36)	(82)
Ending number of units	408	429
Advisor Series		
Opening units	95	47
Issued number of units	8	77
Reinvested number of units	–	–
Redeemed number of units	(5)	(37)
Ending number of units	98	87
Series D		
Opening units	5 421	6 943
Issued number of units	382	586
Reinvested number of units	41	56
Redeemed number of units	(557)	(1 540)
Ending number of units	5 287	6 045

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	54	47
Issued number of units	7	25
Reinvested number of units	–	–
Redeemed number of units	(6)	(18)
Ending number of units	55	54
Series O		
Opening units	7 340	5 480
Issued number of units	40 437	1 760
Reinvested number of units	271	76
Redeemed number of units	(1 861)	(468)
Ending number of units	46 187	6 848

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	1 075	100	423	100
Related-party brokerage commissions*	126	12	43	10
Commission arrangements†	33	3	21	5

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
RBC Managed Payout Solution	24 399	–
RBC Managed Payout Solution – Enhanced	14 282	–
RBC PH&N Canadian Income GIF	142	26
Total	38 823	26

Please see the generic notes at the back of the financial statements.

June 30, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	161 992	151 873
Revaluation of investments at FVTPL	115	296
Net assets attributable to holders of redeemable units	162 107	152 169
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		5 786
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(181)
Increase (decrease) in net assets attributable to holders of redeemable units		5 605

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH VINTAGE FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
8 650	BRP Inc.	\$ 187	\$ 227	
4 900	Dollarama Inc.	238	430	
8 600	Gildan Activewear Inc., Class A	328	541	
17 600	Great Canadian Gaming Corp.	173	300	
41 600	Leon's Furniture Ltd.	529	603	
8 100	Linamar Corp.	166	510	
3 600	Magna International Inc., Class A	142	413	
29 200	Quebecor Inc., Class B	624	754	
80 900	RONA Inc.	977	929	
4 200	Tim Hortons Inc.	244	245	
		3 608	4 952	9.9
Consumer Staples				
36 900	Alimentation Couche-Tard Inc.	605	1 079	
7 500	Empire Co. Ltd., Class A	523	544	
13 800	Loblaw Companies Ltd.	629	657	
22 900	Maple Leaf Foods Inc.	278	455	
		2 035	2 735	5.5
Energy				
35 400	ARC Resources Ltd.	885	1 150	
25 400	Calfrac Well Services Ltd.	341	507	
17 200	Cameco Corp.	384	359	
29 000	Canadian Natural Resources Ltd.	952	1 421	
36 500	Cenovus Energy Inc.	1 182	1 262	
15 500	Crescent Point Energy Corp.	638	733	
22 100	Enbridge Inc.	1 040	1 119	
3 200	Keyera Corp.	248	252	
17 500	PrairieSky Royalty Ltd.	542	679	
11 000	Secure Energy Services Inc.	166	258	
28 000	Suncor Energy Inc.	1 024	1 274	
9 100	Tourmaline Oil Corp.	255	512	
17 200	TransCanada Corp.	836	876	
10 500	Trilogy Energy Corp.	303	307	
38 200	Trinidad Drilling Ltd.	319	463	
		9 115	11 172	22.4
Financials				
42 500	Bank of Nova Scotia	2 376	3 023	
16 400	Brookfield Asset Management Inc., Class A	612	771	
3 900	Callidus Capital Corp.	55	70	
19 900	Canaccord Genuity Group Inc.	144	245	
15 600	CI Financial Corp.	498	547	
64 600	Element Financial Corp.	516	871	
13 500	Element Financial Corp., Subscription Receipts	172	181	
16 900	Home Capital Group Inc.	419	808	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
20 700	Industrial Alliance Insurance & Financial Services Inc.	\$ 772	\$ 968	
3 200	Intact Financial Corp.	207	235	
43 800	Manulife Financial Corporation	909	929	
7 000	National Bank of Canada	310	317	
13 600	Power Corporation of Canada	412	403	
33 100	Royal Bank of Canada*	1 719	2 525	
62 600	The Westaim Corporation†, Subscription Receipts August 24, 2014	166	166	
54 800	Toronto-Dominion Bank	2 022	3 010	
		11 309	15 069	30.2
Health Care				
7 700	Catamaran Corp.	349	363	
11 400	Valeant Pharmaceuticals International Inc.	1 031	1 538	
		1 380	1 901	3.8
Industrials				
26 700	Badger Daylighting Ltd.	397	939	
17 200	Boyd Group Income Fund	552	752	
5 100	Canadian National Railway Co.	148	354	
12 400	Finning International Inc.	274	370	
4 600	MacDonald Dettwiler & Associates Ltd.	290	401	
10 200	Richelieu Hardware Ltd.	330	495	
14 700	SNC-Lavalin Group Inc.	688	825	
5 400	Stantec Inc.	248	357	
16 100	Toromont Industries Ltd.	305	424	
		3 232	4 917	9.9
Information Technology				
28 800	CGI Group Inc., Class A	853	1 089	
1 600	Constellation Software Inc.	193	432	
18 600	Descartes Systems Group Inc.	268	284	
10 200	DH Corp.	264	317	
15 400	Kinaxis Inc.	200	206	
13 700	Open Text Corp.	528	701	
		2 306	3 029	6.1
Materials				
3 300	Agrium Inc.	259	323	
5 400	CCL Industries, Class B	334	555	
9 100	First Quantum Minerals Ltd.	179	208	
296 400	Polaris Minerals Corp.	440	800	
11 900	Potash Corporation of Saskatchewan Inc.	481	483	
20 500	Sherritt International Corp.	152	89	
18 400	Stella-Jones Inc.	313	539	
49 770	Turquoise Hill Resources Ltd.	342	178	
		2 500	3 175	6.4

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH VINTAGE FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Telecommunication Services				
18 400	Rogers Communications Inc., Class B	\$ 791	\$ 790	
17 000	TELUS Corp.	552	676	
		<u>1 343</u>	<u>1 466</u>	<u>2.9</u>
Utilities				
7 600	Fortis Inc.	246	247	
		<u>246</u>	<u>247</u>	<u>0.5</u>
TOTAL CANADIAN EQUITIES		<u>\$ 37 074</u>	<u>48 663</u>	<u>97.6</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>1 176</u>	<u>2.4</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 49 839</u>		<u>100.0</u>

* Investment in related party (see note 7 in the generic notes).

† Illiquid security.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 48 663	\$ 39 759	\$ 30 989
Cash	252	231	129
Due from investment dealers	2 496	–	–
Subscriptions receivable	117	52	1
Dividends receivable, interest accrued and other assets	97	57	55
TOTAL ASSETS	51 625	40 099	31 174
LIABILITIES			
Due to investment dealers	1 682	–	–
Redemptions payable	50	2	3
Accounts payable and accrued expenses	54	43	36
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 786	45	39
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 49 839	\$ 40 054	\$ 31 135
Investments at cost	\$ 37 074	\$ 30 372	\$ 29 101
NAV, END OF PERIOD			
SERIES C	\$ 1 561	\$ 529	\$ 186
ADVISOR SERIES	\$ 205	\$ 40	\$ 45
SERIES D	\$ 39 671	\$ 34 678	\$ 28 550
SERIES F	\$ 1 821	\$ 130	\$ 100
SERIES O	\$ 6 581	\$ 4 677	\$ 2 254
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 27.59	\$ 24.50	\$ 18.43
ADVISOR SERIES	\$ 27.62	\$ 24.53	\$ 18.43
SERIES D	\$ 28.56	\$ 25.26	\$ 18.85
SERIES F	\$ 29.72	\$ 26.25	\$ 19.58
SERIES O	\$ 31.22	\$ 27.42	\$ 20.45

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 470	\$ 328
Interest for distribution purposes	3	2
Other income (loss)	6	–
Net realized gain (loss) on investments	3 071	787
Change in unrealized gain (loss) on investments	2 202	2 800
TOTAL INCOME (LOSS)	5 752	3 917
EXPENSES (see notes – Fund Specific Information)		
Management fees	245	180
Administration fees	23	16
Board of Governors costs	1	2
GST/HST	20	18
Transaction costs	20	23
TOTAL EXPENSES	309	239
INCREASE (DECREASE) IN NAV	\$ 5 443	\$ 3 678
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 99	\$ 27
ADVISOR SERIES	\$ 12	\$ 3
SERIES D	\$ 4 543	\$ 3 283
SERIES F	\$ 94	\$ 11
SERIES O	\$ 695	\$ 354
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 3.01	\$ 2.14
ADVISOR SERIES	\$ 3.03	\$ 2.11
SERIES D	\$ 3.28	\$ 2.30
SERIES F	\$ 3.31	\$ 2.43
SERIES O	\$ 3.77	\$ 2.66

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 5 443	\$ 3 678
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(3 071)	(778)
Change in unrealized loss (gain) on investments	(2 202)	(2 800)
(Increase) decrease in accrued receivables	(2 601)	(681)
Increase (decrease) in accrued payables	1 741	526
Cost of investments purchased	(56 268)	(36 356)
Proceeds on sales of investments	52 637	38 520
NET CASH PROVIDED BY OPERATING ACTIVITIES	(4 321)	2 109
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	10 040	1 971
Cash paid on redemption of redeemable units	(5 698)	(3 974)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 4 342	\$ (2 003)
Net increase (decrease) in cash for the year	21	106
Cash (bank overdraft), beginning of period	231	129
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 252	\$ 235
Interest received	\$ 3	\$ 2
Dividends received, net of withholding taxes	\$ 436	\$ 328

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 529	\$ 186	\$ 40	\$ 45	\$ 34 678	\$ 28 550	\$ 130	\$ 100
INCREASE (DECREASE) IN NAV	99	27	12	3	4 543	3 283	94	11
Early redemption fees	–	–	–	–	3	–	–	–
Proceeds from redeemable units issued	1 057	133	154	20	5 859	646	1 626	–
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–	–	–
Redemption of redeemable units	(124)	(136)	(1)	(46)	(5 412)	(3 540)	(29)	(36)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	933	(3)	153	(26)	450	(2 894)	1 597	(36)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	–	–	–	–
NET INCREASE (DECREASE) IN NAV	1 032	24	165	(23)	4 993	389	1 691	(25)
NAV AT END OF PERIOD	\$ 1 561	\$ 210	\$ 205	\$ 22	\$ 39 671	\$ 28 939	\$ 1 821	\$ 75

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 4 677	\$ 2 254	\$ 40 054	\$ 31 135
INCREASE (DECREASE) IN NAV	695	354	5 443	3 678
Early redemption fees	–	–	3	–
Proceeds from redeemable units issued	1 344	1 172	10 040	1 971
Reinvestments of distributions to holders of redeemable units	–	–	–	–
Redemption of redeemable units	(135)	(216)	(5 701)	(3 974)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 209	956	4 342	(2 003)
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–
NET INCREASE (DECREASE) IN NAV	1 904	1 310	9 785	1 675
NAV AT END OF PERIOD	\$ 6 581	\$ 3 564	\$ 49 839	\$ 32 810

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH VINTAGE FUND

Investment Management®

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and dividend income by investing primarily in a well-diversified portfolio of Canadian common stocks listed on the TSX.

Financial instrument risk and capital management (see note 4 in the generic notes)**Liquidity risk**

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.3% (December 31, 2013 – 0.0%, January 1, 2013 – 2.6%) of the net assets of the Fund.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.1	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	48 497	166	–	48 663
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	48 497	166	–	48 663
% of total portfolio	99.7	0.3	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	39 484	–	–	39 484
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	275	–	275
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	39 484	275	–	39 759
% of total portfolio	99.3	0.7	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	29 698	791	–	30 489
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	500	–	500
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	29 698	1 291	–	30 989
% of total portfolio	95.8	4.2	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	2.00%
Advisor Series	2.00%
Series D	1.25%
Series F	1.00%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.06%

Please see the generic notes at the back of the financial statements.

PHILLIPS, HAGER & NORTH VINTAGE FUND

Investment Management®

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	28	28
Advisor Series	55	55
Series F	27	27
Series O	27	27
Value of all units	4	3

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	35 157
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	22	10
Issued number of units	40	7
Reinvested number of units	–	–
Redeemed number of units	(5)	(7)
Ending number of units	57	10
Advisor Series		
Opening units	2	2
Issued number of units	5	2
Reinvested number of units	–	–
Redeemed number of units	–	(3)
Ending number of units	7	1
Series D		
Opening units	1 373	1 515
Issued number of units	217	31
Reinvested number of units	–	–
Redeemed number of units	(201)	(177)
Ending number of units	1 389	1 369

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series F		
Opening units	5	5
Issued number of units	57	–
Reinvested number of units	–	–
Redeemed number of units	(1)	(2)
Ending number of units	61	3
Series O		
Opening units	171	110
Issued number of units	45	54
Reinvested number of units	–	–
Redeemed number of units	(5)	(10)
Ending number of units	211	154

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	20	100	23	100
Related-party brokerage commissions*	1	5	4	17
Commission arrangements†	1	5	3	13

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	32 763	31 038
Revaluation of investments at FVTPL	47	97
Net assets attributable to holders of redeemable units	32 810	31 135
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		3 728
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(50)
Increase (decrease) in net assets attributable to holders of redeemable units		3 678

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH U.S. DIVIDEND INCOME FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
120 035	General Motors Co.	\$ 4 567	\$ 4 648	
31 404	Johnson Controls Inc.	897	1 673	
8 019	Wynn Resorts Ltd.	1 772	1 775	
		7 236	8 096	4.4
Consumer Staples				
82 162	Archer Daniels Midland Co.	2 500	3 866	
64 125	Cal-Maine Foods Inc.	4 670	5 084	
37 221	Campbell Soup Company	1 686	1 819	
46 294	PepsiCo Inc.	3 036	4 411	
41 753	Sysco Corp.	1 480	1 668	
52 313	Wal-Mart Stores, Inc.	3 287	4 187	
		16 659	21 035	11.6
Energy				
45 095	Chevron Corp.	3 706	6 278	
73 196	ConocoPhillips	4 920	6 691	
52 337	Exxon Mobil Corp.	3 618	5 617	
		12 244	18 586	10.2
Financials				
49 771	Aflac Inc.	2 062	3 305	
151 720	AllianceBernstein Holding LP	3 073	4 188	
145 170	Annaly Mortgage Management Inc.	1 827	1 770	
146 422	Blackstone Group LP	3 188	5 223	
150 000	CatchMark Timber Trust Inc. Real Estate Investment Trust	2 155	2 187	
67 319	JPMorgan Chase & Co.	3 204	4 135	
58 931	MetLife Inc.	2 923	3 491	
76 810	Oaktree Capital Group LLC, Class A	4 288	4 094	
79 997	Wells Fargo & Company	2 870	4 484	
		25 590	32 877	18.1
Health Care				
74 179	AbbVie Inc.	3 928	4 464	
21 458	Becton Dickinson & Co.	1 641	2 707	
28 917	Computer Programs & Systems Inc.	2 203	1 962	
57 418	Johnson & Johnson	3 888	6 406	
56 327	Medtronic Inc.	2 555	3 832	
78 086	Merck & Co. Inc.	2 753	4 819	
		16 968	24 190	13.3
Industrials				
12 118	Copa Holdings S.A., Class A	1 828	1 843	
70 555	Emerson Electric Co.	3 607	4 992	
211 847	General Electric Company	5 385	5 939	
19 171	Lockheed Martin Corporation	3 120	3 286	
37 861	Norfolk Southern Corp.	3 006	4 160	
40 870	Raytheon Company	2 808	4 022	
25 664	United Technologies Corp.	1 922	3 160	
		21 676	27 402	15.0

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
30 541	Apple Inc.	\$ 1 968	\$ 3 027	
90 527	Cisco Systems Inc.	1 565	2 400	
106 432	Hewlett-Packard Co.	2 639	3 824	
94 922	Intel Corp.	2 225	3 129	
131 663	Microsoft Corp.	3 462	5 857	
		11 859	18 237	10.0
Materials				
26 414	Dow Chemical Company	1 440	1 450	
49 945	Du Pont (E.I.) de Nemours and Company	3 461	3 486	
97 355	RPM Inc.	4 562	4 796	
66 982	Sonoco Products Company	2 797	3 137	
		12 260	12 869	7.1
Telecommunication Services				
128 248	AT&T Inc.	4 454	4 837	
86 710	Verizon Communications Inc.	4 462	4 523	
		8 916	9 360	5.1
Utilities				
91 808	Exelon Corp.	3 607	3 573	
87 483	Public Service Enterprise Group	3 715	3 806	
		7 322	7 379	4.1
TOTAL UNITED STATES EQUITIES		140 730	180 031	98.9
SHORT-TERM INVESTMENTS*		1 810	1 786	1.0
TOTAL INVESTMENTS		\$ 142 540	181 817	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			265	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			\$ 182 082	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.07% to 0.16% and mature between July 2, 2014 and August 20, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 181 817	\$ 166 676	\$ 101 045
Cash	3	14	7
Due from investment dealers	–	–	3 832
Subscriptions receivable	420	604	125
Dividends receivable, interest accrued and other assets	166	226	155
TOTAL ASSETS	182 406	167 520	105 164
LIABILITIES			
Due to investment dealers	–	–	3 524
Redemptions payable	218	49	208
Accounts payable and accrued expenses	106	95	64
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	324	144	3 796
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 182 082	\$ 167 376	\$ 101 368
Investments at cost	\$ 142 540	\$ 127 346	\$ 95 804
NAV, END OF PERIOD			
SERIES C	\$ 10 226	\$ 9 137	\$ 3 367
ADVISOR SERIES	\$ 9 773	\$ 7 286	\$ 1 780
SERIES D	\$ 64 161	\$ 59 344	\$ 48 677
SERIES F	\$ 3 656	\$ 3 336	\$ 1 479
SERIES O	\$ 94 266	\$ 88 273	\$ 46 065
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.86	\$ 10.26	\$ 7.54
ADVISOR SERIES	\$ 10.86	\$ 10.26	\$ 7.54
SERIES D	\$ 10.84	\$ 10.20	\$ 7.49
SERIES F	\$ 10.82	\$ 10.17	\$ 7.47
SERIES O	\$ 10.91	\$ 10.21	\$ 7.50

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 2 870	\$ 1 868
Interest for distribution purposes	5	7
Net realized gain (loss) on investments	9 495	3 161
Net gain (loss) on foreign currencies and other net assets	1	25
Change in unrealized gain (loss) on investments	(53)	16 403
TOTAL INCOME (LOSS)	12 318	21 464
EXPENSES (see notes – Fund Specific Information)		
Management fees	491	336
Administration fees	74	49
Board of Governors costs	1	2
GST/HST	49	37
Transaction costs	67	42
Withholding tax	523	317
TOTAL EXPENSES	1 205	783
INCREASE (DECREASE) IN NAV	\$ 11 113	\$ 20 681
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 550	\$ 754
ADVISOR SERIES	\$ 481	\$ 422
SERIES D	\$ 3 769	\$ 8 846
SERIES F	\$ 217	\$ 323
SERIES O	\$ 6 096	\$ 10 336
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.60	\$ 1.35
ADVISOR SERIES	\$ 0.60	\$ 1.37
SERIES D	\$ 0.64	\$ 1.41
SERIES F	\$ 0.65	\$ 1.41
SERIES O	\$ 0.70	\$ 1.46

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 11 113	\$ 20 681
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(9 495)	(3 161)
Change in unrealized loss (gain) on investments	53	(16 403)
(Increase) decrease in accrued receivables	244	3 017
Increase (decrease) in accrued payables	180	(2 076)
Cost of investments purchased	(177 114)	(196 766)
Proceeds on sales of investments	171 415	175 835
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3 604)	(18 873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	18 883	45 674
Cash paid on redemption of redeemable units	(15 290)	(26 806)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 3 593	\$ 18 868
Net increase (decrease) in cash for the year	(11)	(5)
Cash (bank overdraft), beginning of period	14	7
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 3	\$ 2
Interest received	\$ 5	\$ 6
Dividends received, net of withholding taxes	\$ 2 407	\$ 1 551

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 9 137	\$ 3 367	\$ 7 286	\$ 1 780	\$ 59 344	\$ 48 677	\$ 3 336	\$ 1 479
INCREASE (DECREASE) IN NAV	550	754	481	422	3 769	8 846	217	323
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	996	3 110	2 528	2 192	8 952	18 438	708	838
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(457)	(532)	(522)	(187)	(7 904)	(19 179)	(605)	(200)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	539	2 578	2 006	2 005	1 048	(741)	103	638
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	1 089	3 332	2 487	2 427	4 817	8 105	320	961
NAV AT END OF PERIOD	\$ 10 226	\$ 6 699	\$ 9 773	\$ 4 207	\$ 64 161	\$ 56 782	\$ 3 656	\$ 2 440

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 88 273	\$ 46 065	\$ 167 376	\$ 101 368
INCREASE (DECREASE) IN NAV	6 096	10 336	11 113	20 681
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	5 699	21 096	18 883	45 674
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(5 802)	(6 708)	(15 290)	(26 806)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(103)	14 388	3 593	18 868
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	5 993	24 724	14 706	39 549
NAV AT END OF PERIOD	\$ 94 266	\$ 70 789	\$ 182 082	\$ 140 917

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth and income by investing primarily in a well-diversified portfolio of dividend income-producing U.S. securities that have a relatively high yield.

Financial instrument risk and capital management (see note 4 in the generic notes)**Currency risk (% of net assets)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	June 30 2014	December 31 2013	January 1 2013
United States dollar	100.0	100.0	100.0
Total	100.0	100.0	100.0

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P 500 Total Return			
Index (CAD)	+ or - 0.9	+ or - 0.9	+ or - 0.9

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	180 031	–	–	180 031
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 786	–	1 786
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	180 031	1 786	–	181 817
% of total portfolio	99.0	1.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	163 617	–	–	163 617
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 059	–	3 059
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	163 617	3 059	–	166 676
% of total portfolio	98.2	1.8	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	99 604	–	–	99 604
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 441	–	1 441
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	99 604	1 441	–	101 045
% of total portfolio	98.6	1.4	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.07%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	78	78
Advisor Series	154	154
Series F	82	82
Series O	84	84
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	45 889
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	890	447
Issued number of units	94	364
Reinvested number of units	–	–
Redeemed number of units	(43)	(62)
Ending number of units	941	749

Please see the generic notes at the back of the financial statements.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Advisor Series		
Opening units	710	236
Issued number of units	239	255
Reinvested number of units	–	–
Redeemed number of units	(49)	(21)
Ending number of units	900	470
Series D		
Opening units	5 818	6 496
Issued number of units	849	2 177
Reinvested number of units	–	–
Redeemed number of units	(748)	(2 316)
Ending number of units	5 919	6 357
Series F		
Opening units	328	198
Issued number of units	68	99
Reinvested number of units	–	–
Redeemed number of units	(58)	(23)
Ending number of units	338	274
Series O		
Opening units	8 649	6 145
Issued number of units	536	2 529
Reinvested number of units	–	–
Redeemed number of units	(542)	(795)
Ending number of units	8 643	7 879

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	67	100	42	100
Related-party brokerage commissions*	–	–	19	45
Commission arrangements [†]	13	19	19	45

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

June 30, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	140 887	101 342
Revaluation of investments at FVTPL	30	26
Net assets attributable to holders of redeemable units	140 917	101 368
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		20 677
Revaluation of investments at FVTPL (see note 3 in the generic notes)		4
Increase (decrease) in net assets attributable to holders of redeemable units		20 681

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE ALL-CAP EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Health Care				
46 140	Catamaran Corp.	\$ 2 339	\$ 2 174	
		2 339	2 174	0.1
Information Technology				
72 500	Open Text Corp.	2 230	3 707	
		2 230	3 707	0.2
TOTAL CANADIAN EQUITIES				
UNITED STATES EQUITIES				
Consumer Discretionary				
25 000	Amazon.com, Inc.	8 945	8 661	
45 207	ANN Inc.	1 635	1 983	
253 173	Ascena Retail Group Inc.	5 059	4 618	
30 180	Bed Bath & Beyond Inc.	1 985	1 847	
95 700	Comcast Corp., Class A	5 499	5 480	
15 000	Core-Mark Holding Co. Inc.	634	730	
75 600	D.R. Horton Inc.	1 979	1 982	
33 900	Destination Maternity Corp.	994	823	
339 210	Destination XL Group Inc.	1 476	1 994	
44 390	Dick's Sporting Goods Inc.	2 188	2 205	
53 090	Dollar Tree Inc.	2 622	3 084	
38 261	Drew Industries Inc.	869	2 040	
796 865	Ford Motor Company	13 503	14 654	
19 020	Fossil Group Inc.	1 838	2 121	
61 100	Fox Factory Holding Corp.	1 117	1 146	
40 800	Grand Canyon Education Inc.	901	2 001	
37 920	Helen Of Troy Ltd.	1 932	2 452	
46 900	Home Depot Inc.	4 124	4 050	
85 353	Jarden Corp.	4 373	5 404	
21 482	Kona Grill Inc.	431	446	
90 700	Libbey Inc.	1 777	2 577	
143 750	LKQ Corp.	3 226	4 093	
77 050	Lowe's Companies	4 060	3 945	
183 870	Macy's Inc.	10 522	11 377	
61 500	Marriott International Inc., Class A	3 982	4 205	
122 710	Newell Rubbermaid Inc.	3 184	4 056	
40 000	Nike Inc.	3 339	3 308	
43 000	Nordstrom Inc.	2 536	3 116	
24 820	O'Reilly Automotive Inc.	2 544	3 987	
11 510	Panera Bread Company	1 968	1 840	
53 550	Penske Auto Group Inc.	2 620	2 828	
1 405	Performance Sports Group Ltd.	26	26	
83 800	RG Barry Corp.	984	1 694	
34 620	Ross Stores Inc.	2 304	2 442	
119 800	Smith & Wesson Holding Corp.	1 412	1 858	
26 000	SodaStream International Ltd.	1 177	932	
97 000	Starbucks Corp.	7 803	8 007	
36 526	Steven Madden Ltd.	850	1 336	
41 967	Tenneco Automotive Inc.	2 005	2 941	
137 510	The Walt Disney Company	9 872	12 577	
104 960	Time Warner Inc.	5 620	7 865	
56 810	Tractor Supply Co.	3 074	3 660	

Holdings	Security	Cost	Fair Value	% of Net Assets
Consumer Discretionary (cont.)				
54 910	TRW Automotive Holdings Corp. \$	3 817	\$ 5 245	
114 100	Twenty-First Century Fox Inc.	4 386	4 278	
89 880	Under Armour Inc., Class A	2 940	5 704	
110 784	Universal Electronics Inc.	2 726	5 776	
55 730	V.F. Corporation	3 099	3 744	
31 320	Vera Bradley Inc.	714	731	
36 645	Viacom Inc.	3 362	3 390	
33 700	Vitamin Shoppe Inc.	1 835	1 546	
62 600	Yum! Brands, Inc.	5 432	5 421	
176 300	Zagg Inc.	1 607	1 021	
		166 907	193 247	11.2
Consumer Staples				
166 500	Altria Group Inc.	7 070	7 446	
108 000	Archer Daniels Midland Co.	4 318	5 082	
46 140	Church & Dwight Co. Inc.	2 843	3 443	
74 600	Colgate-Palmolive Company	5 524	5 423	
189 125	CVS Corp.	11 481	15 200	
23 900	Estée Lauder Companies Inc., Class A	1 946	1 893	
35 500	Ingredion Inc.	2 076	2 842	
179 380	Kraft Foods Group Inc.	11 198	11 471	
90 830	Lorillard Inc.	6 222	5 907	
37 250	McCormick & Co. Inc.	2 444	2 845	
125 800	PepsiCo Inc.	11 670	11 987	
59 300	Philip Morris International Inc.	5 640	5 331	
26 420	Pricesmart Inc.	2 230	2 453	
55 430	Procter & Gamble Co.	4 513	4 645	
106 100	Reynolds American Inc.	6 334	6 830	
225 600	The Coca-Cola Co.	10 108	10 188	
51 480	Treehouse Foods Inc.	3 085	4 397	
46 610	United Natural Foods Inc.	2 791	3 237	
69 600	Walgreen Co.	5 060	5 502	
		106 553	116 122	6.7
Energy				
151 625	Anadarko Petroleum Corp.	16 131	17 703	
37 800	Athlon Energy Inc.	1 221	1 923	
94 400	Baker Hughes Inc.	6 302	7 497	
24 800	Cameron International	1 580	1 790	
2 200	CARBO Ceramics Inc.	207	360	
51 395	Chevron Corp.	5 893	7 155	
30 700	Cimarex Energy Co.	4 426	4 697	
44 000	Concho Resources Inc.	4 922	6 782	
208 755	ConocoPhillips	17 717	19 087	
23 550	Continental Resources Inc.	2 044	3 970	
14 320	Core Laboratories N.V.	1 766	2 552	
32 800	EOG Resources Inc.	2 616	4 087	
148 020	Exxon Mobil Corp.	13 778	15 888	
43 500	FMC Technologies Inc.	2 077	2 834	
22 700	Geospace Technologies Corp.	1 628	1 334	
58 386	Gulfport Energy Corp.	2 895	3 911	
109 600	Halliburton Co.	4 957	8 300	
36 910	Helmerich & Payne	2 782	4 570	

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND

Investment Management®

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
Energy (cont.)					Financials (cont.)				
56 700	Hess Corp.	\$ 5 257	\$ 5 981		55 700	Safeguard Scientifics Inc.	\$ 1 018	\$ 1 235	
234 710	Marathon Oil Corp.	8 696	9 995		34 750	Signature Bank	2 803	4 677	
23 800	MarkWest Energy Partners LP	1 665	1 817		71 360	Simon Property Group Inc.	11 962	12 657	
43 490	Oceaneering International Inc.	2 558	3 623		38 000	STAG Industrial Inc. Real Estate Investment Trust	788	973	
65 245	Pioneer Natural Resources Co.	12 845	15 994		45 995	State Street Corp.	2 962	3 299	
22 500	Range Resources Corp.	2 135	2 087		109 300	Suntrust Banks Inc.	4 649	4 671	
79 800	Ring Energy Inc.	1 439	1 485		31 070	T. Rowe Price Group Inc.	2 169	2 798	
75 000	Schlumberger Ltd.	8 166	9 436		132 200	The Charles Schwab Corporation	3 881	3 798	
40 450	Superior Energy Services	1 450	1 560		24 800	Travelers Cos. Inc.	2 509	2 488	
23 143	Tesoro Petroleum Corp.	1 305	1 448		84 300	UnumProvident Corp.	2 598	3 126	
87 620	Valero Energy Corp.	3 758	4 683		467 575	Wells Fargo & Company	19 289	26 207	
		142 216	172 549	10.0			242 197	281 035	16.2
Financials					Health Care				
47 270	Affiliated Managers Group Inc.	8 684	10 292		112 000	AbbVie Inc.	6 471	6 739	
143 105	Allstate Corp.	6 382	8 964		68 100	Aetna Inc.	5 413	5 890	
64 300	American Express Company	6 022	6 506		56 370	AmerisourceBergen Corp.	3 465	4 369	
51 750	American Financial Group Inc.	2 367	3 288		12 200	Analogic Corp.	1 089	1 018	
131 110	American International Group Inc.	6 402	7 633		30 300	Becton Dickinson & Co.	3 858	3 823	
51 231	Amerisafe Inc.	1 214	2 223		44 500	Bio-Reference Laboratories Inc.	1 276	1 434	
67 283	Amtrust Financial Services Inc.	2 540	3 001		12 100	Biogen Idec Inc.	4 103	4 070	
23 581	Asta Funding Inc.	200	208		218 100	BioScrip Inc.	1 665	1 940	
6 600	Bancfirst Corp.	394	436		72 200	Bristol-Myers Squibb Co.	3 832	3 736	
19 485	BlackRock Inc.	5 278	6 642		23 070	C.R. Bard Inc.	2 851	3 518	
80 800	Brown & Brown Inc.	2 327	2 647		45 800	Celgene Corp.	4 146	4 196	
56 310	Capital One Financial Corp.	5 032	4 961		37 302	Centene Corp.	2 288	3 008	
21 200	Chemical Financial Corp.	530	635		57 830	Cerner Corp.	2 543	3 182	
117 100	CIT Group Inc.	5 803	5 719		141 790	Cigna Corp.	12 680	13 910	
173 200	Citigroup Inc.	8 195	8 702		16 110	Cooper Co. Inc.	2 211	2 328	
63 750	Columbia Property Trust Inc. Real Estate Investment Trust	1 731	1 769		42 690	DaVita HealthCare Partners Inc.	3 303	3 293	
23 300	Community Bank System Inc.	654	900		72 900	Eli Lilly & Co.	4 533	4 834	
146 905	Compass Diversified Holdings	2 277	2 841		74 400	Gilead Sciences Inc.	5 597	6 580	
197 199	Fifth Third Bancorp	3 885	4 491		17 300	Hanger Orthopedic Group Inc.	690	580	
84 330	First Republic Bank	4 239	4 947		35 250	Henry Schein Inc.	3 161	4 462	
66 100	Franklin Resources Inc.	4 145	4 079		26 630	IDEXX Laboratories Inc.	2 705	3 794	
286 300	Genworth Financial Inc., Class A	4 488	5 314		272 505	Johnson & Johnson	24 322	30 401	
108 200	Gramercy Property Trust Inc. Real Estate Investment Trust	645	698		23 940	Laboratory Corp. of America Holdings	2 279	2 615	
346 390	Hartford Financial Services Inc.	10 788	13 232		47 500	Masimo Corp.	1 220	1 196	
151 190	HCC Insurance Holdings Inc.	5 827	7 893		47 020	McKesson Corp.	6 087	9 340	
385 258	Huntington Bancshares	3 090	3 921		187 150	Medtronic Inc.	12 306	12 732	
297 210	JPMorgan Chase & Co.	16 252	18 256		90 600	Merck & Co. Inc.	5 274	5 591	
177 183	KKR & Co. Ltd. Part.	4 234	4 598		12 440	Mettler-Toledo International Inc.	2 445	3 361	
72 030	LaSalle Hotel Properties	1 813	2 731		101 533	Mylan Laboratories Inc.	4 991	5 584	
76 900	Lincoln National Corp.	4 004	4 220		72 550	Parexel International Corp.	2 768	4 089	
143 400	Marsh & McLennan Companies Inc.	7 282	7 927		22 160	Perrigo Company Plc.	2 648	3 445	
84 810	MetLife Inc.	4 370	5 025		600 700	Pfizer Inc.	17 134	19 018	
321 730	Morgan Stanley	11 385	11 095		32 800	Sirona Dental Systems Inc.	2 077	2 885	
103 100	National General Holdings Corp.	1 579	1 911		29 900	Stryker Corp.	2 768	2 689	
116 500	PNC Bank Corp.	10 341	11 066		19 888	Teleflex Inc.	1 883	2 240	
55 920	Portfolio Recovery Associates Inc.	2 270	3 551		40 200	U.S. Physical Therapy Inc.	1 066	1 466	
33 920	ProAssurance Corp.	1 254	1 607		36 500	Universal Health Services Inc., Class B	2 891	3 727	
149 490	ProLogis Inc. Trust	6 727	6 552		29 300	Varian Medical Systems Inc.	1 952	2 598	
42 800	Prudential Financial Inc.	4 178	4 053		25 720	Waters Corp.	2 356	2 865	
61 440	Raymond James Financial Corp.	2 524	3 324		60 592	West Pharmaceutical Services Inc.	1 312	2 726	
440 005	Regions Financial Corp.	4 584	4 985				175 659	205 272	11.9
26 920	Reinsurance Group of America Inc.	1 633	2 263						

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials					Industrials (cont.)				
42 500	3M Co.	\$ 6 517	\$ 6 494		62 750	Swift Transportation Co., Class A	\$ 1 635	\$ 1 689	
231 510	ACCO Brands Corp.	1 861	1 583		53 660	The Greenbrier Co. Inc.	890	3 297	
37 720	Alaska Airgroup Inc.	3 398	3 824		70 500	The KEYW Holding Corp.	1 322	945	
64 797	Ametek Inc.	2 307	3 614		21 180	Triumph Group Inc.	1 546	1 577	
42 741	Astronics Corp.	1 247	2 574		166 400	Tyco International Ltd.	7 463	8 094	
62 524	AZZ Inc.	1 608	3 073		73 400	Union Pacific Corp.	7 011	7 810	
27 730	Carlisle Co. Inc.	2 423	2 562		23 088	United Rentals Inc.	1 695	2 580	
97 880	Caterpillar Inc.	10 364	11 345		15 480	Valmont Industries	2 234	2 509	
9 991	Chart Industries Inc.	704	882		40 820	Verisk Analytics Inc.	2 189	2 613	
40 550	Clean Harbors Inc.	2 102	2 780		202 630	Waste Connections Inc.	9 080	10 497	
108 165	Columbus McKinnon Corp.	1 676	3 118				213 799	248 408	14.3
75 170	Copart Inc.	3 034	2 883		Information Technology				
83 200	CSX Corp.	2 769	2 734		50 500	Adobe Systems Inc.	3 130	3 898	
42 700	Cummins Engine Inc.	6 895	7 026		36 410	Ansys Inc.	2 693	2 945	
154 535	Danaher Corp.	12 414	12 975		132 164	AOL Inc.	5 502	5 610	
144 400	Delta Air Lines Inc.	4 670	5 964		441 880	Apple Inc.	35 207	43 803	
48 790	Donaldson Co. Inc.	1 775	2 203		174 500	Applied Materials Inc.	4 011	4 197	
50 800	Ducommun Inc.	1 154	1 416		48 260	ARM Holdings Plc. ADR	1 652	2 329	
45 500	EnerSys	1 706	3 338		62 063	Arrow Electronics Inc.	3 021	3 999	
28 800	FedEx Corporation	4 650	4 650		131 190	Aruba Networks Inc.	2 753	2 452	
22 410	Fluor Corp.	1 701	1 838		19 560	Aspen Technology Inc.	393	968	
56 465	General Dynamics Corp.	6 451	7 020		122 700	Autodesk Inc.	6 678	7 379	
230 020	General Electric Company	6 089	6 448		29 000	Broadcom Corp.	1 132	1 148	
70 000	GP Strategies Corp.	1 925	1 934		122 305	Cisco Systems Inc.	2 574	3 242	
13 200	Graham Corp.	431	490		48 240	Citrix Systems Inc.	3 314	3 219	
10 630	Grainger (W.W.) Inc.	2 438	2 883		28 400	Coherent Inc.	1 824	2 005	
38 300	Hillenbrand Inc.	1 288	1 333		51 700	Computer Task Group Inc.	696	908	
76 645	Honeywell International Inc.	5 889	7 597		22 210	Concur Technologies Inc.	1 757	2 211	
19 610	IHS Inc., Class A	1 974	2 838		198 900	Corning Inc.	4 560	4 657	
86 220	Ingersoll-Rand Plc., Class A	5 505	5 749		22 200	F5 Networks Inc.	2 258	2 639	
54 236	Insteel Industries Inc.	628	1 137		174 200	Facebook Inc., Class A	11 540	12 504	
73 530	Interface Inc.	1 091	1 478		22 880	Factset Research Systems Inc.	2 324	2 936	
37 250	J.B. Hunt Transport Services Inc.	2 332	2 932		26 700	Google Inc., Class A	18 826	16 652	
22 047	Kirby Corp.	2 051	2 755		9 200	Google Inc., Class C	1 684	5 646	
38 650	Landstar System Inc.	2 022	2 639		335 240	Hewlett-Packard Co.	10 148	12 044	
54 610	Lockheed Martin Corporation	7 593	9 360		102 900	Integrated Device Technology Inc.	1 513	1 697	
86 940	Miller (Herman) Inc.	2 827	2 804		186 400	Intel Corp.	5 393	6 144	
35 000	Mistras Group Inc.	876	915		42 400	Interactive Intelligence Group	1 558	2 539	
57 640	MRC Global Inc.	1 645	1 739		30 834	InterDigital Inc.	1 181	1 572	
34 100	MSC Industrial Direct Co.	2 759	3 479		30 520	IPG Photonics Corp.	1 809	2 240	
50 200	Norfolk Southern Corp.	5 371	5 516		149 975	Juniper Networks Inc.	4 018	3 926	
28 847	Old Dominion Freight Line Inc.	1 054	1 960		60 710	Lam Research Corp.	3 148	4 376	
40 950	Owens Corning	1 638	1 690		17 300	MasterCard Inc.	1 459	1 356	
59 380	Parker Hannifin Corp.	8 094	7 964		8 700	Measurement Specialties Inc.	300	799	
31 300	Patrick Industries Inc.	1 049	1 556		24 450	MercadoLibre Inc.	2 286	2 488	
41 500	Pentair Plc.	3 356	3 192		36 800	Microchip Technology Inc.	1 667	1 916	
23 200	Powell Industries Inc.	1 502	1 618		266 740	Micron Technology Inc.	8 335	9 375	
16 300	Precision Castparts Corp.	4 705	4 388		40 820	Micros Systems Inc.	1 960	2 957	
66 500	Primoris Services Corp.	1 447	2 047		721 335	Microsoft Corp.	28 447	32 086	
59 750	Quanta Services Inc.	2 371	2 204		63 218	NIC Inc.	895	1 069	
22 180	Roper Industries Inc.	2 636	3 455		171 644	NXP Semiconductor N.V.	9 298	12 117	
85 340	Ryder System Inc.	6 622	8 019		144 900	Oracle Corporation	6 226	6 265	
49 387	Spirit Airlines Inc.	2 212	3 332		39 400	QUALCOMM Inc.	2 834	3 329	
24 720	Stanley Black & Decker Inc.	2 196	2 315		336 309	RF Micro Devices Inc.	2 947	3 440	
28 400	Stericycle Inc.	2 849	3 587		67 200	Salesforce.com Inc.	4 187	4 163	
35 755	Sun Hydraulics Corp.	843	1 548		36 500	Sandisk Corp.	3 096	4 066	

This schedule and the accompanying notes are an integral part of the financial statements.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology (cont.)				
265 471	Skyworks Solutions Inc.	\$ 7 169	\$ 13 298	
36 700	Synaptics Inc.	2 424	3 550	
85 800	Synchronoss Technologies Inc.	2 868	3 200	
73 270	SynOpsys Inc.	2 632	3 034	
93 500	Take-Two Interactive Software Inc.	1 435	2 218	
30 140	Teradata Corp.	1 987	1 292	
54 300	Tessco Technologies Inc.	1 169	1 838	
86 400	Texas Instruments Inc.	4 469	4 404	
87 460	Tibco Software Inc.	2 308	1 882	
110 630	Trimble Navigation Ltd.	3 077	4 360	
52 900	Twitter Inc.	2 147	2 310	
36 460	Tyler Technologies Inc.	1 319	3 547	
48 790	Verisign Inc.	2 391	2 540	
16 900	Visa Inc., Class A	3 268	3 799	
86 318	Web.com Group Inc.	2 774	2 658	
96 545	Western Digital Corp.	9 195	9 505	
34 190	WEX Inc.	2 654	3 828	
		<u>273 520</u>	<u>322 574</u>	<u>18.6</u>
Materials				
21 300	Airgas Inc.	1 943	2 475	
39 880	Aptargroup Inc.	2 310	2 851	
14 322	Ashland Inc.	1 306	1 662	
70 550	Avery Dennison Corp.	3 865	3 859	
23 400	Carpenter Technology	1 399	1 579	
91 258	Crown Holdings Inc.	3 635	4 844	
36 410	Cytec Industries Inc.	3 226	4 095	
49 200	Dow Chemical Company	2 477	2 700	
43 230	Eastman Chemical Company	4 087	4 027	
169 950	Ferro Corp.	2 380	2 274	
33 700	FMC Corp.	2 056	2 559	
61 900	FutureFuel Corp.	848	1 095	
205 850	Huntsman Corp.	4 838	6 170	
99 930	International Paper Co.	5 212	5 378	
9 700	Kaiser Aluminum Corp.	534	754	
40 891	Koppers Holdings Inc.	1 229	1 668	
45 600	Landec Corp.	669	607	
26 000	LyondellBasell Industries N.V.	2 137	2 708	
52 800	Monsanto Co.	6 735	7 024	
120 915	Newmont Mining Corporation	3 418	3 281	
169 685	Omnova Solutions Inc.	1 221	1 645	
83 641	Owens-Illinois Inc.	1 973	3 091	
28 000	PPG Industries Inc.	6 208	6 277	
26 630	Sigma-Aldrich Corp.	2 091	2 883	
60 300	Southern Copper Corp.	1 978	1 953	
182 545	Steel Dynamics Inc.	3 707	3 495	
71 580	Universal Stainless & Alloy	2 148	2 480	
		<u>73 630</u>	<u>83 434</u>	<u>4.8</u>
Telecommunication Services				
185 680	AT&T Inc.	6 306	7 004	
93 850	T-Mobile US Inc.	3 368	3 366	
176 300	Verizon Communications Inc.	9 378	9 197	
		<u>19 052</u>	<u>19 567</u>	<u>1.1</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
Utilities				
162 845	American Electric Power	\$ 8 790	\$ 9 685	
117 950	Calpine Corp.	2 681	2 996	
141 912	CMS Energy Corp.	3 812	4 718	
116 155	DTE Energy Company	9 555	9 650	
38 660	Edison International	1 926	2 396	
47 300	NorthWestern Corp.	1 999	2 633	
124 920	NRG Energy Inc.	4 615	4 957	
33 000	Portland General Electric Co.	1 181	1 220	
74 195	Sempra Energy	6 744	8 286	
39 198	The Laclede Group Inc.	2 013	2 029	
		<u>43 316</u>	<u>48 570</u>	<u>2.8</u>
Other				
27 900	iShares Russell 2000 ETF	3 504	3 537	
		<u>3 504</u>	<u>3 537</u>	<u>0.2</u>
TOTAL UNITED STATES EQUITIES		<u>1 460 353</u>	<u>1 694 315</u>	<u>97.8</u>
SHORT-TERM INVESTMENTS*		<u>7 273</u>	<u>7 171</u>	<u>0.4</u>
TOTAL INVESTMENTS		<u>1 472 195</u>	<u>1 707 367</u>	<u>98.5</u>
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
			<u>(1)</u>	<u>-</u>
TOTAL PORTFOLIO		<u>\$1 472 195</u>	<u>1 707 366</u>	<u>98.5</u>
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>26 503</u>	<u>1.5</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>\$1 733 869</u>	<u>100.0</u>

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.10% to 0.20% and mature between July 2, 2014 and August 11, 2014.

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 182 Sold CAD 195 @ 1.0684	03-Jul-14	\$ -
Bought USD 182 Sold CAD 195 @ 1.0684	03-Jul-14	-
		<u>\$ -</u>
Contracts	Maturity Date	Unrealized Loss
Bought USD 563 Sold CAD 601 @ 1.0686	02-Jul-14	\$ -
Bought USD 563 Sold CAD 601 @ 1.0686	02-Jul-14	(1)
		<u>\$ (1)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (1)</u>

All counterparties have a credit rating of at least A.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 1 707 367	\$ 1 478 159	\$ 1 049 990
Cash	27 868	21 508	22 207
Due from investment dealers	42 677	9 748	1 107
Subscriptions receivable	1 216	280	182
Dividends receivable, interest accrued and other assets	1 166	1 209	762
TOTAL ASSETS	1 780 294	1 510 904	1 074 248
LIABILITIES			
Due to investment dealers	46 217	10 432	11 001
Redemptions payable	107	58	306
Unrealized loss on foreign exchange contracts	1	1	—
Accounts payable and accrued expenses	100	89	58
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	46 425	10 580	11 365
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 1 733 869	\$ 1 500 324	\$ 1 062 883
Investments at cost	\$ 1 472 195	\$ 1 174 949	\$ 971 891
NAV, END OF PERIOD			
SERIES C	\$ 1 955	\$ 1 878	\$ 638
ADVISOR SERIES	\$ 796	\$ 782	\$ 464
SERIES D	\$ 17 461	\$ 14 892	\$ 7 812
SERIES F	\$ 661	\$ 940	\$ 121
SERIES O	\$ 1 712 996	\$ 1 481 832	\$ 1 053 848
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 14.98	\$ 14.16	\$ 11.36
ADVISOR SERIES	\$ 14.99	\$ 14.16	\$ 11.36
SERIES D	\$ 15.40	\$ 14.49	\$ 11.56
SERIES F	\$ 15.39	\$ 14.47	\$ 11.56
SERIES O	\$ 15.20	\$ 14.22	\$ 11.35

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 13 828	\$ 11 937
Interest for distribution purposes	8	14
Other income (loss)	–	8
Securities lending revenue (see note 6 in the generic notes)	105	28
Net realized gain (loss) on investments	164 703	81 606
Net gain (loss) on foreign currencies and other net assets	159	1 292
Change in unrealized gain (loss) on investments	(68 038)	114 998
TOTAL INCOME (LOSS)	110 765	209 883
EXPENSES (see notes – Fund Specific Information)		
Management fees	113	62
Administration fees	407	296
Board of Governors costs	1	2
GST/HST	50	38
Transaction costs	1 583	1 050
Withholding tax	1 911	1 444
TOTAL EXPENSES	4 065	2 892
INCREASE (DECREASE) IN NAV	\$ 106 700	\$ 206 991
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 108	\$ 137
ADVISOR SERIES	\$ 48	\$ 102
SERIES D	\$ 1 018	\$ 1 570
SERIES F	\$ 55	\$ 37
SERIES O	\$ 105 471	\$ 205 145
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.82	\$ 2.07
ADVISOR SERIES	\$ 0.82	\$ 2.07
SERIES D	\$ 0.89	\$ 2.17
SERIES F	\$ 0.92	\$ 2.19
SERIES O	\$ 0.97	\$ 2.21

Statements of Cash Flow (unaudited) (in \$000s)

 For the periods ended June 30
 (see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 106 700	\$ 206 991
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(164 703)	(81 606)
Change in unrealized loss (gain) on investments	68 038	(114 998)
(Increase) decrease in accrued receivables	(33 822)	(32 549)
Increase (decrease) in accrued payables	35 845	16 482
Cost of investments purchased	(1 968 448)	(1 016 511)
Proceeds on sales of investments	1 835 905	1 030 829
NET CASH PROVIDED BY OPERATING ACTIVITIES	(120 485)	8 638
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	243 349	129 820
Cash paid on redemption of redeemable units	(116 504)	(149 388)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 126 845	\$ (19 568)
Net increase (decrease) in cash for the year	6 360	(10 930)
Cash (bank overdraft), beginning of period	21 508	22 207
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 27 868	\$ 11 277
Interest received	\$ 7	\$ 14
Dividends received, net of withholding taxes	\$ 11 961	\$ 10 493

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 878	\$ 638	\$ 782	\$ 464	\$ 14 892	\$ 7 812	\$ 940	\$ 121
INCREASE (DECREASE) IN NAV	108	137	48	102	1 018	1 570	55	37
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	215	717	43	305	3 827	2 843	109	376
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(246)	(72)	(77)	(97)	(2 276)	(1 247)	(443)	(59)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(31)	645	(34)	208	1 551	1 596	(334)	317
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	77	782	14	310	2 569	3 166	(279)	354
NAV AT END OF PERIOD	\$ 1 955	\$ 1 420	\$ 796	\$ 774	\$ 17 461	\$ 10 978	\$ 661	\$ 475

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 481 832	\$ 1 053 848	\$ 1 500 324	\$ 1 062 883
INCREASE (DECREASE) IN NAV	105 471	205 145	106 700	206 991
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	239 155	125 579	243 349	129 820
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(113 462)	(147 913)	(116 504)	(149 388)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	125 693	(22 334)	126 845	(19 568)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	231 164	182 811	233 545	187 423
NAV AT END OF PERIOD	\$ 1 712 996	\$ 1 236 659	\$ 1 733 869	\$ 1 250 306

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
 ALL-CAP EQUITY FUND**

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing in shares of high-quality U.S. companies.

**Financial instrument risk and capital management
 (see note 4 in the generic notes)**
Currency risk (% of net assets)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	June 30 2014	December 31 2013	January 1 2013
United States dollar	99.9	99.8	99.6
Total	99.9	99.8	99.6

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 30-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
Russell 3000 Total Return Index (CAD)	+ or - 1.0	+ or - 1.0	+ or - 1.0

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
 (see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	1 700 196	–	–	1 700 196
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 171	–	7 171
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(1)	–	(1)
Total financial instruments	1 700 196	7 170	–	1 707 366
% of total portfolio	99.6	0.4	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 471 075	–	–	1 471 075
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	7 084	–	7 084
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(1)	–	(1)
Total financial instruments	1 471 075	7 083	–	1 478 158
% of total portfolio	99.5	0.5	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 032 620	–	–	1 032 620
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 370	–	17 370
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 032 620	17 370	–	1 049 990
% of total portfolio	98.3	1.7	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
 ALL-CAP EQUITY FUND**

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	106	106
Advisor Series	111	111
Series D	106	106
Series F	107	107
Series O	111	111
Value of all units	8	8

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	133	56
Issued number of units	14	56
Reinvested number of units	–	–
Redeemed number of units	(17)	(6)
Ending number of units	130	106

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Advisor Series		
Opening units	55	41
Issued number of units	3	25
Reinvested number of units	–	–
Redeemed number of units	(5)	(8)
Ending number of units	53	58
Series D		
Opening units	1 027	676
Issued number of units	257	221
Reinvested number of units	–	–
Redeemed number of units	(150)	(97)
Ending number of units	1 134	800
Series F		
Opening units	65	10
Issued number of units	7	30
Reinvested number of units	–	–
Redeemed number of units	(29)	(5)
Ending number of units	43	35
Series O		
Opening units	104 192	92 832
Issued number of units	16 210	9 833
Reinvested number of units	–	–
Redeemed number of units	(7 675)	(11 360)
Ending number of units	112 727	91 305

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	1 583	100	1 050	100
Related-party brokerage commissions*	61	4	39	4
Commission arrangements [†]	547	35	397	38

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Securities lending revenue (\$000s) (see note 6 in the generic notes)

Fair value of securities on loan and collateral received as at:

	June 30 2014	June 30 2013
Fair value of securities loaned	91 771	37 707
Fair value of collateral received	96 359	39 592

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE
ALL-CAP EQUITY FUND**

Investment Management®

June 30, 2014

**Investments by other related Investment Funds
(000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
Phillips, Hager & North LifeTime 2015 Fund	56	50
Phillips, Hager & North LifeTime 2020 Fund	113	96
Phillips, Hager & North LifeTime 2025 Fund	127	102
Phillips, Hager & North LifeTime 2030 Fund	120	97
Phillips, Hager & North LifeTime 2035 Fund	174	147
Phillips, Hager & North LifeTime 2040 Fund	172	144
Phillips, Hager & North LifeTime 2045 Fund	365	273
RBC Select Very Conservative Portfolio	7 192	6 616
RBC Select Conservative Portfolio	29 562	27 964
RBC Select Balanced Portfolio	43 004	38 508
RBC Select Growth Portfolio	18 481	17 388
RBC Select Aggressive Growth Portfolio	4 613	4 155
RBC Select Choices Conservative Portfolio	485	504
RBC Select Choices Balanced Portfolio	802	809
RBC Select Choices Growth Portfolio	1 567	1 550
RBC Select Choices Aggressive Growth Portfolio	949	930
RBC Target 2015 Education Fund	–	171
RBC Target 2020 Education Fund	880	998
RBC Target 2025 Education Fund	1 557	1 418
RBC Target 2030 Education Fund	254	150
RBC Select Very Conservative Class	65	86
RBC Select Conservative Class	122	146
RBC Select Balanced Class	125	157
RBC Select Growth Class	29	36
RBC Select Aggressive Growth Class	13	15
Phillips, Hager & North U.S. Multi-Style All-Cap Equity Class	1 594	1 391
Total	112 421	103 901

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	1 249 988	1 061 853
Revaluation of investments at FVTPL	318	1 030
Net assets attributable to holders of redeemable units	1 250 306	1 062 883
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		207 703
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(712)
Increase (decrease) in net assets attributable to holders of redeemable units		206 991

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH U.S. EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
220 574	Bed Bath & Beyond Inc.	\$ 16 032	\$ 13 501	
136 409	DIRECTV, LLC	11 164	12 370	
342 494	General Motors Co.	9 892	13 262	
280 634	Johnson Controls Inc.	8 245	14 947	
406 567	Starz - Liberty Capital	11 255	12 909	
		56 588	66 989	7.7
Consumer Staples				
301 108	Archer Daniels Midland Co.	9 171	14 168	
219 040	PepsiCo Inc.	14 567	20 871	
1 545 780	Rite Aid Corp.	10 678	11 822	
258 478	Wal-Mart Stores, Inc.	15 097	20 689	
96 755	Walgreen Co.	4 416	7 648	
		53 929	75 198	8.7
Energy				
285 110	Apache Corp.	26 124	30 597	
219 298	Chevron Corp.	28 332	30 529	
163 347	ConocoPhillips	14 143	14 935	
97 613	Continental Resources Inc.	14 325	16 456	
76 199	National Oilwell Varco Inc.	6 460	6 694	
198 136	Noble Corporation plc	7 055	7 093	
		96 439	106 304	12.3
Financials				
321 424	Aflac Inc.	16 642	21 343	
377 391	AllianceBernstein Holding LP	6 783	10 418	
240 176	American International Group Inc.	11 422	13 983	
1 326 616	Bank of America Corp.	17 663	21 750	
123 126	Berkshire Hathaway Inc., Class B	9 427	16 622	
141 024	First Republic Bank	6 019	8 272	
413 137	JPMorgan Chase & Co.	16 136	25 377	
256 080	MetLife Inc.	13 293	15 171	
289 509	Oaktree Capital Group LLC, Class A	16 401	15 432	
600 523	Wells Fargo & Company	19 979	33 659	
		133 765	182 027	21.0
Health Care				
167 389	Becton Dickinson & Co.	13 556	21 118	
81 700	Celgene Corp.	6 522	7 484	
83 796	Gilead Sciences Inc.	6 669	7 411	
307 146	Johnson & Johnson	21 088	34 265	
209 598	Medtronic Inc.	8 053	14 259	
108 126	Pfizer Inc.	2 763	3 423	
136 127	Varian Medical Systems Inc.	9 286	12 072	
171 589	WellPoint Inc.	10 905	19 694	
		78 842	119 726	13.8

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
113 013	American Airlines Group Inc.	\$ 4 360	\$ 5 179	
414 100	Delta Air Lines Inc.	9 718	17 103	
341 694	Emerson Electric Co.	16 970	24 178	
196 974	Generac Holdings Inc.	8 512	10 241	
393 227	Heartland Express Inc.	8 294	8 951	
19 042	NOW Inc.	668	736	
175 122	Raytheon Company	14 282	17 233	
210 958	United Technologies Corp.	16 770	25 976	
		79 574	109 597	12.7
Information Technology				
397 797	Apple Inc.	30 383	39 433	
519 696	Cisco Systems Inc.	11 244	13 776	
21 457	Google Inc., Class A	12 101	13 382	
21 621	Google Inc., Class C	202	13 268	
355 301	Hewlett-Packard Co.	9 488	12 765	
404 979	Microsoft Corp.	10 863	18 014	
490 868	Oracle Corporation	15 241	21 222	
192 326	QUALCOMM Inc.	10 241	16 248	
203 245	Skyworks Solutions Inc.	8 679	10 181	
		108 442	158 289	18.3
Materials				
118 731	Du Pont (E.I.) de Nemours and Company	8 294	8 286	
		8 294	8 286	1.0
Telecommunication Services				
189 376	Verizon Communications Inc.	10 029	9 879	
		10 029	9 879	1.1
Utilities				
288 597	Public Service Enterprise Group	12 480	12 557	
		12 480	12 557	1.4
TOTAL UNITED STATES EQUITIES		638 382	848 852	98.0
SHORT-TERM INVESTMENTS*		18 425	18 231	2.1
TOTAL INVESTMENTS		\$ 656 807	867 083	100.1
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(884)	(0.1)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 866 199	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.07% to 0.19% and mature between July 2, 2014 and August 20, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 867 083	\$ 834 525	\$ 900 092
Cash	14	4	26
Due from investment dealers	–	–	25 886
Subscriptions receivable	601	468	1 464
Dividends receivable, interest accrued and other assets	230	500	327
TOTAL ASSETS	867 928	835 497	927 795
LIABILITIES			
Due to investment dealers	–	–	26 653
Redemptions payable	1 573	494	1 239
Accounts payable and accrued expenses	156	152	190
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 729	646	28 082
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 866 199	\$ 834 851	\$ 899 713
Investments at cost	\$ 656 807	\$ 618 939	\$ 842 683
NAV, END OF PERIOD			
SERIES C	\$ 3 658	\$ 3 501	\$ 2 915
ADVISOR SERIES	\$ 1 638	\$ 1 504	\$ 1 005
SERIES D	\$ 134 098	\$ 130 937	\$ 162 958
SERIES F	\$ 1 941	\$ 1 844	\$ 1 412
SERIES O	\$ 724 864	\$ 697 065	\$ 731 423
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 46.73	\$ 43.64	\$ 31.77
ADVISOR SERIES	\$ 46.73	\$ 43.64	\$ 31.77
SERIES D	\$ 46.70	\$ 43.42	\$ 31.60
SERIES F	\$ 46.97	\$ 43.62	\$ 31.73
SERIES O	\$ 47.70	\$ 44.10	\$ 32.08

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 9 248	\$ 9 760
Interest for distribution purposes	10	20
Net realized gain (loss) on investments	66 681	53 446
Net gain (loss) on foreign currencies and other net assets	5	473
Change in unrealized gain (loss) on investments	(5 310)	113 899
TOTAL INCOME (LOSS)	70 634	177 598
EXPENSES (see notes – Fund Specific Information)		
Management fees	721	769
Administration fees	142	154
Board of Governors costs	1	2
GST/HST	68	86
Transaction costs	290	412
Withholding tax	1 453	1 479
TOTAL EXPENSES	2 675	2 902
INCREASE (DECREASE) IN NAV	\$ 67 959	\$ 174 696
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 248	\$ 536
ADVISOR SERIES	\$ 110	\$ 209
SERIES D	\$ 9 713	\$ 26 710
SERIES F	\$ 143	\$ 284
SERIES O	\$ 57 745	\$ 146 957
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 3.15	\$ 6.11
ADVISOR SERIES	\$ 3.15	\$ 6.17
SERIES D	\$ 3.34	\$ 6.27
SERIES F	\$ 3.42	\$ 6.37
SERIES O	\$ 3.67	\$ 6.61

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 67 959	\$ 174 696
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(66 672)	(53 371)
Change in unrealized loss (gain) on investments	5 310	(113 899)
(Increase) decrease in accrued receivables	137	3 947
Increase (decrease) in accrued payables	1 083	(7 815)
Cost of investments purchased	(469 460)	(508 861)
Proceeds on sales of investments	498 264	627 387
NET CASH PROVIDED BY OPERATING ACTIVITIES	36 621	122 084
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	78 774	152 412
Cash paid on redemption of redeemable units	(115 385)	(274 443)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (36 611)	\$ (122 031)
Net increase (decrease) in cash for the year	10	53
Cash (bank overdraft), beginning of period	4	26
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 14	\$ 79
Interest received	\$ 10	\$ 19
Dividends received, net of withholding taxes	\$ 8 064	\$ 8 281

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 501	\$ 2 915	\$ 1 504	\$ 1 005	\$ 130 937	\$ 162 958	\$ 1 844	\$ 1 412
INCREASE (DECREASE) IN NAV	248	536	110	209	9 713	26 710	143	284
Early redemption fees	—	—	—	—	1	—	—	—
Proceeds from redeemable units issued	221	454	133	331	8 595	8 328	284	313
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(312)	(787)	(109)	(131)	(15 148)	(63 761)	(330)	(509)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(91)	(333)	24	200	(6 552)	(55 433)	(46)	(196)
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	157	203	134	409	3 161	(28 723)	97	88
NAV AT END OF PERIOD	\$ 3 658	\$ 3 118	\$ 1 638	\$ 1 414	\$ 134 098	\$ 134 235	\$ 1 941	\$ 1 500

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 697 065	\$ 731 423	\$ 834 851	\$ 899 713
INCREASE (DECREASE) IN NAV	57 745	146 957	67 959	174 696
Early redemption fees	—	—	1	—
Proceeds from redeemable units issued	69 541	142 986	78 774	152 412
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(99 487)	(209 255)	(115 386)	(274 443)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(29 946)	(66 269)	(36 611)	(122 031)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	27 799	80 688	31 348	52 665
NAV AT END OF PERIOD	\$ 724 864	\$ 812 111	\$ 866 199	\$ 952 378

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in shares of large-capitalization, high-quality U.S. companies.

Financial instrument risk and capital management (see note 4 in the generic notes)**Currency risk (% of net assets)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	June 30 2014	December 31 2013	January 1 2013
United States dollar	100.1	99.9	100.1
Total	100.1	99.9	100.1

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P 500 Total Return Index (CAD)	+ or - 1.0	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	848 852	–	–	848 852
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	18 231	–	18 231
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	848 852	18 231	–	867 083
% of total portfolio	97.9	2.1	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	822 808	–	–	822 808
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	11 717	–	11 717
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	822 808	11 717	–	834 525
% of total portfolio	98.6	1.4	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	878 944	–	–	878 944
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	21 148	–	21 148
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	878 944	21 148	–	900 092
% of total portfolio	97.7	2.3	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.02%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	19	19
Advisor Series	36	36
Series D	19	19
Series F	19	19
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	535 796
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	80	92
Issued number of units	5	13
Reinvested number of units	–	–
Redeemed number of units	(7)	(23)
Ending number of units	78	82

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	34	32
Issued number of units	3	9
Reinvested number of units	–	–
Redeemed number of units	(2)	(4)
Ending number of units	35	37
Series D		
Opening units	3 015	5 157
Issued number of units	190	238
Reinvested number of units	–	–
Redeemed number of units	(333)	(1 845)
Ending number of units	2 872	3 550
Series F		
Opening units	42	44
Issued number of units	6	9
Reinvested number of units	–	–
Redeemed number of units	(7)	(14)
Ending number of units	41	39
Series O		
Opening units	15 806	22 798
Issued number of units	1 522	4 199
Reinvested number of units	–	–
Redeemed number of units	(2 131)	(5 963)
Ending number of units	15 197	21 034

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	290	100	412	100
Related-party brokerage commissions*	6	2	104	25
Commission arrangements [†]	86	30	110	27

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Please see the generic notes at the back of the financial statements.

June 30, 2014

**Investments by other related Investment Funds
(000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	1 583	2 124
Phillips, Hager & North Balanced Fund	2 240	2 062
Phillips, Hager & North Balanced Pension Trust	2 368	1 990
Phillips, Hager & North Global Equity Fund	1 103	1 117
Total	7 294	7 293

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	952 214	899 469
Revaluation of investments at FVTPL	164	244
Net assets attributable to holders of redeemable units	952 378	899 713

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	174 776
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(80)
Increase (decrease) in net assets attributable to holders of redeemable units	174 696

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED U.S. EQUITY FUND

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
1 582 505	Phillips, Hager & North U.S. Equity Fund*	\$ 49 458	\$ 75 482	
TOTAL INVESTMENTS		49 458	75 482	97.4
UNREALIZED GAIN ON FOREIGN				
EXCHANGE CONTRACTS (SCHEDULE A)		–	1 993	2.6
UNREALIZED LOSS ON FOREIGN				
EXCHANGE CONTRACTS (SCHEDULE A)		–	(4)	–
TOTAL PORTFOLIO		<u>\$ 49 458</u>	<u>77 471</u>	100.0
OTHER NET ASSETS ATTRIBUTABLE				
TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO			40	–
HOLDERS OF REDEEMABLE UNITS		<u>\$ 77 511</u>	<u>100.0</u>	

* Investment in related party (see note 7 in the generic notes).

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 12 483 Sold USD 11 492 @ 1.0862	24-Jul-14	\$ 217
Bought CAD 18 116 Sold USD 16 462 @ 1.1005	24-Jul-14	546
Bought CAD 761 Sold USD 700 @ 1.0876	24-Jul-14	14
Bought CAD 1 021 Sold USD 950 @ 1.0747	01-Aug-14	7
Bought CAD 25 896 Sold USD 23 520 @ 1.1010	01-Aug-14	787
Bought CAD 18 872 Sold USD 17 281 @ 1.0921	15-Aug-14	418
Bought CAD 538 Sold USD 500 @ 1.0750	15-Aug-14	4
		<u>\$ 1 993</u>

Contracts	Maturity Date	Unrealized Loss
Bought USD 304 Sold CAD 326 @ 1.0728	24-Jul-14	\$ (2)
Bought USD 38 Sold CAD 42 @ 1.0953	01-Aug-14	(1)
Bought USD 45 Sold CAD 49 @ 1.0858	01-Aug-14	(1)
		<u>\$ (4)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ 1 989</u>

All counterparties have a credit rating of at least A.

This schedule and the accompanying notes are an integral part of the financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 75 482	\$ 93 670	\$ 102 795
Cash	59	27	9
Due from investment dealers	133	27	43
Subscriptions receivable	1	–	3
Unrealized gain on foreign exchange contracts	1 993	1	243
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	77 668	93 725	103 094
LIABILITIES			
Redemptions payable	133	28	21
Unrealized loss on foreign exchange contracts	4	1 213	598
Accounts payable and accrued expenses	20	22	36
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	157	1 263	655
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 77 511	\$ 92 462	\$ 102 439
Investments at cost	\$ 49 458	\$ 65 088	\$ 91 037
NAV, END OF PERIOD			
SERIES C	\$ 1 706	\$ 1 759	\$ 1 436
ADVISOR SERIES	\$ 644	\$ 668	\$ 206
SERIES D	\$ 7 984	\$ 10 308	\$ 23 313
SERIES F	\$ 813	\$ 926	\$ 1 229
SERIES O	\$ 66 364	\$ 78 801	\$ 76 255
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.33	\$ 9.66	\$ 7.47
ADVISOR SERIES	\$ 10.33	\$ 9.66	\$ 7.47
SERIES D	\$ 10.30	\$ 9.60	\$ 7.41
SERIES F	\$ 10.40	\$ 9.68	\$ 7.47
SERIES O	\$ 10.46	\$ 9.70	\$ 7.48

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Net realized gain (loss) on investments	\$ 9 332	\$ 6 197
Net gain (loss) on foreign currencies and other net assets	(3 855)	(5 523)
Change in unrealized gain (loss) on investments	643	20 797
TOTAL INCOME (LOSS)	6 120	21 471
EXPENSES (see notes – Fund Specific Information)		
Management fees	66	113
Administration fees	38	90
Board of Governors costs	1	2
GST/HST	9	19
TOTAL EXPENSES	114	224
INCREASE (DECREASE) IN NAV	\$ 6 006	\$ 21 247
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 113	\$ 183
ADVISOR SERIES	\$ 42	\$ 42
SERIES D	\$ 561	\$ 2 505
SERIES F	\$ 58	\$ 163
SERIES O	\$ 5 232	\$ 18 354
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT		
SERIES C	\$ 0.63	\$ 0.91
ADVISOR SERIES	\$ 0.63	\$ 0.94
SERIES D	\$ 0.67	\$ 0.94
SERIES F	\$ 0.68	\$ 0.96
SERIES O	\$ 0.72	\$ 1.00

Statements of Cash Flow (unaudited) (in \$000s)
For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 6 006	\$ 21 247
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(9 332)	(6 197)
Change in unrealized loss (gain) on investments	(643)	(20 797)
(Increase) decrease in accrued receivables	(107)	(43)
Increase (decrease) in accrued payables	103	69
Cost of investments purchased	(2 871)	(68 392)
Proceeds on sales of investments	27 833	33 893
NET CASH PROVIDED BY OPERATING ACTIVITIES	20 989	(40 220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	4 090	78 610
Cash paid on redemption of redeemable units	(25 047)	(38 318)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (20 957)	\$ 40 292
Net increase (decrease) in cash for the year	32	72
Cash (bank overdraft), beginning of period	27	9
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 59	\$ 81
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 759	\$ 1 436	\$ 668	\$ 206	\$ 10 308	\$ 23 313	\$ 926	\$ 1 229
INCREASE (DECREASE) IN NAV	113	183	42	42	561	2 505	58	163
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	19	99	32	273	208	1 018	1	7
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(185)	(101)	(98)	(6)	(3 093)	(12 481)	(172)	(331)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(166)	(2)	(66)	267	(2 885)	(11 463)	(171)	(324)
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(53)	181	(24)	309	(2 324)	(8 958)	(113)	(161)
NAV AT END OF PERIOD	\$ 1 706	\$ 1 617	\$ 644	\$ 515	\$ 7 984	\$ 14 355	\$ 813	\$ 1 068

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 78 801	\$ 76 255	\$ 92 462	\$ 102 439
INCREASE (DECREASE) IN NAV	5 232	18 354	6 006	21 247
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	3 830	77 213	4 090	78 610
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(21 499)	(25 399)	(25 047)	(38 318)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(17 669)	51 814	(20 957)	40 292
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(12 437)	70 168	(14 951)	61 539
NAV AT END OF PERIOD	\$ 66 364	\$ 146 423	\$ 77 511	\$ 163 978

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
 U.S. EQUITY FUND**

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with significant long-term capital growth primarily through exposure to a well-diversified portfolio of large-capitalization, high-quality U.S. companies, while minimizing currency risk.

**Financial instrument risk and capital management
 (see note 4 in the generic notes)**

The Fund invests in the Phillips, Hager & North U.S. Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from entering into over-the-counter derivative contracts and from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Currency risk

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P 500 Total Return Index (hedged to CAD)	+ or - 1.1	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
 (see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	75 482	–	–	75 482
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 993	–	1 993
Derivatives – liabilities	–	(4)	–	(4)
Total financial instruments	75 482	1 989	–	77 471
% of total portfolio	97.4	2.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	93 670	–	–	93 670
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(1 213)	–	(1 213)
Total financial instruments	93 670	(1 212)	–	92 458
% of total portfolio	101.3	(1.3)	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	102 795	–	–	102 795
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	243	–	243
Derivatives – liabilities	–	(598)	–	(598)
Total financial instruments	102 795	(355)	–	102 440
% of total portfolio	100.3	(0.3)	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
 U.S. EQUITY FUND**

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	81	81
Advisor Series	156	156
Series D	114	167
Series F	84	84
Series O	86	86
Value of all units	5	6

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	182	192
Issued number of units	2	12
Reinvested number of units	–	–
Redeemed number of units	(19)	(12)
Ending number of units	165	192

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Advisor Series		
Opening units	69	28
Issued number of units	3	34
Reinvested number of units	–	–
Redeemed number of units	(10)	(1)
Ending number of units	62	61
Series D		
Opening units	1 074	3 148
Issued number of units	21	128
Reinvested number of units	–	–
Redeemed number of units	(320)	(1 565)
Ending number of units	775	1 711
Series F		
Opening units	96	165
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	(18)	(39)
Ending number of units	78	126
Series O		
Opening units	8 124	10 190
Issued number of units	384	10 000
Reinvested number of units	–	–
Redeemed number of units	(2 166)	(3 009)
Ending number of units	6 342	17 181

**Investments by other related Investment Funds
 (000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Enhanced Long Government Bond Fund	–	94
Phillips, Hager & North PRISM Balanced Fund	2 586	2 436
Total	2 586	2 530

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
U.S. EQUITY FUND**

June 30, 2014

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as
previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	163 974	102 439
Revaluation of investments at FVTPL	4	–
Net assets attributable to holders of redeemable units	163 978	102 439

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	21 243
Revaluation of investments at FVTPL (see note 3 in the generic notes)	4
Increase (decrease) in net assets attributable to holders of redeemable units	21 247

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH U.S. GROWTH FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
Consumer Discretionary				
24 140	Bed Bath & Beyond Inc.	\$ 1 731	\$ 1 478	
134 360	Carrols Restaurant Group Inc.	919	1 020	
59 812	Multimedia Games Holding Co. Inc.	1 825	1 891	
64 245	Starz - Liberty Capital	1 871	2 040	
		6 346	6 429	5.6
Consumer Staples				
37 618	PepsiCo Inc.	2 397	3 584	
5 013	Pricesmart Inc.	536	465	
17 028	Wal-Mart Stores, Inc.	938	1 363	
		3 871	5 412	4.7
Energy				
28 342	Apache Corp.	2 460	3 042	
18 875	Continental Resources Inc.	2 710	3 182	
39 649	FMC Technologies Inc.	1 820	2 583	
17 155	Geospace Technologies Corp.	1 314	1 008	
25 338	Schlumberger Ltd.	2 562	3 188	
		10 866	13 003	11.3
Financials				
49 664	Aflac Inc.	2 556	3 298	
49 269	Federated National Holding Co.	1 171	1 340	
4 215	Financial Engines Inc.	288	204	
34 331	First Republic Bank	1 481	2 014	
35 028	McGraw Hill Financial Inc.	1 304	3 102	
27 483	Oaktree Capital Group LLC, Class A	1 601	1 465	
124 846	United Insurance Holdings Corp.	1 941	2 299	
88 114	Wells Fargo & Company	2 780	4 939	
		13 122	18 661	16.2
Health Care				
35 415	Becton Dickinson & Co.	2 675	4 468	
22 932	Celgene Corp.	1 923	2 101	
15 683	Computer Programs & Systems Inc.	1 188	1 064	
34 633	Gilead Sciences Inc.	2 983	3 063	
40 557	Johnson & Johnson	2 686	4 525	
58 898	Varian Medical Systems Inc.	3 505	5 223	
		14 960	20 444	17.8
Industrials				
7 728	Copa Holdings S.A., Class A	1 166	1 175	
13 735	Danaher Corp.	591	1 153	
43 810	Generac Holdings Inc.	1 793	2 278	
128 887	General Electric Company	3 342	3 613	
81 811	Heartland Express Inc.	1 625	1 862	
16 287	Spirit Airlines Inc.	332	1 099	
35 897	United Technologies Corp.	2 535	4 420	
		11 384	15 600	13.5

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
49 630	Apple Inc.	\$ 4 248	\$ 4 920	
53 509	Cognizant Technology Solutions Corp., Class A	1 957	2 792	
10 459	Factset Research Systems Inc.	959	1 342	
4 035	Google Inc., Class A	2 131	2 516	
4 035	Google Inc., Class C	—	2 476	
17 081	IPG Photonics Corp.	1 050	1 254	
53 648	Microsoft Corp.	1 430	2 386	
81 193	Oracle Corporation	2 353	3 510	
58 353	QUALCOMM Inc.	2 959	4 930	
34 421	Seagate Technology	2 013	2 086	
41 626	Skyworks Solutions Inc.	1 745	2 085	
29 052	Ubiquiti Networks Inc.	1 233	1 400	
		22 078	31 697	27.5
TOTAL UNITED STATES EQUITIES		82 627	111 246	96.6
SHORT-TERM INVESTMENTS*		931	917	0.8
TOTAL INVESTMENTS		\$ 83 558	112 163	97.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				2.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				\$ 115 107 100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.19% and mature on July 15, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 112 163	\$ 112 059	\$ 98 705
Cash	32	30	6
Due from investment dealers	2 970	–	–
Subscriptions receivable	3	363	25
Dividends receivable, interest accrued and other assets	40	81	63
TOTAL ASSETS	115 208	112 533	98 799
LIABILITIES			
Due to investment dealers	–	–	91
Redemptions payable	55	39	2
Accounts payable and accrued expenses	46	41	53
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	101	80	146
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 115 107	\$ 112 453	\$ 98 653
Investments at cost	\$ 83 558	\$ 80 861	\$ 92 712
NAV, END OF PERIOD			
SERIES C	\$ 2 167	\$ 2 007	\$ 1 460
ADVISOR SERIES	\$ 298	\$ 274	\$ 185
SERIES D	\$ 35 897	\$ 34 628	\$ 45 053
SERIES F	\$ 441	\$ 430	\$ 389
SERIES O	\$ 76 304	\$ 75 114	\$ 51 566
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 17.08	\$ 16.08	\$ 11.62
ADVISOR SERIES	\$ 17.09	\$ 16.08	\$ 11.62
SERIES D	\$ 17.38	\$ 16.29	\$ 11.71
SERIES F	\$ 17.59	\$ 16.47	\$ 11.83
SERIES O	\$ 17.84	\$ 16.63	\$ 11.95

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 800	\$ 881
Interest for distribution purposes	1	1
Net realized gain (loss) on investments	10 003	3 486
Net gain (loss) on foreign currencies and other net assets	(27)	70
Change in unrealized gain (loss) on investments	(2 593)	13 485
TOTAL INCOME (LOSS)	8 184	17 923
EXPENSES (see notes – Fund Specific Information)		
Management fees	199	207
Administration fees	49	42
Board of Governors costs	1	2
GST/HST	16	21
Transaction costs	35	24
Withholding tax	132	117
TOTAL EXPENSES	432	413
INCREASE (DECREASE) IN NAV	\$ 7 752	\$ 17 510
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 126	\$ 251
ADVISOR SERIES	\$ 17	\$ 31
SERIES D	\$ 2 270	\$ 6 718
SERIES F	\$ 29	\$ 61
SERIES O	\$ 5 310	\$ 10 449
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.02	\$ 2.12
ADVISOR SERIES	\$ 1.02	\$ 2.13
SERIES D	\$ 1.09	\$ 2.20
SERIES F	\$ 1.13	\$ 2.24
SERIES O	\$ 1.20	\$ 2.32

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 7 752	\$ 17 510
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(10 003)	(3 459)
Change in unrealized loss (gain) on investments	2 593	(13 485)
(Increase) decrease in accrued receivables	(2 569)	(1 019)
Increase (decrease) in accrued payables	21	941
Cost of investments purchased	(93 101)	(53 668)
Proceeds on sales of investments	100 407	67 544
NET CASH PROVIDED BY OPERATING ACTIVITIES	5 100	14 364
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	4 375	17 013
Cash paid on redemption of redeemable units	(9 473)	(31 370)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (5 098)	\$ (14 357)
Net increase (decrease) in cash for the year	2	7
Cash (bank overdraft), beginning of period	30	6
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 32	\$ 13
Interest received	\$ 1	\$ 1
Dividends received, net of withholding taxes	\$ 710	\$ 764

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 007	\$ 1 460	\$ 274	\$ 185	\$ 34 628	\$ 45 053	\$ 430	\$ 389
INCREASE (DECREASE) IN NAV	126	251	17	31	2 270	6 718	29	61
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	104	140	33	39	2 654	1 638	—	10
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(70)	(372)	(26)	(56)	(3 655)	(18 685)	(18)	(111)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	34	(232)	7	(17)	(1 001)	(17 047)	(18)	(101)
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	160	19	24	14	1 269	(10 329)	11	(40)
NAV AT END OF PERIOD	\$ 2 167	\$ 1 479	\$ 298	\$ 199	\$ 35 897	\$ 34 724	\$ 441	\$ 349

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 75 114	\$ 51 566	\$ 112 453	\$ 98 653
INCREASE (DECREASE) IN NAV	5 310	10 449	7 752	17 510
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 584	15 186	4 375	17 013
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(5 704)	(12 146)	(9 473)	(31 370)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(4 120)	3 040	(5 098)	(14 357)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	1 190	13 489	2 654	3 153
NAV AT END OF PERIOD	\$ 76 304	\$ 65 055	\$ 115 107	\$ 101 806

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in a well-diversified portfolio of shares of large-capitalization, high-quality North American companies, with an emphasis on U.S. stocks.

Financial instrument risk and capital management (see note 4 in the generic notes)**Currency risk (% of net assets)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	June 30 2014	December 31 2013	January 1 2013
United States dollar	100.0	99.5	100.0
Total	100.0	99.5	100.0

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currency, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P 500 Total Return			
Index (CAD)	+ or - 1.0	+ or - 1.0	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	111 246	–	–	111 246
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	917	–	917
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	111 246	917	–	112 163
% of total portfolio	99.2	0.8	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	108 390	–	–	108 390
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	3 669	–	3 669
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	108 390	3 669	–	112 059
% of total portfolio	96.7	3.3	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	96 743	–	–	96 743
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 962	–	1 962
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	96 743	1 962	–	98 705
% of total portfolio	98.0	2.0	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.07%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	50	50
Advisor Series	95	95
Series F	50	50
Series O	51	51
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	73 354
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	125	126
Issued number of units	6	11
Reinvested number of units	–	–
Redeemed number of units	(4)	(29)
Ending number of units	127	108

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Advisor Series		
Opening units	17	16
Issued number of units	2	3
Reinvested number of units	–	–
Redeemed number of units	(2)	(4)
Ending number of units	17	15
Series D		
Opening units	2 125	3 848
Issued number of units	157	128
Reinvested number of units	–	–
Redeemed number of units	(217)	(1 476)
Ending number of units	2 065	2 500
Series F		
Opening units	26	33
Issued number of units	–	1
Reinvested number of units	–	–
Redeemed number of units	(1)	(9)
Ending number of units	25	25
Series O		
Opening units	4 516	4 314
Issued number of units	92	1 179
Reinvested number of units	–	–
Redeemed number of units	(331)	(930)
Ending number of units	4 277	4 563

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	35	100	24	100
Related-party brokerage commissions*	–	–	9	38
Commission arrangements [†]	9	26	12	50

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Please see the generic notes at the back of the financial statements.

June 30, 2014

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	101 786	98 621
Revaluation of investments at FVTPL	20	32
Net assets attributable to holders of redeemable units	101 806	98 653

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	17 522
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(12)
Increase (decrease) in net assets attributable to holders of redeemable units	17 510

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Australia				
256 700	Ansell Ltd.	\$ 4 999	\$ 5 120	
262 597	News Corp., Subscription Receipts	4 307	4 891	
		9 306	10 011	1.0
Brazil				
1 467 290	Cia de Saneamento Basico do Estado de Sao Paulo ADR	15 289	16 778	
331 520	Petroleo Brasileiro S.A. ADR	5 047	5 531	
		20 336	22 309	2.3
China				
29 245	Baidu.com Inc. ADR	2 962	5 829	
4 936 600	Beijing Capital International Airport Co. Ltd.	4 044	3 621	
419 758	China Mobile (Hong Kong) Ltd.	4 360	4 349	
9 900 600	China Petroleum & Chemical Corp.	8 899	10 061	
4 326 500	CNOOC Ltd.	8 554	8 297	
4 048 200	Travelsky Technology Ltd.	2 492	3 973	
		31 311	36 130	3.7
Denmark				
482 900	TDC A/S	5 052	5 328	
		5 052	5 328	0.5
France				
91 803	Arkema	9 248	9 515	
341 808	AXA S.A.	5 852	8 711	
145 509	BNP Paribas S.A.	8 936	10 548	
510 210	GDF Suez	14 829	14 994	
122 441	Groupe Danone	8 002	9 712	
412 530	Sanofi	34 107	46 771	
399 505	Total S.A.	20 096	30 831	
204 200	Vallourec S.A.	9 901	9 764	
		110 971	140 846	14.3
Germany				
54 737	Daimler AG	2 931	5 459	
97 330	Hannover Rueckversicherung SE	8 997	9 340	
44 406	Muenchener Rueckversicherungs-Gesellschaft AG	6 715	10 507	
40 062	Siemens AG	4 251	5 662	
241 476	Talanx AG	8 982	9 035	
15 667	Volkswagen AG	3 587	4 321	
40 298	Volkswagen AG Preference	10 385	11 258	
		45 848	55 582	5.6
Hong Kong				
3 346 000	First Pacific Co.	2 111	3 984	
		2 111	3 984	0.4

Holdings	Security	Cost	Fair Value	% of Net Assets
India				
3 341 902	NIIT Ltd.	\$ 5 340	\$ 3 306	
		5 340	3 306	0.3
Israel				
112 730	NICE Systems Ltd. ADR	4 810	4 907	
		4 810	4 907	0.5
Italy				
4 822 501	Intesa Sanpaolo S.p.A.	10 711	14 958	
3 899 523	Telecom Italia S.p.A.	3 301	5 265	
		14 012	20 223	2.0
Japan				
246 400	Bridgestone Corp.	10 025	9 204	
128 300	Honda Motor Co. Ltd.	5 157	4 775	
947 100	Inpex Corp.	12 556	15 366	
1 719 600	Itochu Corp.	22 052	23 545	
309 800	Japan Tobacco Inc.	10 566	12 048	
70 500	KDDI Corporation	2 616	4 588	
424 100	NHK SPRING CO., LTD.	4 173	4 245	
485 100	Nippon Telegraph & Telephone Corp.	23 856	32 247	
365 600	Sumitomo Corp.	4 617	5 261	
403 100	Sumitomo Dainippon Pharma Co. Ltd.	4 979	4 948	
158 700	Takata Corp.	2 932	3 641	
70 200	Tsumura & Co.	1 899	1 767	
		105 428	121 635	12.3
Luxembourg				
604 388	ArcelorMittal	9 897	9 611	
		9 897	9 611	1.0
Netherlands				
143 910	Heineken N.V.	10 022	11 018	
651 900	ING Groep N.V.	9 998	9 758	
422 130	Koninklijke Philips N.V.	16 113	14 291	
2 112 200	TNT Express N.V.	20 795	20 384	
		56 928	55 451	5.6
Norway				
280 605	Yara International ASA	12 395	14 995	
		12 395	14 995	1.5
Singapore				
12 328 900	Golden Agri-Resources Ltd.	6 428	5 865	
		6 428	5 865	0.6
South Korea				
134 300	KB Financial Group Inc.	4 685	4 977	
221 589	KT Corp. ADR	4 686	3 579	
		9 371	8 556	0.9

This schedule and the accompanying notes are an integral part of the financial statements.

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Spain				
371 897	BBVA S.A.	\$ 3 749	\$ 5 056	
144 040	Enagas	4 864	4 946	
		8 613	10 002	1.0
Switzerland				
388 637	ABB Ltd.	7 253	9 539	
468 914	Credit Suisse Group	14 806	14 225	
184 500	Nestlé S.A.	14 968	15 250	
426 059	Novartis AG	25 132	41 157	
124 887	Roche Holdings AG Genussscheine	29 104	39 693	
54 310	Swiss Re AG	3 814	5 151	
49 194	Syngenta AG	19 385	19 387	
17 146	Zurich Insurance Group AG	4 584	5 509	
		119 046	149 911	15.2
Thailand				
1 265 700	Thai Union Frozen Products PCL	2 691	2 705	
		2 691	2 705	0.3
United Kingdom				
4 709 247	Balfour Beatty Plc.	17 749	20 150	
8 665 549	Barclays Plc.	37 422	33 672	
86 100	British American Tobacco Plc.	5 065	5 465	
1 976 565	Carillion Plc.	10 298	11 948	
1 074 445	Catlin Group Ltd.	6 209	10 488	
5 351 828	Direct Line Insurance Group Plc.	19 591	26 345	
1 662 170	GlaxoSmithKline Plc.	50 610	47 207	
1 039 229	HSBC Holdings Plc. (U.K. Reg.)	11 473	11 246	
415 720	Lancashire Holdings Ltd.	5 377	4 960	
119 301	Reckitt Benckiser Plc.	6 796	11 096	
83 870	Royal Dutch Shell Plc.	2 870	3 697	
516 779	Royal Dutch Shell Plc., A Shares	17 466	22 761	
710 800	Serco Group Plc.	6 613	4 737	
2 628 943	The Royal Bank of Scotland Group Plc.	13 547	15 761	
330 622	Unilever Plc.	14 901	15 987	
1 028 158	Vodafone Group Plc.	5 251	3 666	
		231 238	249 186	25.2
United States				
356 240	Market Vectors - Gold Miners Fund	10 424	10 045	
73 100	SPDR Gold Trust	9 781	9 965	
218 055	Transocean Ltd.	11 925	10 470	
		32 130	30 480	3.1
TOTAL INTERNATIONAL EQUITIES		843 262	961 023	97.3
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	13	–
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(16)	–
TOTAL PORTFOLIO		\$ 843 262	961 020	97.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			26 249	2.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 987 269		100.0

SCHEDULE A**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought EUR 515 Sold USD 701 @ 1.3609	01-Jul-14	\$ 6
Bought GBP 780 Sold USD 1 327 @ 1.7025	01-Jul-14	7
Bought JPY 5 168 Sold USD 51 @ 0.0098	01-Jul-14	–
Bought JPY 57 249 Sold USD 565 @ 0.0099	02-Jul-14	–
		\$ 13

Contracts	Maturity Date	Unrealized Loss
Bought USD 4 111 Sold AUD 4 374 @ 0.9398	01-Jul-14	\$ (16)
		\$ (16)
TOTAL FOREIGN EXCHANGE		\$ (3)

All counterparties have a credit rating of at least A.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 961 023	\$ 988 355	\$ 925 009
Cash	21 987	47 672	16 278
Due from investment dealers	4 401	–	4 195
Subscriptions receivable	1 805	1 166	1 901
Unrealized gain on foreign exchange contracts	13	–	17
Dividends receivable, interest accrued and other assets	2 775	434	802
TOTAL ASSETS	992 004	1 037 627	948 202
LIABILITIES			
Due to investment dealers	2 833	–	–
Redemptions payable	1 639	645	957
Unrealized loss on foreign exchange contracts	16	–	–
Accounts payable and accrued expenses	247	250	284
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 735	895	1 241
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 987 269	\$ 1 036 732	\$ 946 961
Investments at cost	\$ 843 262	\$ 799 304	\$ 893 382
NAV, END OF PERIOD			
SERIES C	\$ 3 165	\$ 3 406	\$ 2 862
ADVISOR SERIES	\$ 1 113	\$ 1 143	\$ 578
SERIES D	\$ 156 300	\$ 159 035	\$ 186 156
SERIES F	\$ 3 760	\$ 4 178	\$ 3 292
SERIES O	\$ 822 931	\$ 868 970	\$ 754 073
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 11.59	\$ 11.21	\$ 9.15
ADVISOR SERIES	\$ 11.59	\$ 11.21	\$ 9.15
SERIES D	\$ 11.56	\$ 11.13	\$ 9.08
SERIES F	\$ 11.04	\$ 10.61	\$ 8.66
SERIES O	\$ 11.87	\$ 11.35	\$ 9.27

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 28 024	\$ 24 854
Interest for distribution purposes	–	(15)
Securities lending revenue (see note 6 in the generic notes)	496	559
Net realized gain (loss) on investments	96 883	(3 968)
Net gain (loss) on foreign currencies and other net assets	(1 259)	(749)
Change in unrealized gain (loss) on investments	(71 293)	19 578
TOTAL INCOME (LOSS)	52 851	40 259
EXPENSES (see notes – Fund Specific Information)		
Management fees	930	969
Administration fees	470	452
Board of Governors costs	1	2
GST/HST	109	130
Transaction costs	2 245	1 978
Withholding tax	3 587	3 311
TOTAL EXPENSES	7 342	6 842
INCREASE (DECREASE) IN NAV	\$ 45 509	\$ 33 417
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 119	\$ 71
ADVISOR SERIES	\$ 39	\$ 9
SERIES D	\$ 6 117	\$ 5 210
SERIES F	\$ 165	\$ 101
SERIES O	\$ 39 069	\$ 28 026
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.40	\$ 0.24
ADVISOR SERIES	\$ 0.40	\$ 0.23
SERIES D	\$ 0.45	\$ 0.28
SERIES F	\$ 0.44	\$ 0.27
SERIES O	\$ 0.53	\$ 0.33

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 45 509	\$ 33 417
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(96 883)	3 968
Change in unrealized loss (gain) on investments	71 293	(19 578)
(Increase) decrease in accrued receivables	(7 381)	1 573
Increase (decrease) in accrued payables	3 824	2 872
Cost of investments purchased	(450 663)	(461 642)
Proceeds on sales of investments	503 588	460 274
NET CASH PROVIDED BY OPERATING ACTIVITIES	69 287	20 884
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	81 793	128 904
Cash paid on redemption of redeemable units	(176 765)	(136 475)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (94 972)	\$ (7 571)
Net increase (decrease) in cash for the year	(25 685)	13 313
Cash (bank overdraft), beginning of period	47 672	16 278
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 21 987	\$ 29 591
Interest received	\$ –	\$ (15)
Dividends received, net of withholding taxes	\$ 22 096	\$ 21 543

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 406	\$ 2 862	\$ 1 143	\$ 578	\$ 159 035	\$ 186 156	\$ 4 178	\$ 3 292
INCREASE (DECREASE) IN NAV	119	71	39	9	6 117	5 210	165	101
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	177	506	168	406	7 780	10 968	277	853
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(537)	(522)	(237)	(136)	(16 632)	(50 536)	(860)	(848)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(360)	(16)	(69)	270	(8 852)	(39 568)	(583)	5
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(241)	55	(30)	279	(2 735)	(34 358)	(418)	106
NAV AT END OF PERIOD	\$ 3 165	\$ 2 917	\$ 1 113	\$ 857	\$ 156 300	\$ 151 798	\$ 3 760	\$ 3 398

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 868 970	\$ 754 073	\$ 1 036 732	\$ 946 961
INCREASE (DECREASE) IN NAV	39 069	28 026	45 509	33 417
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	73 391	116 171	81 793	128 904
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(158 499)	(84 433)	(176 765)	(136 475)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(85 108)	31 738	(94 972)	(7 571)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(46 039)	59 764	(49 463)	25 846
NAV AT END OF PERIOD	\$ 822 931	\$ 813 837	\$ 987 269	\$ 972 807

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing in common stocks in companies located in countries outside North America, including countries in Europe, the Far East (including Japan), and Australia.

Financial instrument risk and capital management (see note 4 in the generic notes)**Currency risk (% of net assets)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	June 30 2014	December 31 2013	January 1 2013
Euro	31.9	36.7	27.3
Pound sterling	23.0	19.8	18.8
Swiss franc	15.2	11.3	15.6
Japanese yen	12.4	17.9	12.4
United States dollar	8.8	1.9	7.5
Hong Kong dollar	3.5	3.5	9.1
Norwegian krone	1.5	0.5	1.0
Australian dollar	1.0	1.0	0.9
Singapore dollar	0.6	0.6	3.8
South Korean won	0.5	0.6	0.5
Danish krone	0.5	–	–
Swedish krona	–	1.0	–
Brazilian real	–	–	0.6
Other currencies	0.6	0.6	0.4
Total	99.5	95.4	97.9

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
MSCI EAFE Total Return Net Index (CAD)	+ or - 1.0	+ or - 1.0	+ or - 1.0

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	67 104	893 919	–	961 023
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	13	–	13
Derivatives – liabilities	–	(16)	–	(16)
Total financial instruments	67 104	893 916	–	961 020
% of total portfolio	7.0	93.0	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	19 815	968 540	–	988 355
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	19 815	968 540	–	988 355
% of total portfolio	2.0	98.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	70 885	854 124	–	925 009
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	17	–	17
Derivatives – liabilities	–	–	–	–
Total financial instruments	70 885	854 141	–	925 026
% of total portfolio	7.7	92.3	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

Investment Management®

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.85%
Advisor Series	1.85%
Series D	1.10%
Series F	0.85%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.08%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	52	52
Advisor Series	100	100
Series D	53	53
Series F	57	57
Value of all units	3	3

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	406 728
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	304	313
Issued number of units	15	53
Reinvested number of units	–	–
Redeemed number of units	(46)	(55)
Ending number of units	273	311
Advisor Series		
Opening units	102	63
Issued number of units	14	43
Reinvested number of units	–	–
Redeemed number of units	(20)	(15)
Ending number of units	96	91
Series D		
Opening units	14 294	20 501
Issued number of units	677	1 171
Reinvested number of units	–	–
Redeemed number of units	(1 447)	(5 434)
Ending number of units	13 524	16 238
Series F		
Opening units	394	380
Issued number of units	25	95
Reinvested number of units	–	–
Redeemed number of units	(78)	(95)
Ending number of units	341	380
Series O		
Opening units	76 537	81 370
Issued number of units	6 204	12 158
Reinvested number of units	–	–
Redeemed number of units	(13 396)	(8 758)
Ending number of units	69 345	84 770

Please see the generic notes at the back of the financial statements.

PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND

June 30, 2014

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	2 245	100	1 978	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements†	–	–	–	–

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

Securities lending revenue (\$000s) (see note 6 in the generic notes)

Fair value of securities on loan and collateral received as at:

	June 30 2014	June 30 2013
Fair value of securities loaned	157 512	171 414
Fair value of collateral received	165 388	179 985

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
Phillips, Hager & North PRisM Balanced Fund	1 058	997
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	12 688	17 378
BonaVista Global Balanced Fund	51	42
Phillips, Hager & North Enhanced Long Government Bond Fund	–	36
Phillips, Hager & North LifeTime 2015 Fund	36	32
Phillips, Hager & North LifeTime 2020 Fund	71	62
Phillips, Hager & North LifeTime 2025 Fund	79	65
Phillips, Hager & North LifeTime 2030 Fund	75	63
Phillips, Hager & North LifeTime 2035 Fund	110	94
Phillips, Hager & North LifeTime 2040 Fund	108	92
Phillips, Hager & North LifeTime 2045 Fund	229	172
Phillips, Hager & North Overseas Equity Class	2 622	2 311
Total	17 127	21 344

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	972 700	946 955
Revaluation of investments at FVTPL	107	6
Net assets attributable to holders of redeemable units	972 807	946 961

June 30
2013

Comprehensive income

Comprehensive income as reported under Canadian GAAP	33 316
Revaluation of investments at FVTPL (see note 3 in the generic notes)	101
Increase (decrease) in net assets attributable to holders of redeemable units	33 417

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
12 688 276	Phillips, Hager & North Overseas Equity Fund*	\$ 120 624	\$ 150 564	
TOTAL INVESTMENTS		120 624	150 564	98.7
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	3 110	2.0
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(581)	(0.4)
TOTAL PORTFOLIO		<u>\$ 120 624</u>	<u>153 093</u>	100.3
OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			(523)	(0.3)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>\$ 152 570</u>	100.0

* Investment in related party (see note 7 in the generic notes).

**SCHEDULE A
Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 1 628 Sold CHF 1 334 @ 1.2204	02-Jul-14	\$ 23
Bought CAD 6 005 Sold CHF 4 808 @ 1.2489	02-Jul-14	223
Bought CAD 7 155 Sold CHF 5 730 @ 1.2487	02-Jul-14	262
Bought CHF 4 808 Sold CAD 5 754 @ 1.1967	02-Jul-14	29
Bought CHF 6 750 Sold CAD 8 080 @ 1.1970	02-Jul-14	40
Bought CAD 1 871 Sold HKD 13 129 @ 0.1425	03-Jul-14	64
Bought CAD 28 Sold HKD 200 @ 0.1425	03-Jul-14	1
Bought CAD 71 Sold HKD 500 @ 0.1418	03-Jul-14	2
Bought CAD 84 Sold HKD 600 @ 0.1405	03-Jul-14	2
Bought HKD 800 Sold CAD 110 @ 0.1379	03-Jul-14	–
Bought AUD 20 Sold CAD 20 @ 1.0156	07-Jul-14	–
Bought AUD 30 Sold CAD 30 @ 1.0029	07-Jul-14	–
Bought AUD 68 Sold CAD 69 @ 1.0119	07-Jul-14	–
Bought CAD 1 443 Sold AUD 1 403 @ 1.0282	07-Jul-14	31
Bought CAD 232 Sold AUD 226 @ 1.0286	07-Jul-14	5
Bought CAD 41 Sold AUD 40 @ 1.0147	07-Jul-14	–
Bought CAD 41 Sold AUD 40 @ 1.0174	07-Jul-14	–
Bought CAD 51 Sold AUD 50 @ 1.0186	07-Jul-14	1
Bought CAD 110 Sold HKD 800 @ 0.1379	09-Jul-14	–
Bought CAD 768 Sold JPY 72 000 @ 0.0107	14-Jul-14	10
Bought CAD 1 147 Sold USD 1 056 @ 1.0866	18-Jul-14	21
Bought CAD 1 410 Sold USD 1 275 @ 1.1059	18-Jul-14	49
Bought CAD 1 719 Sold NOK 9 347 @ 0.1839	18-Jul-14	94
Bought CAD 107 Sold USD 100 @ 1.0743	18-Jul-14	1
Bought CAD 3 518 Sold USD 3 200 @ 1.0995	18-Jul-14	104
Bought CAD 307 Sold USD 281 @ 1.0911	18-Jul-14	7
Bought CAD 345 Sold NOK 1 885 @ 0.1830	18-Jul-14	17
Bought CAD 358 Sold USD 328 @ 1.0906	18-Jul-14	8

**SCHEDULE A (cont.)
Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 391 Sold USD 358 @ 1.0917	18-Jul-14	\$ 9
Bought CAD 45 Sold NOK 250 @ 0.1809	18-Jul-14	2
Bought CAD 565 Sold EUR 378 @ 1.4944	18-Jul-14	12
Bought CAD 566 Sold USD 520 @ 1.0877	18-Jul-14	11
Bought CAD 568 Sold USD 514 @ 1.1047	18-Jul-14	19
Bought CAD 585 Sold EUR 400 @ 1.4627	18-Jul-14	1
Bought CAD 6 820 Sold EUR 4 563 @ 1.4946	18-Jul-14	152
Bought CAD 631 Sold USD 570 @ 1.1069	18-Jul-14	23
Bought CAD 709 Sold NOK 3 874 @ 0.1830	18-Jul-14	35
Bought CAD 76 Sold USD 71 @ 1.0732	18-Jul-14	–
Bought CAD 787 Sold EUR 530 @ 1.4838	18-Jul-14	12
Bought CAD 79 Sold NOK 450 @ 0.1756	18-Jul-14	1
Bought CAD 8 908 Sold EUR 5 958 @ 1.4951	18-Jul-14	202
Bought CAD 878 Sold EUR 588 @ 1.4925	18-Jul-14	18
Bought CAD 9 163 Sold USD 8 294 @ 1.1047	18-Jul-14	312
Bought CAD 976 Sold EUR 660 @ 1.4787	18-Jul-14	11
Bought CAD 1 065 Sold USD 980 @ 1.0871	24-Jul-14	19
Bought CAD 1 083 Sold USD 1 010 @ 1.0721	24-Jul-14	5
Bought CAD 1 605 Sold USD 1 478 @ 1.0862	24-Jul-14	28
Bought CAD 200 Sold JPY 18 940 @ 0.0106	24-Jul-14	–
Bought CAD 215 Sold JPY 20 424 @ 0.0105	24-Jul-14	–
Bought CAD 3 618 Sold JPY 333 889 @ 0.0108	24-Jul-14	100
Bought CAD 323 Sold JPY 30 000 @ 0.0108	24-Jul-14	7
Bought CAD 6 531 Sold JPY 602 586 @ 0.0108	24-Jul-14	182
Bought CAD 645 Sold JPY 60 000 @ 0.0108	24-Jul-14	13
Bought CAD 92 Sold JPY 8 730 @ 0.0105	24-Jul-14	–
Bought CAD 2 661 Sold GBP 1 432 @ 1.8583	25-Jul-14	46
Bought CAD 208 Sold DKK 1 060 @ 0.1962	25-Jul-14	–

This schedule and the accompanying notes are an integral part of the financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

June 30, 2014

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 21 478 Sold GBP 11 566 @ 1.8570	25-Jul-14	\$ 355
Bought CAD 430 Sold GBP 235 @ 1.8294	25-Jul-14	1
Bought CAD 589 Sold DKK 3 000 @ 0.1962	25-Jul-14	–
Bought CAD 742 Sold GBP 400 @ 1.8557	25-Jul-14	12
Bought CAD 841 Sold GBP 459 @ 1.8323	25-Jul-14	3
Bought GBP 130 Sold CAD 238 @ 1.8270	25-Jul-14	–
Bought CAD 3 236 Sold CHF 2 654 @ 1.2194	28-Jul-14	41
Bought CAD 6 880 Sold CHF 5 644 @ 1.2190	28-Jul-14	85
Bought CAD 168 Sold HKD 1 200 @ 0.1403	07-Aug-14	3
Bought CAD 3 223 Sold HKD 22 987 @ 0.1402	07-Aug-14	57
Bought CAD 123 Sold JPY 11 675 @ 0.0106	08-Aug-14	–
Bought CAD 2 173 Sold JPY 202 741 @ 0.0107	08-Aug-14	36
Bought CAD 215 Sold USD 200 @ 1.0768	08-Aug-14	2
Bought CAD 249 Sold JPY 23 553 @ 0.0106	08-Aug-14	–
Bought CAD 422 Sold JPY 40 000 @ 0.0105	08-Aug-14	–
Bought CAD 427 Sold JPY 40 000 @ 0.0107	08-Aug-14	5
Bought CAD 5 818 Sold JPY 543 395 @ 0.0107	08-Aug-14	90
Bought CAD 6 652 Sold USD 6 091 @ 1.0921	08-Aug-14	148
Bought JPY 23 553 Sold CAD 249 @ 0.0106	08-Aug-14	–
Bought USD 86 Sold CAD 92 @ 1.0684	08-Aug-14	–
Bought CAD 4 079 Sold GBP 2 227 @ 1.8318	22-Aug-14	10
Bought CAD 7 003 Sold GBP 3 823 @ 1.8319	22-Aug-14	18
Bought CAD 53 Sold SGD 60 @ 0.8754	09-Sep-14	1
Bought CAD 879 Sold SGD 1 005 @ 0.8749	09-Sep-14	18
Bought CAD 136 Sold NOK 750 @ 0.1808	12-Sep-14	5
Bought CAD 256 Sold SEK 1 578 @ 0.1622	15-Sep-14	4
Bought CAD 586 Sold EUR 400 @ 1.4660	24-Sep-14	1
Bought CAD 1 880 Sold HKD 13 629 @ 0.1380	29-Sep-14	1
		<u>\$ 3 110</u>

SCHEDULE A (cont.)**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Loss
Bought CHF 314 Sold CAD 391 @ 1.2459	02-Jul-14	\$ (14)
Bought HKD 13 629 Sold CAD 1 877 @ 0.1377	03-Jul-14	(1)
Bought AUD 155 Sold CAD 157 @ 1.0153	07-Jul-14	(1)
Bought AUD 667 Sold CAD 672 @ 1.0068	07-Jul-14	(1)
Bought CAD 672 Sold AUD 670 @ 1.0026	07-Jul-14	(2)
Bought NOK 1 440 Sold CAD 265 @ 0.1842	18-Jul-14	(15)
Bought NOK 1 700 Sold CAD 310 @ 0.1822	18-Jul-14	(14)
Bought NOK 400 Sold CAD 73 @ 0.1828	18-Jul-14	(4)
Bought USD 112 Sold CAD 122 @ 1.0872	18-Jul-14	(2)
Bought USD 186 Sold CAD 200 @ 1.0744	18-Jul-14	(1)
Bought USD 2 565 Sold CAD 2 835 @ 1.1051	18-Jul-14	(97)
Bought USD 2 907 Sold CAD 3 182 @ 1.0948	18-Jul-14	(80)
Bought USD 200 Sold CAD 215 @ 1.0738	18-Jul-14	(1)
Bought USD 3 135 Sold CAD 3 449 @ 1.1003	18-Jul-14	(104)
Bought USD 394 Sold CAD 430 @ 1.0924	18-Jul-14	(10)
Bought USD 690 Sold CAD 753 @ 1.0918	18-Jul-14	(17)
Bought USD 900 Sold CAD 995 @ 1.1055	18-Jul-14	(35)
Bought USD 980 Sold CAD 1 052 @ 1.0730	18-Jul-14	(6)
Bought JPY 105 000 Sold CAD 1 135 @ 0.0108	24-Jul-14	(29)
Bought JPY 28 666 Sold CAD 307 @ 0.0107	24-Jul-14	(5)
Bought JPY 55 000 Sold CAD 595 @ 0.0108	24-Jul-14	(16)
Bought USD 115 Sold CAD 123 @ 1.0733	24-Jul-14	(1)
Bought GBP 200 Sold CAD 371 @ 1.8542	25-Jul-14	(6)
Bought GBP 400 Sold CAD 740 @ 1.8507	25-Jul-14	(10)
Bought CHF 611 Sold CAD 738 @ 1.2085	28-Jul-14	(3)
Bought HKD 1 238 Sold CAD 171 @ 0.1383	07-Aug-14	(1)
Bought JPY 13 734 Sold CAD 147 @ 0.0107	08-Aug-14	(3)
Bought USD 625 Sold CAD 672 @ 1.0749	08-Aug-14	(4)
Bought USD 709 Sold CAD 763 @ 1.0755	08-Aug-14	(6)
Bought SEK 1 578 Sold CAD 256 @ 0.1625	15-Sep-14	(4)
Bought CAD 25 629 Sold EUR 17 517 @ 1.4631	24-Sep-14	(17)
Bought CAD 3 168 Sold EUR 2 165 @ 1.4635	24-Sep-14	(1)
Bought CAD 5 769 Sold CHF 4 808 @ 1.2000	26-Sep-14	(30)
Bought CAD 8 102 Sold CHF 6 750 @ 1.2003	26-Sep-14	(40)
		<u>\$ (581)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ 2 529</u>

All counterparties have a credit rating of at least A.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 150 564	\$ 197 304	\$ 224 530
Cash	101	18	21
Due from investment dealers	822	–	501
Subscriptions receivable	1	1	21
Unrealized gain on foreign exchange contracts	3 110	1 910	2 036
TOTAL ASSETS	154 598	199 233	227 109
LIABILITIES			
Due to investment dealers	590	–	21
Redemptions payable	822	–	61
Unrealized loss on foreign exchange contracts	581	3 500	2 577
Accounts payable and accrued expenses	35	41	68
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2 028	3 541	2 727
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 152 570	\$ 195 692	\$ 224 382
Investments at cost	\$ 120 624	\$ 163 840	\$ 226 031
NAV, END OF PERIOD			
SERIES C	\$ 676	\$ 690	\$ 774
ADVISOR SERIES	\$ 127	\$ 176	\$ 62
SERIES D	\$ 12 603	\$ 14 496	\$ 35 554
SERIES F	\$ 787	\$ 1 042	\$ 827
SERIES O	\$ 138 377	\$ 179 288	\$ 187 165
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 9.07	\$ 8.89	\$ 7.59
ADVISOR SERIES	\$ 9.07	\$ 8.89	\$ 7.59
SERIES D	\$ 8.85	\$ 8.64	\$ 7.37
SERIES F	\$ 8.95	\$ 8.72	\$ 7.44
SERIES O	\$ 9.02	\$ 8.76	\$ 7.47

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ (1)	\$ (1)
Net realized gain (loss) on investments	12 426	1 146
Net gain (loss) on foreign currencies and other net assets	(8 063)	2 714
Change in unrealized gain (loss) on investments	595	3 489
TOTAL INCOME (LOSS)	4 957	7 348
EXPENSES (see notes – Fund Specific Information)		
Management fees	83	166
Administration fees	121	167
Board of Governors costs	1	2
GST/HST	18	32
TOTAL EXPENSES	223	367
INCREASE (DECREASE) IN NAV	\$ 4 734	\$ 6 981
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 14	\$ 7
ADVISOR SERIES	\$ 1	\$ 2
SERIES D	\$ 292	\$ 994
SERIES F	\$ 19	\$ 16
SERIES O	\$ 4 408	\$ 5 962
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.15	\$ 0.15
ADVISOR SERIES	\$ 0.15	\$ 0.16
SERIES D	\$ 0.19	\$ 0.18
SERIES F	\$ 0.20	\$ 0.20
SERIES O	\$ 0.24	\$ 0.23

Statements of Cash Flow (unaudited) (in \$000s)
For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 4 734	\$ 6 981
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(12 426)	(1 146)
Change in unrealized loss (gain) on investments	(595)	(3 489)
(Increase) decrease in accrued receivables	(822)	(295)
Increase (decrease) in accrued payables	1 406	121
Cost of investments purchased	(5 536)	(22 989)
Proceeds on sales of investments	61 178	29 819
NET CASH PROVIDED BY OPERATING ACTIVITIES	47 939	9 002
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	7 219	41 885
Cash paid on redemption of redeemable units	(55 075)	(50 867)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (47 856)	\$ (8 982)
Net increase (decrease) in cash for the year	83	20
Cash (bank overdraft), beginning of period	18	21
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 101	\$ 41
Interest received	\$ (1)	\$ (1)
Dividends received, net of withholding taxes	\$ –	\$ –

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 690	\$ 774	\$ 176	\$ 62	\$ 14 496	\$ 35 554	\$ 1 042	\$ 827
INCREASE (DECREASE) IN NAV	14	7	1	2	292	994	19	16
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	13	66	35	250	526	3 628	9	204
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(41)	(191)	(85)	(217)	(2 711)	(19 839)	(283)	(132)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(28)	(125)	(50)	33	(2 185)	(16 211)	(274)	72
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(14)	(118)	(49)	35	(1 893)	(15 217)	(255)	88
NAV AT END OF PERIOD	\$ 676	\$ 656	\$ 127	\$ 97	\$ 12 603	\$ 20 337	\$ 787	\$ 915

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 179 288	\$ 187 165	\$ 195 692	\$ 224 382
INCREASE (DECREASE) IN NAV	4 408	5 962	4 734	6 981
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	6 636	37 737	7 219	41 885
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(51 955)	(30 488)	(55 075)	(50 867)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(45 319)	7 249	(47 856)	(8 982)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(40 911)	13 211	(43 122)	(2 001)
NAV AT END OF PERIOD	\$ 138 377	\$ 200 376	\$ 152 570	\$ 222 381

The accompanying notes are an integral part of these financial statements.

PHILLIPS, HAGER & NORTH CURRENCY-HEDGED OVERSEAS EQUITY FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth primarily through exposure to a diversified portfolio of companies located in countries outside North America, including countries in Europe, the Far East (including Japan), and Australia, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests in the Phillips, Hager & North Overseas Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from entering into over-the-counter derivative contracts and from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Currency risk

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
MSCI EAFE Total Return Net Index (hedged to CAD)	+ or - 1.1	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

Please see the generic notes at the back of the financial statements.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	-	-	-	-
Mutual fund units	150 564	-	-	150 564
Fixed-income and debt securities	-	-	-	-
Short-term investments	-	-	-	-
Derivatives – assets	-	3 110	-	3 110
Derivatives – liabilities	-	(581)	-	(581)
Total financial instruments	150 564	2 529	-	153 093
% of total portfolio	98.3	1.7	-	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	-	-	-	-
Mutual fund units	197 304	-	-	197 304
Fixed-income and debt securities	-	-	-	-
Short-term investments	-	-	-	-
Derivatives – assets	-	1 910	-	1 910
Derivatives – liabilities	-	(3 500)	-	(3 500)
Total financial instruments	197 304	(1 590)	-	195 714
% of total portfolio	100.8	(0.8)	-	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	-	-	-	-
Mutual fund units	224 530	-	-	224 530
Fixed-income and debt securities	-	-	-	-
Short-term investments	-	-	-	-
Derivatives – assets	-	2 036	-	2 036
Derivatives – liabilities	-	(2 577)	-	(2 577)
Total financial instruments	224 530	(541)	-	223 989
% of total portfolio	100.2	(0.2)	-	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.85%
Advisor Series	1.85%
Series D	1.10%
Series F	0.85%

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.14%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	64	64
Advisor Series	126	126
Series D	68	68
Series F	68	68
Series O	70	70
Value of all units	4	3

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	78	102
Issued number of units	2	7
Reinvested number of units	–	–
Redeemed number of units	(5)	(24)
Ending number of units	75	85

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Advisor Series		
Opening units	20	8
Issued number of units	4	33
Reinvested number of units	–	–
Redeemed number of units	(10)	(28)
Ending number of units	14	13
Series D		
Opening units	1 678	4 822
Issued number of units	61	475
Reinvested number of units	–	–
Redeemed number of units	(315)	(2 599)
Ending number of units	1 424	2 698
Series F		
Opening units	119	111
Issued number of units	1	26
Reinvested number of units	–	–
Redeemed number of units	(32)	(17)
Ending number of units	88	120
Series O		
Opening units	20 476	25 054
Issued number of units	758	4 869
Reinvested number of units	–	–
Redeemed number of units	(5 899)	(3 840)
Ending number of units	15 335	26 083

**Investments by other related Investment Funds
(000s) (see note 7 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series O		
Phillips, Hager & North Enhanced Long Government Bond Fund	–	45
Phillips, Hager & North PRiSM Balanced Fund	1 323	1 247
Total	1 323	1 292

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED
OVERSEAS EQUITY FUND**

June 30, 2014

**Transition to IFRS (\$000s) (see note 8 in the
generic notes)**

Reconciliation of net assets and comprehensive income as
previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	222 376	224 382
Revaluation of investments at FVTPL	5	–
Net assets attributable to holders of redeemable units	222 381	224 382
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		6 976
Revaluation of investments at FVTPL (see note 3 in the generic notes)		5
Increase (decrease) in net assets attributable to holders of redeemable units		6 981

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

June 30, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
1 102 862	Phillips, Hager & North U.S. Equity Fund*	\$ 36 798	\$ 52 603	
3 550 186	Phillips, Hager & North Overseas Equity Pension Trust*	32 265	38 045	
TOTAL MUTUAL FUND UNITS		69 063	90 648	99.5
SHORT-TERM INVESTMENTS†		489	489	0.5
TOTAL INVESTMENTS		<u>\$ 69 552</u>	91 137	100.0
OTHER NET ASSETS (LIABILITIES)				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>(37)</u>	—
		<u>\$ 91 100</u>		100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.90% and mature on July 2, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 91 137	\$ 96 285	\$ 106 793
Cash	21	17	4
Due from investment dealers	1 025	306	251
Subscriptions receivable	205	40	101
Dividends receivable, interest accrued and other assets	13	13	14
TOTAL ASSETS	92 401	96 661	107 163
LIABILITIES			
Due to investment dealers	1 199	21	96
Redemptions payable	56	325	54
Accounts payable and accrued expenses	46	42	43
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	1 301	388	193
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 91 100	\$ 96 273	\$ 106 970
Investments at cost	\$ 69 552	\$ 76 109	\$ 106 530
NAV, END OF PERIOD			
SERIES C	\$ 3 223	\$ 2 921	\$ 1 840
ADVISOR SERIES	\$ 1 060	\$ 637	\$ 267
SERIES D	\$ 34 754	\$ 34 029	\$ 34 301
SERIES F	\$ 314	\$ 207	\$ 152
SERIES O	\$ 51 749	\$ 58 479	\$ 70 410
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 10.82	\$ 10.25	\$ 7.90
ADVISOR SERIES	\$ 10.82	\$ 10.25	\$ 7.90
SERIES D	\$ 10.89	\$ 10.27	\$ 7.92
SERIES F	\$ 11.01	\$ 10.38	\$ 8.00
SERIES O	\$ 11.12	\$ 10.43	\$ 8.04

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 2	\$ 2
Net realized gain (loss) on investments	4 795	2 222
Change in unrealized gain (loss) on investments	1 409	9 667
TOTAL INCOME (LOSS)	6 206	11 891
EXPENSES (see notes – Fund Specific Information)		
Management fees	210	175
Administration fees	36	39
Board of Governors costs	1	2
GST/HST	20	21
Withholding tax	(4)	(18)
TOTAL EXPENSES	263	219
INCREASE (DECREASE) IN NAV	\$ 5 943	\$ 11 672
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 165	\$ 207
ADVISOR SERIES	\$ 36	\$ 31
SERIES D	\$ 2 011	\$ 3 383
SERIES F	\$ 14	\$ 18
SERIES O	\$ 3 717	\$ 8 033
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.59	\$ 0.89
ADVISOR SERIES	\$ 0.59	\$ 0.89
SERIES D	\$ 0.64	\$ 0.95
SERIES F	\$ 0.66	\$ 0.96
SERIES O	\$ 0.71	\$ 1.01

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 5 943	\$ 11 672
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(4 795)	(2 221)
Change in unrealized loss (gain) on investments	(1 409)	(9 667)
(Increase) decrease in accrued receivables	(884)	66
Increase (decrease) in accrued payables	913	135
Cost of investments purchased	(74 151)	(65 715)
Proceeds on sales of investments	85 503	89 050
NET CASH PROVIDED BY OPERATING ACTIVITIES	11 120	23 320
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	6 210	10 690
Cash paid on redemption of redeemable units	(17 326)	(33 988)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ (11 116)	\$ (23 298)
Net increase (decrease) in cash for the year	4	22
Cash (bank overdraft), beginning of period	17	4
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 21	\$ 26
Interest received	\$ 2	\$ 2
Dividends received, net of withholding taxes	\$ 4	\$ 18

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 921	\$ 1 840	\$ 637	\$ 267	\$ 34 029	\$ 34 301	\$ 207	\$ 152
INCREASE (DECREASE) IN NAV	165	207	36	31	2 011	3 383	14	18
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	173	232	417	39	2 208	1 034	93	144
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(36)	(135)	(30)	(15)	(3 494)	(8 278)	—	(168)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	137	97	387	24	(1 286)	(7 244)	93	(24)
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	302	304	423	55	725	(3 861)	107	(6)
NAV AT END OF PERIOD	\$ 3 223	\$ 2 144	\$ 1 060	\$ 322	\$ 34 754	\$ 30 440	\$ 314	\$ 146

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 58 479	\$ 70 410	\$ 96 273	\$ 106 970
INCREASE (DECREASE) IN NAV	3 717	8 033	5 943	11 672
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	3 319	9 241	6 210	10 690
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(13 766)	(25 392)	(17 326)	(33 988)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(10 447)	(16 151)	(11 116)	(23 298)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(6 730)	(8 118)	(5 173)	(11 626)
NAV AT END OF PERIOD	\$ 51 749	\$ 62 292	\$ 91 100	\$ 95 344

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, the Far East (including Japan), and Australia.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
MSCI World ex Canada Total			
Return Net Index (CAD)	+ or - 1.0	+ or - 1.0	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	90 648	–	–	90 648
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	489	–	489
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	90 648	489	–	91 137
% of total portfolio	99.5	0.5	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	95 787	–	–	95 787
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	498	–	498
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	95 787	498	–	96 285
% of total portfolio	99.5	0.5	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	106 441	–	–	106 441
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	352	–	352
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	106 441	352	–	106 793
% of total portfolio	99.7	0.3	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND

Investment Management®

June 30, 2014

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.06%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	67	67
Advisor Series	130	130
Series D	68	68
Series F	69	69
Series O	70	70
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	91 928
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	285	233
Issued number of units	16	28
Reinvested number of units	–	–
Redeemed number of units	(3)	(16)
Ending number of units	298	245

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Advisor Series		
Opening units	62	34
Issued number of units	39	6
Reinvested number of units	–	–
Redeemed number of units	(3)	(3)
Ending number of units	98	37
Series D		
Opening units	3 312	4 333
Issued number of units	207	122
Reinvested number of units	–	–
Redeemed number of units	(327)	(1 003)
Ending number of units	3 192	3 452
Series F		
Opening units	20	19
Issued number of units	9	16
Reinvested number of units	–	–
Redeemed number of units	–	(19)
Ending number of units	29	16
Series O		
Opening units	5 605	8 759
Issued number of units	304	1 098
Reinvested number of units	–	–
Redeemed number of units	(1 254)	(2 939)
Ending number of units	4 655	6 918

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	95 340	106 970
Revaluation of investments at FVTPL	4	–
Net assets attributable to holders of redeemable units	95 344	106 970

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	11 668
Revaluation of investments at FVTPL (see note 3 in the generic notes)	4
Increase (decrease) in net assets attributable to holders of redeemable units	11 672

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH COMMUNITY VALUES GLOBAL EQUITY FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
GLOBAL EQUITIES				
Austria				
3 400	Lenzing AG	\$ 216	\$ 234	
		216	234	0.2
Brazil				
81 704	Cia de Saneamento Basico do Estado de Sao Paulo ADR	850	934	
44 685	Petroleo Brasileiro S.A. ADR	690	728	
		1 540	1 662	1.7
China				
1 201	Baidu.com Inc. ADR	123	239	
337 000	Travelsky Technology Ltd.	198	331	
		321	570	0.6
Denmark				
51 082	TDC A/S	536	564	
		536	564	0.6
France				
3 800	Arkema	383	393	
13 800	AXA S.A.	236	352	
6 600	BNP Paribas S.A.	405	478	
3 020	Ciments Francais S.A.	255	350	
3 126	Compagnie Generale des Etablissements Michelin	232	397	
35 700	GDF Suez	1 050	1 049	
5 342	Groupe Danone	355	423	
8 300	Vallourec S.A.	402	396	
		3 318	3 838	3.9
Germany				
2 500	Daimler AG	129	249	
4 410	Hannover Rueckversicherung SE	410	423	
18 400	Merck KGaA	1 701	1 702	
1 943	Muenchener Rueckversicherungs-Gesellschaft AG	245	460	
10 500	Talanx AG	390	393	
700	Volkswagen AG	160	193	
1 759	Volkswagen AG Preference	453	491	
		3 488	3 911	4.0
Hong Kong				
480 700	First Pacific Co.	306	572	
365 000	NWS Holdings Ltd.	562	721	
		868	1 293	1.3
India				
137 800	Anant Raj Ltd.	350	185	
173 651	NIIT Ltd.	262	172	
		612	357	0.4
Israel				
4 700	NICE Systems Ltd. ADR	201	205	
		201	205	0.2

Holdings	Security	Cost	Fair Value	% of Net Assets
Italy				
68 180	Intesa Sanpaolo S.p.A.	\$ 177	\$ 193	
152 580	Intesa Sanpaolo S.p.A.	291	502	
210 224	Telecom Italia S.p.A.	156	222	
		624	917	0.9
Japan				
5 300	Honda Motor Co. Ltd.	213	197	
39 800	Inpex Corp.	562	646	
78 100	Itochu Corp.	1 000	1 069	
3 100	KDDI Corporation	102	202	
17 200	NHK SPRING CO., LTD.	169	172	
20 200	Nippon Seiki Co. Ltd.	294	416	
21 100	Nippon Telegraph & Telephone Corp.	1 033	1 403	
15 000	Sumitomo Corp.	197	216	
17 100	Sumitomo Dainippon Pharma Co. Ltd.	211	210	
6 600	Takata Corp.	122	151	
19 500	Tsumura & Co.	509	491	
		4 412	5 173	5.3
Netherlands				
5 830	Fugro N.V. Dutch Cert	363	356	
27 800	ING Groep N.V.	427	416	
17 800	Koninklijke Philips N.V.	679	603	
87 000	TNT Express N.V.	858	840	
		2 327	2 215	2.3
Norway				
29 609	StatoilHydro ASA	732	971	
12 020	Yara International ASA	529	642	
		1 261	1 613	1.7
South Africa				
4 470	Sasol Ltd. ADR	217	282	
		217	282	0.3
South Korea				
5 670	KB Financial Group Inc.	205	210	
13 917	KT Corp. ADR	296	225	
		501	435	0.5
Spain				
16 054	BBVA S.A.	162	218	
6 100	Enagas	206	209	
		368	427	0.4
Switzerland				
16 450	ABB Ltd.	305	404	
20 000	Credit Suisse Group	631	607	
21 020	Novartis AG	1 170	2 031	
6 024	Roche Holdings AG Genusscheine	1 241	1 915	
2 835	Swiss Re AG	199	269	
870	Zurich Insurance Group AG	227	280	
		3 773	5 506	5.7

This schedule and the accompanying notes are an integral part of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Thailand				
35 200	Thai Union Frozen Products PCL	\$ 75	\$ 75	
		75	75	0.1
United Kingdom				
258 100	Balfour Beatty Plc.	1 051	1 104	
311 300	Barclays Plc.	1 399	1 210	
35 216	Cairn Energy Plc.	161	129	
85 100	Carillion Plc.	461	514	
45 791	Catlin Group Ltd.	278	447	
235 100	Direct Line Insurance Group Plc.	883	1 157	
17 270	Lancashire Holdings Ltd.	222	206	
303 000	Lloyds TSB Group Plc.	418	411	
6 010	Reckitt Benckiser Plc.	343	559	
148 400	The Royal Bank of Scotland Group Plc.	764	890	
35 211	Unilever Plc.	1 428	1 703	
		7 408	8 330	8.6
United States				
24 572	AbbVie Inc.	1 284	1 479	
20 516	Aflac Inc.	1 125	1 362	
32 128	AllianceBernstein Holding LP	572	887	
20 980	American Airlines Group Inc.	855	961	
19 411	Apache Corp.	1 924	2 083	
22 429	Apple Inc.	1 983	2 223	
23 763	Archer Daniels Midland Co.	749	1 118	
13 026	Becton Dickinson & Co.	1 107	1 643	
13 999	Bed Bath & Beyond Inc.	955	857	
14 843	Cal-Maine Foods Inc.	1 104	1 177	
5 298	Celgene Corp.	421	485	
34 274	Cisco Systems Inc.	760	909	
23 813	Citigroup Inc.	1 281	1 196	
10 726	Continental Resources Inc.	1 599	1 808	
38 828	Delta Air Lines Inc.	949	1 604	
7 500	DIRECTV, LLC	609	680	
29 259	Emerson Electric Co.	1 587	2 070	
20 263	First Republic Bank	878	1 189	
8 969	FMC Technologies Inc.	578	584	
21 294	Generac Holdings Inc.	958	1 107	
29 613	General Motors Co.	966	1 147	
13 225	Gilead Sciences Inc.	1 113	1 170	
1 691	Google Inc., Class A	1 186	1 055	
1 690	Google Inc., Class C	18	1 037	
22 865	Heartland Express Inc.	546	520	
37 319	Hewlett-Packard Co.	976	1 341	
15 684	Johnson Controls Inc.	534	835	
18 030	JPMorgan Chase & Co.	1 093	1 108	
7 100	Market Vectors - Gold Miners Fund	206	200	
7 263	McGraw Hill Financial Inc.	341	643	
14 011	Medtronic Inc.	761	953	
25 370	MetLife Inc.	1 280	1 503	
33 106	Microsoft Corp.	1 007	1 473	

Holdings	Security	Cost	Fair Value	% of Net Assets	
United States (cont.)					
10 391	National Oilwell Varco Inc.	\$ 874	\$ 913		
15 130	Noble Corporation plc	548	542		
1 235	NOW Inc.	43	48		
18 178	Oaktree Capital Group LLC, Class A	1 006	969		
37 415	Oracle Corporation	1 245	1 618		
23 424	PepsiCo Inc.	1 636	2 232		
8 847	Pfizer Inc.	268	280		
28 085	Public Service Enterprise Group	1 220	1 222		
15 928	QUALCOMM Inc.	993	1 346		
20 378	Skyworks Solutions Inc.	834	1 021		
5 900	SPDR Gold Trust	824	804		
37 222	Starz - Liberty Capital	1 047	1 182		
15 522	Varian Medical Systems Inc.	982	1 377		
21 310	Verizon Communications Inc.	1 128	1 112		
12 609	WellPoint Inc.	863	1 447		
40 004	Wells Fargo & Company	1 818	2 242		
		46 634	56 762	58.3	
TOTAL GLOBAL EQUITIES		78 700	94 369	97.0	
SHORT-TERM INVESTMENTS*		1 172	1 161	1.2	
TOTAL INVESTMENTS		\$ 79 872	95 530	98.2	
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				1 765	1.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				\$ 97 295	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.10% to 0.90% and mature between July 2, 2014 and August 11, 2014.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 95 530	\$ 85 159	\$ 77 412
Cash	1 546	1 960	2 473
Due from investment dealers	201	–	2 186
Subscriptions receivable	53	785	49
Unrealized gain on foreign exchange contracts	–	–	1
Dividends receivable, interest accrued and other assets	83	34	40
TOTAL ASSETS	97 413	87 938	82 161
LIABILITIES			
Due to investment dealers	91	–	2 257
Redemptions payable	–	168	93
Accounts payable and accrued expenses	27	21	18
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	118	189	2 368
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 97 295	\$ 87 749	\$ 79 793
Investments at cost	\$ 79 872	\$ 66 417	\$ 73 272
NAV, END OF PERIOD			
SERIES C	\$ 1 668	\$ 1 320	\$ 523
ADVISOR SERIES	\$ 1 081	\$ 697	\$ 149
SERIES D	\$ 7 519	\$ 6 801	\$ 5 844
SERIES F	\$ 530	\$ 308	\$ 91
SERIES O	\$ 86 497	\$ 78 623	\$ 73 186
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 11.79	\$ 11.10	\$ 8.44
ADVISOR SERIES	\$ 11.80	\$ 11.10	\$ 8.44
SERIES D	\$ 11.76	\$ 11.03	\$ 8.38
SERIES F	\$ 11.77	\$ 11.02	\$ 8.37
SERIES O	\$ 12.01	\$ 11.20	\$ 8.51

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 569	\$ 1 396
Interest for distribution purposes	2	(2)
Securities lending revenue (see note 6 in the generic notes)	17	24
Net realized gain (loss) on investments	8 731	2 872
Net gain (loss) on foreign currencies and other net assets	(92)	69
Change in unrealized gain (loss) on investments	(3 084)	5 035
TOTAL INCOME (LOSS)	7 143	9 394
EXPENSES (see notes – Fund Specific Information)		
Management fees	58	38
Administration fees	74	59
Board of Governors costs	1	2
GST/HST	13	11
Transaction costs	99	78
Withholding tax	200	204
TOTAL EXPENSES	445	392
INCREASE (DECREASE) IN NAV	\$ 6 698	\$ 9 002
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 83	\$ 73
ADVISOR SERIES	\$ 47	\$ 17
SERIES D	\$ 459	\$ 600
SERIES F	\$ 25	\$ 9
SERIES O	\$ 6 084	\$ 8 303
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.68	\$ 0.92
ADVISOR SERIES	\$ 0.68	\$ 0.91
SERIES D	\$ 0.74	\$ 0.95
SERIES F	\$ 0.75	\$ 0.96
SERIES O	\$ 0.82	\$ 1.02

Statements of Cash Flow (unaudited) (in \$000s)
For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 6 698	\$ 9 002
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(8 731)	(2 872)
Change in unrealized loss (gain) on investments	3 084	(5 035)
(Increase) decrease in accrued receivables	482	2 193
Increase (decrease) in accrued payables	(71)	(1 920)
Cost of investments purchased	(146 087)	(102 991)
Proceeds on sales of investments	141 363	109 343
NET CASH PROVIDED BY OPERATING ACTIVITIES	(3 262)	7 720
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	12 166	4 838
Cash paid on redemption of redeemable units	(9 318)	(13 389)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 848	\$ (8 551)
Net increase (decrease) in cash for the year	(414)	(831)
Cash (bank overdraft), beginning of period	1 960	2 473
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 546	\$ 1 642
Interest received	\$ 2	\$ (2)
Dividends received, net of withholding taxes	\$ 1 320	\$ 1 192

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 320	\$ 523	\$ 697	\$ 149	\$ 6 801	\$ 5 844	\$ 308	\$ 91
INCREASE (DECREASE) IN NAV	83	73	47	17	459	600	25	9
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	276	415	350	83	1 046	279	214	67
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—	—	—
Redemption of redeemable units	(11)	(61)	(13)	(2)	(787)	(1 052)	(17)	—
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	265	354	337	81	259	(773)	197	67
Distributions from net income	—	—	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	348	427	384	98	718	(173)	222	76
NAV AT END OF PERIOD	\$ 1 668	\$ 950	\$ 1 081	\$ 247	\$ 7 519	\$ 5 671	\$ 530	\$ 167

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 78 623	\$ 73 186	\$ 87 749	\$ 79 793
INCREASE (DECREASE) IN NAV	6 084	8 303	6 698	9 002
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	10 280	3 994	12 166	4 838
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(8 490)	(12 274)	(9 318)	(13 389)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 790	(8 280)	2 848	(8 551)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	7 874	23	9 546	451
NAV AT END OF PERIOD	\$ 86 497	\$ 73 209	\$ 97 295	\$ 80 244

The accompanying notes are an integral part of these financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

Investment Management®

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, the Far East (including Japan), and Australia.

**Financial instrument risk and capital management
(see note 4 in the generic notes)**
Currency risk (% of net assets)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	June 30 2014	December 31 2013	January 1 2013
United States dollar	63.1	52.8	57.6
Euro	11.9	16.9	12.9
Pound sterling	8.6	8.1	6.5
Swiss franc	5.7	5.9	7.7
Japanese yen	5.3	9.0	6.5
Hong Kong dollar	1.7	1.7	4.0
Norwegian krone	1.7	1.1	1.8
Danish krone	0.6	–	–
Swedish krona	–	0.5	–
Indian rupee	–	–	0.5
Other currencies	0.7	0.9	0.6
Total	99.3	96.9	98.1

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2013 – 1.0%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
MSCI World ex Canada Total Return Net Index (CAD)	+ or - 1.0	+ or - 1.0	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	59 375	34 994	–	94 369
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 161	–	1 161
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	59 375	36 155	–	95 530
% of total portfolio	62.2	37.8	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	45 633	38 810	–	84 443
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	716	–	716
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	45 633	39 526	–	85 159
% of total portfolio	53.6	46.4	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	44 732	32 680	–	77 412
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	–	–	–
Total financial instruments	44 732	32 681	–	77 413
% of total portfolio	57.8	42.2	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

Investment Management®

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.15%
Advisor Series	0.15%
Series D	0.15%
Series F	0.15%
Series O	0.15%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	61	61
Advisor Series	119	119
Series D	64	64
Series F	64	64
Series O	65	65
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	11 340
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series C		
Opening units	119	62
Issued number of units	23	47
Reinvested number of units	–	–
Redeemed number of units	(1)	(7)
Ending number of units	141	102
Advisor Series		
Opening units	63	18
Issued number of units	30	8
Reinvested number of units	–	–
Redeemed number of units	(1)	–
Ending number of units	92	26
Series D		
Opening units	617	697
Issued number of units	90	31
Reinvested number of units	–	–
Redeemed number of units	(68)	(119)
Ending number of units	639	609
Series F		
Opening units	28	11
Issued number of units	18	7
Reinvested number of units	–	–
Redeemed number of units	(1)	–
Ending number of units	45	18
Series O		
Opening units	7 018	8 598
Issued number of units	881	439
Reinvested number of units	–	–
Redeemed number of units	(699)	(1 337)
Ending number of units	7 200	7 700

Please see the generic notes at the back of the financial statements.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**

Investment Management®

June 30, 2014

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	99	100	78	100
Related-party brokerage commissions*	–	–	4	5
Commission arrangements†	5	5	4	5

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Securities lending revenue (\$000s) (see note 6 in the generic notes)

Fair value of securities on loan and collateral received as at:

	June 30 2014	June 30 2013
Fair value of securities loaned	4 009	6 264
Fair value of collateral received	4 209	6 577

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	June 30 2014	December 31 2013
Series 0		
Phillips, Hager & North Community Values		
Balanced Fund	893	379

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	80 231	79 775
Revaluation of investments at FVTPL	13	18
Net assets attributable to holders of redeemable units	80 244	79 793

	June 30 2013
Comprehensive income	
Comprehensive income as reported under Canadian GAAP	9 007
Revaluation of investments at FVTPL (see note 3 in the generic notes)	(5)
Increase (decrease) in net assets attributable to holders of redeemable units	9 002

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2015 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
3 239	Vanguard Real Estate Investment Trust Fund	\$ 220	\$ 259	
TOTAL UNITED STATES EQUITIES		220	259	3.7
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
2 760	Phillips, Hager & North Canadian Money Market Fund*	\$ 28	\$ 28	
161 032	Phillips, Hager & North Bond Fund*	1 692	1 686	
35 323	Phillips, Hager & North High Yield Bond Fund*	416	418	
93 971	Phillips, Hager & North Long Inflation-linked Bond Fund*	1 058	1 064	
101 077	Phillips, Hager & North Short Inflation-linked Bond Fund*	1 034	1 057	
29 582	Phillips, Hager & North Canadian Equity Underlying Fund*	308	371	
26 283	Phillips, Hager & North Canadian Equity Value Fund*	325	371	
56 133	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	753	853	
35 601	Phillips, Hager & North Overseas Equity Fund*	366	422	
25 670	RBC International Equity Fund*	370	433	
TOTAL MUTUAL FUND UNITS		6 350	6 703	95.8
TOTAL INVESTMENTS		\$ 6 570	6 962	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 6 962	\$ 5 325	\$ 3 080
Cash	39	39	25
Due from investment dealers	–	12	–
Subscriptions receivable	29	11	30
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	7 030	5 387	3 136
LIABILITIES			
Due to investment dealers	28	10	34
Redemptions payable	–	12	–
Distributions payable	–	2	2
Accounts payable and accrued expenses	3	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	31	27	38
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 6 999	\$ 5 360	\$ 3 098
Investments at cost	\$ 6 570	\$ 5 287	\$ 3 055
NAV, END OF PERIOD			
SERIES D	\$ 4 675	\$ 3 522	\$ 2 074
SERIES O	\$ 2 324	\$ 1 838	\$ 1 024
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 11.45	\$ 10.65	\$ 10.61
SERIES O	\$ 11.47	\$ 10.63	\$ 10.57

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 4	\$ 3
Other income received from underlying funds	44	26
Capital gains received from underlying funds	7	–
Net realized gain (loss) on investments	20	15
Change in unrealized gain (loss) on investments	354	(71)
TOTAL INCOME (LOSS)	429	(27)
EXPENSES (see notes – Fund Specific Information)		
Management fees	15	11
Administration fees	3	2
Board of Governors costs	1	2
GST/HST	1	1
Withholding tax	1	–
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	20	14
INCREASE (DECREASE) IN NAV	\$ 409	\$ (41)
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 257	\$ (35)
SERIES O	\$ 152	\$ (6)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 0.78	\$ (0.12)
SERIES O	\$ 0.83	\$ (0.07)

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 409	\$ (41)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(20)	(15)
Change in unrealized loss (gain) on investments	(354)	71
(Increase) decrease in accrued receivables	(6)	(10)
Increase (decrease) in accrued payables	4	7
Cost of investments purchased	(2 642)	(2 309)
Proceeds on sales of investments	1 379	540
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1 230)	(1 757)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 189	2 125
Cash paid on redemption of redeemable units	(959)	(366)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 1 230	\$ 1 759
Net increase (decrease) in cash for the year	–	2
Cash (bank overdraft), beginning of period	39	25
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 39	\$ 27
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 3	\$ 3

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 522	\$ 2 074	\$ 1 838	\$ 1 024	\$ 5 360	\$ 3 098
INCREASE (DECREASE) IN NAV	257	(35)	152	(6)	409	(41)
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	1 487	1 489	702	636	2 189	2 125
Reinvestments of distributions to holders of redeemable units	–	–	–	1	–	1
Redemption of redeemable units	(591)	(236)	(368)	(130)	(959)	(366)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	896	1 253	334	507	1 230	1 760
Distributions from net income	–	–	–	(1)	–	(1)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	(1)	–	(1)
NET INCREASE (DECREASE) IN NAV	1 153	1 218	486	500	1 639	1 718
NAV AT END OF PERIOD	\$ 4 675	\$ 3 292	\$ 2 324	\$ 1 524	\$ 6 999	\$ 4 816

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2015.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 6.4% (December 31, 2013 – 6.9%, January 1, 2013 – 7.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.3	+ or - 0.3	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.3	+ or - 0.2

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	259	–	–	259
Mutual fund units	6 703	–	–	6 703
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	6 962	–	–	6 962
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	214	–	–	214
Mutual fund units	5 111	–	–	5 111
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	5 325	–	–	5 325
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	115	–	–	115
Mutual fund units	2 965	–	–	2 965
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 080	–	–	3 080
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.80%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	55	55
Series O	47	47
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series D		
Opening units	331	195
Issued number of units	131	138
Reinvested number of units	–	–
Redeemed number of units	(54)	(22)
Ending number of units	408	311
Series O		
Opening units	173	97
Issued number of units	63	59
Reinvested number of units	–	–
Redeemed number of units	(33)	(12)
Ending number of units	203	144

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	4 816	3 098
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	4 816	3 098
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(41)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		(41)

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2020 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
7 152	Vanguard Real Estate Investment Trust Fund	\$ 475	\$ 571	
TOTAL UNITED STATES EQUITIES		475	571	4.9
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
5 120	Phillips, Hager & North Canadian Money Market Fund*	\$ 51	\$ 51	
172 126	Phillips, Hager & North Bond Fund*	1 805	1 802	
50 309	Phillips, Hager & North High Yield Bond Fund*	591	596	
294 915	Phillips, Hager & North Long Inflation-linked Bond Fund*	3 344	3 340	
28 182	Phillips, Hager & North Short Inflation-linked Bond Fund*	296	295	
60 276	Phillips, Hager & North Canadian Equity Underlying Fund*	616	757	
53 509	Phillips, Hager & North Canadian Equity Value Fund*	651	755	
113 383	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	1 484	1 723	
70 980	Phillips, Hager & North Overseas Equity Fund*	716	842	
50 872	RBC International Equity Fund*	716	858	
TOTAL MUTUAL FUND UNITS		10 270	11 019	94.3
TOTAL INVESTMENTS		\$ 10 745	11 590	99.2
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				0.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 11 590	\$ 8 946	\$ 4 921
Cash	98	51	53
Subscriptions receivable	65	59	53
TOTAL ASSETS	11 753	9 056	5 027
LIABILITIES			
Due to investment dealers	61	56	73
Accounts payable and accrued expenses	7	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	68	59	75
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 11 685	\$ 8 997	\$ 4 952
Investments at cost	\$ 10 745	\$ 8 862	\$ 4 848
NAV, END OF PERIOD			
SERIES D	\$ 6 980	\$ 5 711	\$ 3 104
SERIES O	\$ 4 705	\$ 3 286	\$ 1 848
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 11.93	\$ 10.98	\$ 10.93
SERIES O	\$ 11.93	\$ 10.93	\$ 10.87

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 9	\$ 6
Other income received from underlying funds	58	28
Capital gains received from underlying funds	15	–
Net realized gain (loss) on investments	34	25
Change in unrealized gain (loss) on investments	761	(133)
TOTAL INCOME (LOSS)	877	(74)
EXPENSES (see notes – Fund Specific Information)		
Management fees	28	19
Administration fees	3	–
Board of Governors costs	1	2
GST/HST	3	2
Withholding tax	1	1
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	35	22
INCREASE (DECREASE) IN NAV	\$ 842	\$ (96)
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 507	\$ (75)
SERIES O	\$ 335	\$ (21)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 0.93	\$ (0.17)
SERIES O	\$ 0.99	\$ (0.12)

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 842	\$ (96)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(34)	(25)
Change in unrealized loss (gain) on investments	(761)	133
(Increase) decrease in accrued receivables	(6)	(12)
Increase (decrease) in accrued payables	9	(6)
Cost of investments purchased	(3 635)	(3 396)
Proceeds on sales of investments	1 786	726
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1 799)	(2 676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 648	3 055
Cash paid on redemption of redeemable units	(802)	(390)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 1 846	\$ 2 665
Net increase (decrease) in cash for the year	47	(11)
Cash (bank overdraft), beginning of period	51	53
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 98	\$ 42
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 8	\$ 5

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 5 711	\$ 3 104	\$ 3 286	\$ 1 848	\$ 8 997	\$ 4 952
INCREASE (DECREASE) IN NAV	507	(75)	335	(21)	842	(96)
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	1 345	2 113	1 303	942	2 648	3 055
Reinvestments of distributions to holders of redeemable units	–	–	–	2	–	2
Redemption of redeemable units	(583)	(95)	(219)	(295)	(802)	(390)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	762	2 018	1 084	649	1 846	2 667
Distributions from net income	–	–	–	(2)	–	(2)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	(2)	–	(2)
NET INCREASE (DECREASE) IN NAV	1 269	1 943	1 419	626	2 688	2 569
NAV AT END OF PERIOD	\$ 6 980	\$ 5 047	\$ 4 705	\$ 2 474	\$ 11 685	\$ 7 521

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2020.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 8.3% (December 31, 2013 – 8.3%, January 1, 2013 – 9.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.3	+ or - 0.3	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.3	+ or - 0.3

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	571	–	–	571
Mutual fund units	11 019	–	–	11 019
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	11 590	–	–	11 590
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	423	–	–	423
Mutual fund units	8 523	–	–	8 523
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	8 946	–	–	8 946
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	255	–	–	255
Mutual fund units	4 666	–	–	4 666
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	4 921	–	–	4 921
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.85%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	54	54
Series O	46	46
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series D		
Opening units	520	284
Issued number of units	116	191
Reinvested number of units	–	–
Redeemed number of units	(51)	(9)
Ending number of units	585	466
Series O		
Opening units	301	170
Issued number of units	113	86
Reinvested number of units	–	–
Redeemed number of units	(19)	(27)
Ending number of units	395	229

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	7 521	4 952
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	7 521	4 952
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(96)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		(96)

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2025 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
7 698	Vanguard Real Estate Investment Trust Fund	\$ 518	\$ 615	
TOTAL UNITED STATES EQUITIES		518	615	4.9
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
5 484	Phillips, Hager & North Canadian Money Market Fund*	\$ 55	\$ 55	
29 160	Phillips, Hager & North Bond Fund*	307	305	
77 413	Phillips, Hager & North High Yield Bond Fund*	908	917	
444 964	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 977	5 039	
66 353	Phillips, Hager & North Canadian Equity Underlying Fund*	680	833	
59 234	Phillips, Hager & North Canadian Equity Value Fund*	722	835	
126 756	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	1 678	1 926	
78 687	Phillips, Hager & North Overseas Equity Fund*	800	934	
56 392	RBC International Equity Fund*	803	951	
TOTAL MUTUAL FUND UNITS		10 930	11 795	94.4
TOTAL INVESTMENTS		\$ 11 448	12 410	99.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			81	0.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 12 491		100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 12 410	\$ 9 109	\$ 5 166
Cash	79	50	34
Due from investment dealers	14	12	20
Subscriptions receivable	114	103	97
TOTAL ASSETS	12 617	9 274	5 317
LIABILITIES			
Due to investment dealers	107	97	97
Redemptions payable	15	14	20
Accounts payable and accrued expenses	4	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	126	114	119
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 12 491	\$ 9 160	\$ 5 198
Investments at cost	\$ 11 448	\$ 9 044	\$ 5 040
NAV, END OF PERIOD			
SERIES D	\$ 4 691	\$ 3 339	\$ 2 380
SERIES O	\$ 7 800	\$ 5 821	\$ 2 818
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 12.01	\$ 10.96	\$ 11.02
SERIES O	\$ 12.00	\$ 10.90	\$ 10.96

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 9	\$ 6
Other income received from underlying funds	41	18
Capital gains received from underlying funds	16	–
Net realized gain (loss) on investments	44	27
Change in unrealized gain (loss) on investments	897	(200)
TOTAL INCOME (LOSS)	1 007	(149)
EXPENSES (see notes – Fund Specific Information)		
Management fees	18	13
Administration fees	3	3
Board of Governors costs	1	2
GST/HST	2	1
Withholding tax	1	1
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	24	18
INCREASE (DECREASE) IN NAV	\$ 983	\$ (167)
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 365	\$ (86)
SERIES O	\$ 618	\$ (81)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.01	\$ (0.32)
SERIES O	\$ 1.07	\$ (0.26)

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 983	\$ (167)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(44)	(27)
Change in unrealized loss (gain) on investments	(897)	200
(Increase) decrease in accrued receivables	(13)	39
Increase (decrease) in accrued payables	12	(37)
Cost of investments purchased	(3 307)	(2 920)
Proceeds on sales of investments	947	557
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 319)	(2 355)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 213	2 733
Cash paid on redemption of redeemable units	(865)	(369)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 348	\$ 2 364
Net increase (decrease) in cash for the year	29	9
Cash (bank overdraft), beginning of period	50	34
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 79	\$ 43
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 8	\$ 5

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 339	\$ 2 380	\$ 5 821	\$ 2 818	\$ 9 160	\$ 5 198
INCREASE (DECREASE) IN NAV	365	(86)	618	(81)	983	(167)
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	1 162	1 271	2 051	1 462	3 213	2 733
Reinvestments of distributions to holders of redeemable units	–	–	–	2	–	2
Redemption of redeemable units	(175)	(324)	(690)	(45)	(865)	(369)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	987	947	1 361	1 419	2 348	2 366
Distributions from net income	–	–	–	(2)	–	(2)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	(2)	–	(2)
NET INCREASE (DECREASE) IN NAV	1 352	861	1 979	1 336	3 331	2 197
NAV AT END OF PERIOD	\$ 4 691	\$ 3 241	\$ 7 800	\$ 4 154	\$ 12 491	\$ 7 395

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2025.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 10.2% (December 31, 2013 – 9.7%, January 1, 2013 – 10.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.3	+ or - 0.3	+ or - 0.3

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	615	–	–	615
Mutual fund units	11 795	–	–	11 795
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	12 410	–	–	12 410
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	450	–	–	450
Mutual fund units	8 659	–	–	8 659
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	9 109	–	–	9 109
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	258	–	–	258
Mutual fund units	4 908	–	–	4 908
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	5 166	–	–	5 166
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Please see the generic notes at the back of the financial statements.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.90%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	53	53
Series O	46	46
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series D		
Opening units	305	216
Issued number of units	100	112
Reinvested number of units	–	–
Redeemed number of units	(15)	(29)
Ending number of units	390	299
Series O		
Opening units	534	257
Issued number of units	177	131
Reinvested number of units	–	–
Redeemed number of units	(61)	(4)
Ending number of units	650	384

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	7 395	5 198
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	7 395	5 198
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(167)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		(167)

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2030 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
6 941	Vanguard Real Estate Investment Trust Fund	\$ 470	\$ 554	
TOTAL UNITED STATES EQUITIES		470	554	4.9
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
5 127	Phillips, Hager & North Canadian Money Market Fund*	\$ 51	\$ 51	
90 645	Phillips, Hager & North High Yield Bond Fund*	1 064	1 074	
392 406	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 367	4 444	
63 809	Phillips, Hager & North Canadian Equity Underlying Fund*	657	802	
56 976	Phillips, Hager & North Canadian Equity Value Fund*	698	803	
120 390	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	1 605	1 829	
75 270	Phillips, Hager & North Overseas Equity Fund*	768	893	
54 234	RBC International Equity Fund*	779	915	
TOTAL MUTUAL FUND UNITS		9 989	10 811	94.6
TOTAL INVESTMENTS		\$ 10 459	11 365	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				\$ 11 422 100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 11 365	\$ 8 425	\$ 3 797
Cash	52	46	24
Due from investment dealers	–	–	5
Subscriptions receivable	147	140	115
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	11 564	8 611	3 942
LIABILITIES			
Due to investment dealers	138	131	117
Accounts payable and accrued expenses	4	4	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	142	135	118
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 11 422	\$ 8 476	\$ 3 824
Investments at cost	\$ 10 459	\$ 8 350	\$ 3 731
NAV, END OF PERIOD			
SERIES D	\$ 2 805	\$ 2 296	\$ 1 114
SERIES O	\$ 8 617	\$ 6 180	\$ 2 710
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 11.96	\$ 10.93	\$ 10.87
SERIES O	\$ 11.95	\$ 10.87	\$ 10.81

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 8	\$ 5
Other income received from underlying funds	39	16
Capital gains received from underlying funds	16	–
Net realized gain (loss) on investments	39	21
Change in unrealized gain (loss) on investments	831	(133)
TOTAL INCOME (LOSS)	933	(91)
EXPENSES (see notes – Fund Specific Information)		
Management fees	13	8
Administration fees	3	–
Board of Governors costs	1	2
GST/HST	1	1
Withholding tax	1	1
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	18	10
INCREASE (DECREASE) IN NAV	\$ 915	\$ (101)
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 228	\$ (36)
SERIES O	\$ 687	\$ (65)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 1.00	\$ (0.25)
SERIES O	\$ 1.06	\$ (0.19)

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 915	\$ (101)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(39)	(21)
Change in unrealized loss (gain) on investments	(831)	133
(Increase) decrease in accrued receivables	(7)	12
Increase (decrease) in accrued payables	7	(7)
Cost of investments purchased	(2 618)	(2 946)
Proceeds on sales of investments	548	500
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 025)	(2 430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	2 535	2 650
Cash paid on redemption of redeemable units	(504)	(206)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 031	\$ 2 444
Net increase (decrease) in cash for the year	6	14
Cash (bank overdraft), beginning of period	46	24
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 52	\$ 38
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 7	\$ 4

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 2 296	\$ 1 114	\$ 6 180	\$ 2 710	\$ 8 476	\$ 3 824
INCREASE (DECREASE) IN NAV	228	(36)	687	(65)	915	(101)
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	388	849	2 147	1 801	2 535	2 650
Reinvestments of distributions to holders of redeemable units	–	–	1	4	1	4
Redemption of redeemable units	(107)	(92)	(397)	(114)	(504)	(206)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	281	757	1 751	1 691	2 032	2 448
Distributions from net income	–	–	(1)	(4)	(1)	(4)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	(1)	(4)	(1)	(4)
NET INCREASE (DECREASE) IN NAV	509	721	2 437	1 622	2 946	2 343
NAV AT END OF PERIOD	\$ 2 805	\$ 1 835	\$ 8 617	\$ 4 332	\$ 11 422	\$ 6 167

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2030.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 9.8% (December 31, 2013 – 9.3%, January 1, 2013 – 9.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.3
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.4	+ or - 0.4	+ or - 0.3

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	554	–	–	554
Mutual fund units	10 811	–	–	10 811
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	11 365	–	–	11 365
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	412	–	–	412
Mutual fund units	8 013	–	–	8 013
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	8 425	–	–	8 425
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	190	–	–	190
Mutual fund units	3 607	–	–	3 607
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 797	–	–	3 797
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	0.95%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	54	54
Series O	46	46
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series D		
Opening units	210	102
Issued number of units	34	77
Reinvested number of units	–	–
Redeemed number of units	(9)	(8)
Ending number of units	235	171
Series O		
Opening units	569	250
Issued number of units	186	164
Reinvested number of units	–	–
Redeemed number of units	(34)	(10)
Ending number of units	721	404

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	6 167	3 824
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	6 167	3 824
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(101)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		(101)

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2035 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
8 644	Vanguard Real Estate Investment Trust Fund	\$ 585	\$ 690	
TOTAL UNITED STATES EQUITIES		585	690	4.7
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
6 450	Phillips, Hager & North Canadian Money Market Fund*	\$ 65	\$ 65	
102 204	Phillips, Hager & North High Yield Bond Fund*	1 201	1 211	
442 281	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 939	5 007	
92 981	Phillips, Hager & North Canadian Equity Underlying Fund*	954	1 168	
82 936	Phillips, Hager & North Canadian Equity Value Fund*	1 013	1 170	
174 261	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	2 317	2 648	
109 590	Phillips, Hager & North Overseas Equity Fund*	1 112	1 300	
77 426	RBC International Equity Fund*	1 104	1 306	
TOTAL MUTUAL FUND UNITS		12 705	13 875	94.8
TOTAL INVESTMENTS		\$ 13 290	14 565	99.5
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				0.5
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				\$ 14 644 100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 14 565	\$ 10 857	\$ 5 320
Cash	71	64	46
Due from investment dealers	–	–	10
Subscriptions receivable	205	176	134
TOTAL ASSETS	14 841	11 097	5 510
LIABILITIES			
Due to investment dealers	193	166	143
Redemptions payable	–	–	10
Distributions payable	–	17	13
Accounts payable and accrued expenses	4	3	2
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
	197	186	168
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")			
	\$ 14 644	\$ 10 911	\$ 5 342
Investments at cost	\$ 13 290	\$ 10 567	\$ 5 248
NAV, END OF PERIOD			
SERIES D	\$ 3 584	\$ 3 222	\$ 2 147
SERIES O	\$ 11 060	\$ 7 689	\$ 3 195
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 12.21	\$ 11.19	\$ 10.84
SERIES O	\$ 12.20	\$ 11.13	\$ 10.78

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 10	\$ 6
Other income received from underlying funds	47	17
Capital gains received from underlying funds	23	–
Net realized gain (loss) on investments	86	28
Change in unrealized gain (loss) on investments	985	(73)
TOTAL INCOME (LOSS)	1 151	(22)
EXPENSES (see notes – Fund Specific Information)		
Management fees	16	13
Administration fees	2	–
Board of Governors costs	1	2
GST/HST	2	2
Withholding tax	2	1
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	22	16
INCREASE (DECREASE) IN NAV	\$ 1 129	\$ (38)
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 301	\$ (15)
SERIES O	\$ 828	\$ (23)
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 0.99	\$ (0.09)
SERIES O	\$ 1.06	\$ (0.03)

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 129	\$ (38)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(86)	(28)
Change in unrealized loss (gain) on investments	(985)	73
(Increase) decrease in accrued receivables	(29)	12
Increase (decrease) in accrued payables	11	(17)
Cost of investments purchased	(3 654)	(3 372)
Proceeds on sales of investments	1 017	532
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 597)	(2 838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 350	3 061
Cash paid on redemption of redeemable units	(746)	(203)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 604	\$ 2 858
Net increase (decrease) in cash for the year	7	20
Cash (bank overdraft), beginning of period	64	46
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 71	\$ 66
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 8	\$ 5

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 3 222	\$ 2 147	\$ 7 689	\$ 3 195	\$ 10 911	\$ 5 342
INCREASE (DECREASE) IN NAV	301	(15)	828	(23)	1 129	(38)
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	210	883	3 140	2 178	3 350	3 061
Reinvestments of distributions to holders of redeemable units	–	–	1	5	1	5
Redemption of redeemable units	(149)	(97)	(597)	(106)	(746)	(203)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	61	786	2 544	2 077	2 605	2 863
Distributions from net income	–	–	(1)	(5)	(1)	(5)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	(1)	(5)	(1)	(5)
NET INCREASE (DECREASE) IN NAV	362	771	3 371	2 049	3 733	2 820
NAV AT END OF PERIOD	\$ 3 584	\$ 2 918	\$ 11 060	\$ 5 244	\$ 14 644	\$ 8 162

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2035.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 8.6% (December 31, 2013 – 7.8%, January 1, 2013 – 8.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2013 – 0.4%, January 1, 2013 – 0.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.4	+ or - 0.4	+ or - 0.4
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.4	+ or - 0.4	+ or - 0.4

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	690	–	–	690
Mutual fund units	13 875	–	–	13 875
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	14 565	–	–	14 565
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	509	–	–	509
Mutual fund units	10 348	–	–	10 348
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	10 857	–	–	10 857
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	265	–	–	265
Mutual fund units	5 055	–	–	5 055
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	5 320	–	–	5 320
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	1.00%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	54	54
Series O	46	46
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series D		
Opening units	288	198
Issued number of units	18	79
Reinvested number of units	–	–
Redeemed number of units	(12)	(9)
Ending number of units	294	268
Series O		
Opening units	691	296
Issued number of units	266	197
Reinvested number of units	–	–
Redeemed number of units	(51)	(10)
Ending number of units	906	483

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	8 162	5 342
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	8 162	5 342
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		(38)
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		(38)

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2040 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
7 601	Vanguard Real Estate Investment Trust Fund	\$ 516	\$ 607	
TOTAL UNITED STATES EQUITIES		516	607	4.7
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
5 610	Phillips, Hager & North Canadian Money Market Fund*	\$ 56	\$ 56	
77 157	Phillips, Hager & North High Yield Bond Fund*	906	914	
334 297	Phillips, Hager & North Long Inflation-linked Bond Fund*	3 675	3 785	
91 596	Phillips, Hager & North Canadian Equity Underlying Fund*	953	1 151	
81 641	Phillips, Hager & North Canadian Equity Value Fund*	1 007	1 151	
171 857	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	2 301	2 612	
107 934	Phillips, Hager & North Overseas Equity Fund*	1 113	1 281	
76 369	RBC International Equity Fund*	1 106	1 288	
TOTAL MUTUAL FUND UNITS		11 117	12 238	94.7
TOTAL INVESTMENTS		\$ 11 633	12 845	99.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				0.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

<i>(see note 2 and note 8 in the generic notes)</i>	June 30	December 31	January 1
	2014	2013	2013
ASSETS			
Investments at fair value	\$ 12 845	\$ 9 330	\$ 3 796
Cash	64	64	25
Due from investment dealers	1	–	7
Subscriptions receivable	210	186	111
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	13 120	9 580	3 940
LIABILITIES			
Due to investment dealers	197	170	115
Redemptions payable	4	–	3
Accounts payable and accrued expenses	2	1	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	203	171	119
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 12 917	\$ 9 409	\$ 3 821
Investments at cost	\$ 11 633	\$ 8 916	\$ 3 737
NAV, END OF PERIOD			
SERIES D	\$ 1 664	\$ 1 232	\$ 501
SERIES O	\$ 11 253	\$ 8 177	\$ 3 320
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 12.28	\$ 11.29	\$ 10.60
SERIES O	\$ 12.27	\$ 11.22	\$ 10.53

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 9	\$ 5
Other income received from underlying funds	39	11
Capital gains received from underlying funds	22	–
Net realized gain (loss) on investments	96	22
Change in unrealized gain (loss) on investments	798	38
TOTAL INCOME (LOSS)	964	76
EXPENSES (see notes – Fund Specific Information)		
Management fees	7	4
Administration fees	3	2
Board of Governors costs	1	2
GST/HST	1	1
Withholding tax	1	1
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	12	8
INCREASE (DECREASE) IN NAV	\$ 952	\$ 68
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 116	\$ 4
SERIES O	\$ 836	\$ 64
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 0.97	\$ 0.09
SERIES O	\$ 1.03	\$ 0.16

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 952	\$ 68
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(96)	(22)
Change in unrealized loss (gain) on investments	(798)	(38)
(Increase) decrease in accrued receivables	(25)	(32)
Increase (decrease) in accrued payables	32	27
Cost of investments purchased	(3 607)	(3 034)
Proceeds on sales of investments	986	490
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 556)	(2 541)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 197	2 757
Cash paid on redemption of redeemable units	(641)	(205)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 556	\$ 2 552
Net increase (decrease) in cash for the year	–	11
Cash (bank overdraft), beginning of period	64	25
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 64	\$ 36
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 8	\$ 4

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 232	\$ 501	\$ 8 177	\$ 3 320	\$ 9 409	\$ 3 821
INCREASE (DECREASE) IN NAV	116	4	836	64	952	68
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	421	537	2 776	2 220	3 197	2 757
Reinvestments of distributions to holders of redeemable units	–	–	1	4	1	4
Redemption of redeemable units	(105)	(82)	(536)	(123)	(641)	(205)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	316	455	2 241	2 101	2 557	2 556
Distributions from net income	–	–	(1)	(4)	(1)	(4)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	(1)	(4)	(1)	(4)
NET INCREASE (DECREASE) IN NAV	432	459	3 076	2 161	3 508	2 620
NAV AT END OF PERIOD	\$ 1 664	\$ 960	\$ 11 253	\$ 5 481	\$ 12 917	\$ 6 441

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2040.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 7.4% (December 31, 2013 – 6.2%, January 1, 2013 – 6.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.4% (December 31, 2013 – 0.4%, January 1, 2013 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.5	+ or - 0.5	+ or - 0.5
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.5	+ or - 0.5	+ or - 0.5

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	607	–	–	607
Mutual fund units	12 238	–	–	12 238
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	12 845	–	–	12 845
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	455	–	–	455
Mutual fund units	8 875	–	–	8 875
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	9 330	–	–	9 330
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	194	–	–	194
Mutual fund units	3 602	–	–	3 602
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 796	–	–	3 796
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	1.05%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	54	54
Series O	45	45
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series D		
Opening units	109	47
Issued number of units	36	50
Reinvested number of units	–	–
Redeemed number of units	(9)	(8)
Ending number of units	136	89
Series O		
Opening units	729	315
Issued number of units	233	203
Reinvested number of units	–	–
Redeemed number of units	(45)	(11)
Ending number of units	917	507

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	6 441	3 821
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	6 441	3 821
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		68
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		68

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

PHILLIPS, HAGER & NORTH LIFETIME 2045 FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
UNITED STATES EQUITIES				
13 323	Vanguard Real Estate Investment Trust Fund	\$ 932	\$ 1 064	
TOTAL UNITED STATES EQUITIES		932	1 064	4.7
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
9 738	Phillips, Hager & North Canadian Money Market Fund*	\$ 97	\$ 97	
90 706	Phillips, Hager & North High Yield Bond Fund*	1 067	1 075	
388 373	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 266	4 398	
194 107	Phillips, Hager & North Canadian Equity Underlying Fund*	2 049	2 437	
173 278	Phillips, Hager & North Canadian Equity Value Fund*	2 168	2 444	
365 084	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund*	5 006	5 548	
229 168	Phillips, Hager & North Overseas Equity Fund*	2 402	2 719	
161 942	RBC International Equity Fund*	2 417	2 732	
TOTAL MUTUAL FUND UNITS		19 472	21 450	94.6
SHORT-TERM INVESTMENTS†		126	126	0.5
TOTAL INVESTMENTS		\$ 20 530	22 640	99.8
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			38	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		\$ 22 678		100.0

* Investment in related party (see note 7 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 0.90% and mature on July 2, 2014.

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 22 640	\$ 15 241	\$ 4 268
Cash	10	88	30
Due from investment dealers	2	111	7
Subscriptions receivable	521	414	239
Dividends receivable, interest accrued and other assets	–	–	1
TOTAL ASSETS	23 173	15 854	4 545
LIABILITIES			
Due to investment dealers	489	385	240
Redemptions payable	2	122	5
Accounts payable and accrued expenses	4	4	1
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	495	511	246
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 22 678	\$ 15 343	\$ 4 299
Investments at cost	\$ 20 530	\$ 14 419	\$ 4 240
NAV, END OF PERIOD			
SERIES D	\$ 1 938	\$ 1 468	\$ 425
SERIES O	\$ 20 740	\$ 13 875	\$ 3 874
NAV PER UNIT, END OF PERIOD			
SERIES D	\$ 12.54	\$ 11.59	\$ 10.50
SERIES O	\$ 12.55	\$ 11.53	\$ 10.43

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 16	\$ 6
Other income received from underlying funds	59	10
Capital gains received from underlying funds	47	–
Net realized gain (loss) on investments	122	33
Change in unrealized gain (loss) on investments	1 288	159
TOTAL INCOME (LOSS)	1 532	208
EXPENSES (see notes – Fund Specific Information)		
Management fees	10	4
Administration fees	5	–
Board of Governors costs	1	2
GST/HST	1	1
Withholding tax	2	1
Expenses reimbursed by manager	(1)	(2)
TOTAL EXPENSES	18	6
INCREASE (DECREASE) IN NAV	\$ 1 514	\$ 202
INCREASE (DECREASE) IN NAV		
SERIES D	\$ 135	\$ 21
SERIES O	\$ 1 379	\$ 181
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES D	\$ 0.91	\$ 0.27
SERIES O	\$ 0.99	\$ 0.34

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 514	\$ 202
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(122)	(33)
Change in unrealized loss (gain) on investments	(1 288)	(159)
(Increase) decrease in accrued receivables	2	(50)
Increase (decrease) in accrued payables	(16)	37
Cost of investments purchased	(13 336)	(5 382)
Proceeds on sales of investments	7 347	701
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5 899)	(4 684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	7 015	5 120
Cash paid on redemption of redeemable units	(1 194)	(415)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 5 821	\$ 4 705
Net increase (decrease) in cash for the year	(78)	21
Cash (bank overdraft), beginning of period	88	30
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 10	\$ 51
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 14	\$ 5

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series D		Series O		Total	
	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 1 468	\$ 425	\$ 13 875	\$ 3 874	\$ 15 343	\$ 4 299
INCREASE (DECREASE) IN NAV	135	21	1 379	181	1 514	202
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	637	640	6 378	4 480	7 015	5 120
Reinvestments of distributions to holders of redeemable units	—	—	2	9	2	9
Redemption of redeemable units	(302)	(49)	(892)	(366)	(1 194)	(415)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	335	591	5 488	4 123	5 823	4 714
Distributions from net income	—	—	(2)	(9)	(2)	(9)
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	(2)	(9)	(2)	(9)
NET INCREASE (DECREASE) IN NAV	470	612	6 865	4 295	7 335	4 907
NAV AT END OF PERIOD	\$ 1 938	\$ 1 037	\$ 20 740	\$ 8 169	\$ 22 678	\$ 9 206

The accompanying notes are an integral part of these financial statements.

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide a balance of income and long-term capital growth relative to its target retirement date of 2045.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Credit risk

The Fund is exposed to credit risk from investments in underlying mutual funds. These underlying funds could invest in debt securities and could enter into over-the-counter derivative contracts.

Interest rate risk

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 4.9% (December 31, 2013 – 4.4%, January 1, 2013 – 4.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.5% (December 31, 2013 – 0.5%, January 1, 2013 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month (December 31, 2013 – 36-month, January 1, 2013 – 24-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.6	+ or - 0.6	+ or - 0.5
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.6	+ or - 0.6	+ or - 0.5

Please see the generic notes at the back of the financial statements.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	1 064	–	–	1 064
Mutual fund units	21 450	–	–	21 450
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	126	–	126
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	22 514	126	–	22 640
% of total portfolio	99.4	0.6	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	724	–	–	724
Mutual fund units	14 517	–	–	14 517
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	15 241	–	–	15 241
% of total portfolio	100.0	–	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	216	–	–	216
Mutual fund units	4 052	–	–	4 052
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	4 268	–	–	4 268
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

June 30, 2014

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The management fee of Series D of the Fund is payable to RBC GAM and calculated at the following annual percentage, before GST/HST, of the daily net asset value of Series D of the Fund.

Series D	1.10%
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Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series D	0.05%
Series O	0.05%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series D	54	54
Series O	44	44
Value of all units	1	1

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2013.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
Series D		
Opening units	127	41
Issued number of units	53	58
Reinvested number of units	–	–
Redeemed number of units	(25)	(4)
Ending number of units	155	95
Series O		
Opening units	1 203	370
Issued number of units	523	409
Reinvested number of units	–	1
Redeemed number of units	(73)	(33)
Ending number of units	1 653	747

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	9 206	4 299
Revaluation of investments at FVTPL	–	–
Net assets attributable to holders of redeemable units	9 206	4 299
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		202
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		202

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)
BONAVISTA GLOBAL BALANCED FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
300	Canadian Tire Corp. Ltd., Class A	\$ 19	\$ 31	
610	Gildan Activewear Inc., Class A	7	38	
430	Magna International Inc., Class A	14	49	
890	Quebecor Inc., Class B	14	23	
600	Thomson Corp.	23	23	
		77	164	3.7
Consumer Staples				
1 200	Alimentation Couche-Tard Inc.	32	35	
247	Loblaw Companies Ltd.	11	12	
510	Saputo Group Inc.	12	33	
		55	80	1.8
Energy				
200	Baytex Energy Corp.	9	10	
1 520	Canadian Natural Resources Ltd.	51	75	
900	Cenovus Energy Inc.	27	32	
830	Encana Corp.	28	22	
1 800	Gran Tierra Energy Inc.	14	17	
800	Husky Energy Inc.	31	29	
200	MEG Energy Corp.	6	9	
1 100	Precision Drilling Corp.	7	18	
2 440	Suncor Energy Inc.	93	111	
1 850	Talisman Energy Inc.	32	21	
200	Trilogy Energy Corp.	6	6	
		304	350	7.8
Financials				
1 015	Bank of Montreal	57	80	
1 415	Bank of Nova Scotia	71	101	
1 000	Canadian Imperial Bank of Commerce	80	97	
600	Element Financial Corp.	7	8	
100	Element Financial Corp., Subscription Receipts	1	1	
400	Genworth MI Canada Inc.	15	15	
780	Home Capital Group Inc.	23	37	
365	IGM Financial Inc.	16	19	
200	Intact Financial Corp.	12	15	
2 660	Manulife Financial Corporation	69	56	
710	National Bank of Canada	14	32	
970	Royal Bank of Canada*	54	74	
730	Sun Life Financial Inc.	30	29	
2 340	Toronto-Dominion Bank	85	129	
		534	693	15.4
Health Care				
100	Valeant Pharmaceuticals International Inc.	11	13	
		11	13	0.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Industrials				
2 600	Bombardier Inc., Class B	\$ 14	\$ 10	
1 100	CAE Inc.	12	15	
1 050	Canadian National Railway Co.	40	73	
190	Canadian Pacific Railway Ltd.	10	37	
720	Finning International Inc.	20	21	
276	MacDonald Dettwiler & Associates Ltd.	16	24	
300	Russel Metals Inc.	9	10	
440	SNC-Lavalin Group Inc.	17	25	
200	Stantec Inc.	13	13	
		151	228	5.1
Information Technology				
890	Blackberry Ltd.	58	10	
500	CGI Group Inc., Class A	17	19	
2 916	Mitel Networks Corp.	28	33	
720	Open Text Corp.	11	37	
		114	99	2.2
Materials				
350	Agrium Inc.	21	34	
400	Barrick Gold Corp.	15	8	
978	First Quantum Minerals Ltd.	16	22	
465	Goldcorp Inc.	14	14	
1 100	HudBay Minerals Inc.	10	11	
1 600	Lundin Mining Corp.	7	9	
250	Methanex Corp.	6	16	
380	Potash Corporation of Saskatchewan Inc.	16	15	
1 356	Teck Resources Ltd., Class B	45	33	
1 100	Yamana Gold Inc.	13	10	
		163	172	3.8
Telecommunication Services				
650	Rogers Communications Inc., Class B	26	28	
600	TELUS Corp.	22	24	
		48	52	1.2
TOTAL CANADIAN EQUITIES		1 457	1 851	41.3
UNITED STATES EQUITIES				
Consumer Discretionary				
330	Johnson Controls Inc.	11	18	
110	McDonald's Corp.	6	12	
		17	30	0.7
Consumer Staples				
200	Archer Daniels Midland Co.	9	9	
150	PepsiCo Inc.	10	14	
90	Procter & Gamble Co.	6	8	
180	Wal-Mart Stores, Inc.	9	14	
100	Walgreen Co.	4	8	
		38	53	1.2

This schedule and the accompanying notes are an integral part of the financial statements.

BONAVISTA GLOBAL BALANCED FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
Energy				
150	Apache Corp.	\$ 14	\$ 16	
130	Chevron Corp.	18	18	
90	ConocoPhillips	8	8	
100	Exxon Mobil Corp.	8	11	
280	Nabors Industries Ltd.	7	9	
240	Noble Corporation plc	8	9	
100	Transocean Ltd.	10	5	
195	Valero Energy Corp.	8	10	
		81	86	1.9
Financials				
230	Aflac Inc.	11	15	
900	Bank of America Corp.	15	15	
110	Berkshire Hathaway Inc., Class B	9	15	
355	JPMorgan Chase & Co.	16	22	
130	MetLife Inc.	7	8	
100	Oaktree Capital Group LLC, Class A	6	5	
400	The Nasdaq Stock Market Inc.	18	16	
570	Wells Fargo & Company	17	32	
		99	128	2.8
Health Care				
140	Becton Dickinson & Co.	13	18	
230	Johnson & Johnson	15	26	
350	Pfizer Inc.	9	11	
150	Varian Medical Systems Inc.	14	13	
100	Waters Corp.	13	11	
		64	79	1.8
Industrials				
100	Emerson Electric Co.	7	7	
150	Heartland Express Inc.	4	3	
90	Illinois Tool Works Inc.	5	8	
100	Raytheon Company	11	10	
129	Stanley Black & Decker Inc.	8	12	
270	Union Pacific Corp.	16	29	
100	United Technologies Corp.	13	12	
		64	81	1.8

Holdings	Security	Cost	Fair Value	% of Net Assets
Information Technology				
670	Cisco Systems Inc.	\$ 16	\$ 18	
20	Google Inc., Class A	11	12	
20	Google Inc., Class C	0	12	
270	Intel Corp.	6	9	
80	International Business Machines	8	15	
460	Microsoft Corp.	12	20	
400	Oracle Corporation	17	17	
60	QUALCOMM Inc.	3	5	
		73	108	2.4
Materials				
360	Freeport-McMoRan Copper & Gold Inc.	10	14	
130	Nucor Corp.	7	7	
210	The Mosaic Co.	14	11	
		31	32	0.7
Telecommunication Services				
170	AT&T Inc.	7	6	
		7	6	0.1
TOTAL UNITED STATES EQUITIES				
		474	603	13.4
TOTAL EQUITIES				
		1 931	2 454	54.7
Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
51 482	Phillips, Hager & North Overseas Equity Fund*	\$ 552	\$ 611	
TOTAL MUTUAL FUND UNITS				
		552	611	13.6

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CANADIAN BONDS						
CORPORATE						
10	Bank of Nova Scotia	3.270	11-Jan-21	\$ 10	\$ 10	
5	BMW Canada Inc.	2.330	23-May-18	5	5	
20	Canadian Natural Resources Ltd.	2.890	14-Aug-20	20	20	
10	Canadian Western Bank	2.104	26-Jun-17	10	10	
5	Canadian Western Bank	3.077	14-Jan-19	5	5	
20	CU Inc.	4.801	22-Nov-21	23	23	
15	Dollarama Inc.	3.095	05-Nov-18	15	15	
15	Enbridge Income Fund Holdings Inc.	4.850	22-Feb-22	15	17	
10	Ford Credit Canada Ltd.	2.939	19-Feb-19	10	10	
20	GE Capital Canada Funding Co.	2.420	31-May-18	20	20	
10	Genworth MI Canada Inc.	4.242	01-Apr-24	10	10	
15	John Deere Canada Funding Inc.	2.350	24-Jun-19	15	15	
45	Laurentian Bank of Canada	3.278	15-Oct-18	45	46	

This schedule and the accompanying notes are an integral part of the financial statements.

BONAVISTA GLOBAL BALANCED FUND

Investment Management®

June 30, 2014

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
15	National Bank of Canada	2.794	09-Aug-18	\$ 15	\$ 15	
25	Shoppers Drug Mart Corp.	2.360	24-May-18	25	25	
10	Toronto-Dominion Bank	2.433	15-Aug-17	10	10	
15	TransCanada PipeLines Ltd.	3.690	19-Jul-23	15	15	
10	Veresen Inc.	3.060	13-Jun-19	10	10	
				278	281	6.3
FEDERAL						
65	Canada Housing Trust No. 1	1.950	15-Jun-19	65	65	
25	Canada Housing Trust No. 1	2.900	15-Jun-24	25	25	
65	Government of Canada	1.500	01-Aug-15	65	65	
30	Government of Canada	1.250	01-Feb-16	30	30	
40	Government of Canada	1.000	01-Aug-16	40	40	
20	Government of Canada	1.500	01-Mar-17	20	20	
15	Government of Canada	1.500	01-Sep-17	15	15	
5	Government of Canada	1.250	01-Mar-18	5	5	
15	Government of Canada	1.750	01-Mar-19	15	15	
30	Government of Canada	2.750	01-Jun-22	31	32	
75	Government of Canada	1.500	01-Jun-23	70	71	
190	Government of Canada	2.500	01-Jun-24	194	194	
5	Government of Canada	5.000	01-Jun-37	7	7	
50	Government of Canada	4.000	01-Jun-41	59	61	
25	Government of Canada	3.500	01-Dec-45	29	29	
5	Labrador-Island Link Funding Trust	3.760	01-Jun-33	5	5	
				675	679	15.1
PROVINCIAL/MUNICIPAL						
10	Municipal Finance Authority of British Columbia	2.350	03-Dec-18	10	10	
80	Municipal Finance Authority of British Columbia	3.750	26-Sep-23	83	85	
25	Province of Alberta	3.400	01-Dec-23	25	26	
35	Province of Manitoba	3.300	02-Jun-24	35	36	
30	Province of Ontario	2.100	08-Sep-19	30	30	
50	Province of Ontario	3.500	02-Jun-24	51	52	
10	Province of Ontario	3.500	02-Jun-43	9	10	
20	Province of Ontario	3.450	02-Jun-45	20	19	
25	Province of Quebec	4.500	01-Dec-17	27	27	
10	Province of Quebec	3.500	01-Dec-45	10	10	
30	Province of Saskatchewan	3.200	03-Jun-24	30	31	
45	Regional Municipality of York	4.050	01-May-34	45	46	
				375	382	8.5
				1 328	1 342	29.9
TOTAL CANADIAN BONDS						
UNITED STATES BONDS						
5	Caterpillar Financial Services Ltd.	2.120	25-Nov-16	5	5	
TOTAL UNITED STATES BONDS						
				5	5	0.1
TOTAL BONDS						
				1 333	1 347	30.0
TOTAL INVESTMENTS						
				\$ 3 816	4 412	98.3
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS						
					75	1.7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS						
				\$ 4 487		100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

BONAVISTA GLOBAL BALANCED FUND**Statements of Financial Position** (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 4 412	\$ 3 268	\$ 3 141
Cash	110	166	43
Due from investment dealers	–	–	3
Dividends receivable, interest accrued and other assets	11	8	11
TOTAL ASSETS	4 533	3 442	3 198
LIABILITIES			
Due to investment dealers	40	39	–
Accounts payable and accrued expenses	6	2	3
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	46	41	3
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 4 487	\$ 3 401	\$ 3 195
Investments at cost	\$ 3 816	\$ 2 883	\$ 3 106
NAV, END OF PERIOD			
SERIES C	\$ 176	\$ 104	\$ 27
ADVISOR SERIES	\$ 44	\$ 13	\$ 1
SERIES D	\$ 3 977	\$ 3 001	\$ 2 616
SERIES F	\$ 17	\$ 16	\$ 1
SERIES O	\$ 273	\$ 267	\$ 550
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 13.25	\$ 12.45	\$ 10.95
ADVISOR SERIES	\$ 13.25	\$ 12.46	\$ 10.95
SERIES D	\$ 13.18	\$ 12.37	\$ 10.88
SERIES F	\$ 13.43	\$ 12.60	\$ 11.05
SERIES O	\$ 12.91	\$ 12.12	\$ 10.64

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 28	\$ 24
Interest for distribution purposes	16	13
Net realized gain (loss) on investments	49	45
Change in unrealized gain (loss) on investments	211	39
TOTAL INCOME (LOSS)	304	121
EXPENSES (see notes – Fund Specific Information)		
Management fees	21	12
Administration fees	2	–
Board of Governors costs	1	2
GST/HST	2	2
Transaction costs	1	1
Withholding tax	1	1
Expenses reimbursed by manager	(1)	–
TOTAL EXPENSES	27	18
INCREASE (DECREASE) IN NAV	\$ 277	\$ 103
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 12	\$ –
ADVISOR SERIES	\$ 2	\$ –
SERIES D	\$ 244	\$ 86
SERIES F	\$ 1	\$ –
SERIES O	\$ 18	\$ 17
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 0.78	\$ 0.31
ADVISOR SERIES	\$ 0.78	\$ 0.32
SERIES D	\$ 0.86	\$ 0.37
SERIES F	\$ 0.92	\$ 0.40
SERIES O	\$ 0.92	\$ 0.40

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 277	\$ 103
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	(49)	(45)
Change in unrealized loss (gain) on investments	(211)	(39)
(Increase) decrease in accrued receivables	(3)	6
Increase (decrease) in accrued payables	5	5
Cost of investments purchased	(3 130)	(1 154)
Proceeds on sales of investments	2 246	1 672
NET CASH PROVIDED BY OPERATING ACTIVITIES	(865)	548
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	1 421	469
Cash paid on redemption of redeemable units	(611)	(1 015)
Distributions paid to holders of redeemable units	(1)	(1)
NET CASH USED IN FINANCING ACTIVITIES	\$ 809	\$ (547)
Net increase (decrease) in cash for the year	(56)	1
Cash (bank overdraft), beginning of period	166	43
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 110	\$ 44
Interest received	\$ 15	\$ 15
Dividends received, net of withholding taxes	\$ 25	\$ 23

The accompanying notes are an integral part of these financial statements.

BONAVISTA GLOBAL BALANCED FUND

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 104	\$ 27	\$ 13	\$ 1	\$ 3 001	\$ 2 616	\$ 16	\$ 1
INCREASE (DECREASE) IN NAV	12	–	2	–	244	86	1	–
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	325	64	31	8	1 065	157	–	–
Reinvestments of distributions to holders of redeemable units	–	–	–	–	23	17	–	–
Redemption of redeemable units	(265)	–	(2)	–	(332)	(438)	–	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	60	64	29	8	756	(264)	–	–
Distributions from net income	–	–	–	–	(24)	(18)	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	(24)	(18)	–	–
NET INCREASE (DECREASE) IN NAV	72	64	31	8	976	(196)	1	–
NAV AT END OF PERIOD	\$ 176	\$ 91	\$ 44	\$ 9	\$ 3 977	\$ 2 420	\$ 17	\$ 1

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 267	\$ 550	\$ 3 401	\$ 3 195
INCREASE (DECREASE) IN NAV	18	17	277	103
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	–	240	1 421	469
Reinvestments of distributions to holders of redeemable units	3	6	26	23
Redemption of redeemable units	(12)	(577)	(611)	(1 015)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(9)	(331)	836	(523)
Distributions from net income	(3)	(6)	(27)	(24)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(3)	(6)	(27)	(24)
NET INCREASE (DECREASE) IN NAV	6	(320)	1 086	(444)
NAV AT END OF PERIOD	\$ 273	\$ 230	\$ 4 487	\$ 2 751

The accompanying notes are an integral part of these financial statements.

BONAVISTA GLOBAL BALANCED FUND

Investment Management®

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital appreciation and income by primarily investing in a balanced global portfolio of Canadian and foreign equities, fixed-income securities and money market instruments.

Financial instrument risk and capital management (see note 4 in the generic notes)**Liquidity risk**

Any securities deemed to be illiquid are identified in the Schedule of Investment Portfolio. Illiquid securities represent approximately 0.0% (December 31, 2013 – 0.0%, January 1, 2013 – 0.1%) of the net assets of the Fund.

Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 30.0% (December 31, 2013 – 28.8%, January 1, 2013 – 29.3%) of the net assets of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2014	December 31 2013	January 1 2013
AAA	62.8	52.2	45.8
AA	15.4	15.2	17.6
A	11.2	20.7	22.8
BBB	10.6	11.9	13.8
Total	100.0	100.0	100.0

Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 30.0% (December 31, 2013 – 28.8%, January 1, 2013 – 29.3%) of the net assets of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2014	December 31 2013	January 1 2013
Less than 1 year	–	–	–
1 – 5 years	36.0	46.8	38.0
5 – 10 years	50.1	42.2	29.9
> 10 years	13.9	11.0	32.1
Total	100.0	100.0	100.0

As at June 30, 2014, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 2.2% (December 31, 2013 – 1.8%, January 1, 2013 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Currency risk (% of net assets)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	June 30 2014	December 31 2013	January 1 2013
United States dollar	13.8	13.7	13.4
Euro	4.3	5.1	3.6
Pound sterling	3.1	2.7	2.5
Swiss franc	2.1	1.6	2.1
Japanese yen	1.7	2.5	1.6
Hong Kong dollar	0.5	0.5	1.2
Singapore dollar	–	–	0.5
Other currencies	0.6	0.5	0.3
Total	26.1	26.6	25.2

As at June 30, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.3% (December 31, 2013 – 0.3%, January 1, 2013 – 0.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 0.7	+ or - 0.6	+ or - 0.6
S&P 500 Total Return			
Index (CAD)	+ or - 0.6	+ or - 0.6	+ or - 0.7
MSCI EAFE Total Return			
Net Index (CAD)	+ or - 0.6	+ or - 0.6	+ or - 0.5

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

BONAVISTA GLOBAL BALANCED FUND

Investment Management®

June 30, 2014

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	2 454	–	–	2 454
Mutual fund units	611	–	–	611
Fixed-income and debt securities	–	1 347	–	1 347
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	3 065	1 347	–	4 412
% of total portfolio	69.5	30.5	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	1 814	–	–	1 814
Mutual fund units	473	–	–	473
Fixed-income and debt securities	–	981	–	981
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 287	981	–	3 268
% of total portfolio	70.0	30.0	–	100.0

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	1 785	–	–	1 785
Mutual fund units	420	–	–	420
Fixed-income and debt securities	–	936	–	936
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	2 205	936	–	3 141
% of total portfolio	70.2	29.8	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	2.00%
Advisor Series	2.00%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	49	49
Advisor Series	95	95
Series D	102	101
Series F	51	51
Series O	54	54
Value of all units	5	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	53
Non-capital losses	–

Please see the generic notes at the back of the financial statements.

BONAVISTA GLOBAL BALANCED FUND

Investment Management®

June 30, 2014

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	8	2
Issued number of units	26	6
Reinvested number of units	–	–
Redeemed number of units	(21)	–
Ending number of units	13	8
Advisor Series		
Opening units	1	–
Issued number of units	2	1
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	3	1
Series D		
Opening units	243	241
Issued number of units	83	13
Reinvested number of units	2	2
Redeemed number of units	(26)	(39)
Ending number of units	302	217
Series F		
Opening units	1	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	1	–
Series O		
Opening units	22	52
Issued number of units	–	21
Reinvested number of units	–	1
Redeemed number of units	(1)	(53)
Ending number of units	21	21

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	1	100	1	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements [†]	–	–	–	–

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	2 748	3 192
Revaluation of investments at FVTPL	3	3
Net assets attributable to holders of redeemable units	2 751	3 195
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		103
Revaluation of investments at FVTPL (see note 3 in the generic notes)		–
Increase (decrease) in net assets attributable to holders of redeemable units		103

Please see the generic notes at the back of the financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

BONAVISTA CANADIAN EQUITY VALUE FUND

June 30, 2014

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
3 000	Canadian Tire Corp. Ltd., Class A	\$ 300	\$ 307	
5 890	Gildan Activewear Inc., Class A	136	370	
4 580	Magna International Inc., Class A	181	526	
9 740	Quebecor Inc., Class B	155	251	
5 800	Thomson Corp.	216	225	
		988	1 679	8.8
Consumer Staples				
12 000	Alimentation Couche-Tard Inc.	127	351	
2 646	Loblaw Companies Ltd.	123	126	
4 520	Saputo Group Inc.	112	289	
		362	766	4.0
Energy				
1 854	Baytex Energy Corp.	80	91	
15 500	Canadian Natural Resources Ltd.	516	760	
8 110	Cenovus Energy Inc.	246	282	
7 200	Encana Corp.	228	183	
9 100	Gran Tierra Energy Inc.	68	79	
7 900	Husky Energy Inc.	276	272	
2 300	MEG Energy Corp.	71	89	
10 301	Precision Drilling Corp.	143	156	
24 170	Suncor Energy Inc.	881	1 100	
20 380	Talisman Energy Inc.	351	230	
2 200	Trilogy Energy Corp.	61	64	
		2 921	3 306	17.3
Financials				
10 190	Bank of Montreal	599	801	
14 890	Bank of Nova Scotia	741	1 059	
10 080	Canadian Imperial Bank of Commerce	795	979	
6 400	Element Financial Corp.	78	86	
1 000	Element Financial Corp., Subscription Receipts	13	13	
4 500	Genworth MI Canada Inc.	168	171	
7 760	Home Capital Group Inc.	228	371	
3 800	IGM Financial Inc.	176	194	
1 800	Intact Financial Corp.	112	132	
20 870	Manulife Financial Corporation	565	443	
7 160	National Bank of Canada	179	324	
10 070	Royal Bank of Canada*	549	768	
7 740	Sun Life Financial Inc.	313	304	
22 220	Toronto-Dominion Bank	780	1 221	
		5 296	6 866	35.9
Health Care				
1 100	Valeant Pharmaceuticals International Inc.	144	148	
		144	148	0.8

Holdings	Security	Cost	Fair Value	% of Net Assets	
Industrials					
30 200	Bombardier Inc., Class B	\$ 146	\$ 114		
12 730	CAE Inc.	135	178		
10 820	Canadian National Railway Co.	348	751		
1 450	Canadian Pacific Railway Ltd.	79	280		
6 600	Finning International Inc.	181	197		
2 966	MacDonald Dettwiler & Associates Ltd.	148	258		
2 300	Russel Metals Inc.	67	79		
3 900	SNC-Lavalin Group Inc.	150	219		
2 200	Stantec Inc.	143	145		
		1 397	2 221	11.6	
Information Technology					
7 000	Blackberry Ltd.	469	77		
4 800	CGI Group Inc., Class A	163	182		
29 016	Mitel Networks Corp.	274	326		
7 140	Open Text Corp.	112	366		
		1 018	951	5.0	
Materials					
3 570	Agrium Inc.	223	349		
3 500	Barrick Gold Corp.	128	68		
8 582	First Quantum Minerals Ltd.	146	196		
4 375	Goldcorp Inc.	135	130		
4 800	HudBay Minerals Inc.	46	47		
15 900	Lundin Mining Corp.	67	93		
2 600	Methanex Corp.	77	172		
3 530	Potash Corporation of Saskatchewan Inc.	152	143		
14 377	Teck Resources Ltd., Class B	510	350		
5 900	Yamana Gold Inc.	68	52		
		1 552	1 600	8.4	
Telecommunication Services					
5 480	Rogers Communications Inc., Class B	201	235		
5 600	TELUS Corp.	143	223		
		344	458	2.4	
TOTAL CANADIAN EQUITIES			\$ 14 022	17 995	94.2
CASH				1 066	5.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				37	0.2
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 19 098		100.0

* Investment in related party (see note 7 in the generic notes).

This schedule and the accompanying notes are an integral part of the financial statements.

Statements of Financial Position (unaudited) (in \$000s except per unit amounts)

(see note 2 and note 8 in the generic notes)	June 30 2014	December 31 2013	January 1 2013
ASSETS			
Investments at fair value	\$ 17 995	\$ 13 779	\$ 11 896
Cash	1 066	1 108	178
Subscriptions receivable	–	19	–
Dividends receivable, interest accrued and other assets	47	32	38
TOTAL ASSETS	19 108	14 938	12 112
LIABILITIES			
Due to investment dealers	–	175	–
Redemptions payable	–	5	–
Accounts payable and accrued expenses	10	8	7
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	10	188	7
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 19 098	\$ 14 750	\$ 12 105
Investments at cost	\$ 14 022	\$ 11 464	\$ 11 547
NAV, END OF PERIOD			
SERIES C	\$ 161	\$ 133	\$ 118
ADVISOR SERIES	\$ 1	\$ 1	\$ 1
SERIES D	\$ 7 914	\$ 6 279	\$ 5 750
SERIES F	\$ 11	\$ 10	\$ 3
SERIES O	\$ 11 011	\$ 8 327	\$ 6 233
NAV PER UNIT, END OF PERIOD			
SERIES C	\$ 14.54	\$ 13.21	\$ 10.93
ADVISOR SERIES	\$ 14.57	\$ 13.23	\$ 10.93
SERIES D	\$ 14.69	\$ 13.29	\$ 11.00
SERIES F	\$ 14.74	\$ 13.32	\$ 11.02
SERIES O	\$ 14.95	\$ 13.46	\$ 11.14

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income (unaudited)

(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2014	2013
INCOME (see note 3 in the generic notes)		
Dividends	\$ 214	\$ 167
Net realized gain (loss) on investments	(31)	265
Change in unrealized gain (loss) on investments	1 658	(71)
TOTAL INCOME (LOSS)	1 841	361
EXPENSES (see notes – Fund Specific Information)		
Management fees	38	30
Administration fees	10	4
Board of Governors costs	1	2
GST/HST	4	4
Transaction costs	4	1
Expenses reimbursed by manager	(1)	–
TOTAL EXPENSES	56	41
INCREASE (DECREASE) IN NAV	\$ 1 785	\$ 320
INCREASE (DECREASE) IN NAV		
SERIES C	\$ 14	\$ 3
ADVISOR SERIES	\$ –	\$ –
SERIES D	\$ 746	\$ 144
SERIES F	\$ 1	\$ –
SERIES O	\$ 1 024	\$ 173
INCREASE (DECREASE) IN NAV		
PER REDEEMABLE UNIT		
SERIES C	\$ 1.34	\$ 0.21
ADVISOR SERIES	\$ 1.36	\$ 0.19
SERIES D	\$ 1.41	\$ 0.27
SERIES F	\$ 1.44	\$ 0.29
SERIES O	\$ 1.51	\$ 0.33

Statements of Cash Flow (unaudited) (in \$000s)For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in NAV	\$ 1 785	\$ 320
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY OPERATIONS		
Net realized loss (gain) on investments	31	(265)
Change in unrealized loss (gain) on investments	(1 658)	71
(Increase) decrease in accrued receivables	4	2
Increase (decrease) in accrued payables	(178)	1
Cost of investments purchased	(3 305)	(443)
Proceeds on sales of investments	716	1 207
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2 605)	893
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 591	1 145
Cash paid on redemption of redeemable units	(1 028)	(2 126)
Distributions paid to holders of redeemable units	–	–
NET CASH USED IN FINANCING ACTIVITIES	\$ 2 563	\$ (981)
Net increase (decrease) in cash for the year	(42)	(88)
Cash (bank overdraft), beginning of period	1 108	178
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 1 066	\$ 90
Interest received	\$ –	\$ –
Dividends received, net of withholding taxes	\$ 199	\$ 167

The accompanying notes are an integral part of these financial statements.

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series C		Advisor Series		Series D		Series F	
	2014	2013	2014	2013	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 133	\$ 118	\$ 1	\$ 1	\$ 6 279	\$ 5 750	\$ 10	\$ 3
INCREASE (DECREASE) IN NAV	14	3	–	–	746	144	1	–
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	30	2	–	5	1 307	756	–	5
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–	–	–
Redemption of redeemable units	(16)	(11)	–	(5)	(418)	(1 555)	–	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	14	(9)	–	–	889	(799)	–	5
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	–	–	–	–
NET INCREASE (DECREASE) IN NAV	28	(6)	–	–	1 635	(655)	1	5
NAV AT END OF PERIOD	\$ 161	\$ 112	\$ 1	\$ 1	\$ 7 914	\$ 5 095	\$ 11	\$ 8

For the periods ended June 30 (see note 2 in the generic notes)	Series O		Total	
	2014	2013	2014	2013
NAV AT BEGINNING OF PERIOD	\$ 8 327	\$ 6 233	\$ 14 750	\$ 12 105
INCREASE (DECREASE) IN NAV	1 024	173	1 785	320
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	2 254	377	3 591	1 145
Reinvestments of distributions to holders of redeemable units	–	–	–	–
Redemption of redeemable units	(594)	(555)	(1 028)	(2 126)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	1 660	(178)	2 563	(981)
Distributions from net income	–	–	–	–
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–
NET INCREASE (DECREASE) IN NAV	2 684	(5)	4 348	(661)
NAV AT END OF PERIOD	\$ 11 011	\$ 6 228	\$ 19 098	\$ 11 444

The accompanying notes are an integral part of these financial statements.

BONAVISTA CANADIAN EQUITY VALUE FUND

June 30, 2014

General information (see note 1 in the generic notes)

The investment objective of the Fund is to provide investors with long-term capital growth by investing primarily in common shares of large-capitalization, high-quality Canadian companies and income trusts.

Financial instrument risk and capital management (see note 4 in the generic notes)**Other price risk (% impact on net assets)**

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2014	December 31 2013	January 1 2013
S&P/TSX Capped Composite			
Total Return Index	+ or - 1.1	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2014, December 31, 2013 and January 1, 2013. The valuation of the Fund's financial instruments are classified as Held for Trading and carried at fair value.

June 30, 2014	Level 1	Level 2	Level 3	Total
Equities	17 995	–	–	17 995
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	17 995	–	–	17 995
% of total portfolio	100.0	–	–	100.0

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities	13 779	–	–	13 779
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	13 779	–	–	13 779
% of total portfolio	100.0	–	–	100.0

Please see the generic notes at the back of the financial statements.

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities	11 896	–	–	11 896
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	11 896	–	–	11 896
% of total portfolio	100.0	–	–	100.0

For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, there were no transfers of financial instruments between Level 1 or Level 2 and Level 3.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	1.75%
Advisor Series	1.75%
Series D	1.00%
Series F	0.75%

Operating expenses (see note 7 in the generic notes)

Administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series C	0.10%
Advisor Series	0.10%
Series D	0.10%
Series F	0.10%
Series O	0.10%

BONAVISTA CANADIAN EQUITY VALUE FUND

Investment Management®

June 30, 2014

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	June 30 2014	December 31 2013
Units held		
Series C	50	50
Advisor Series	96	96
Series D	51	51
Series F	51	51
Series O	52	52
Value of all units	4	4

Taxes (\$000s) (see note 5 in the generic notes)

The non-capital and capital losses as at December 31, 2013 for the Fund were approximately:

Capital losses	441
Non-capital losses	–

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series C		
Opening units	10	11
Issued number of units	2	–
Reinvested number of units	–	–
Redeemed number of units	(1)	(1)
Ending number of units	11	10
Advisor Series		
Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–
Series D		
Opening units	472	523
Issued number of units	97	66
Reinvested number of units	–	–
Redeemed number of units	(30)	(136)
Ending number of units	539	453

For the periods ended June 30
(see note 2 in the generic notes)

	2014	2013
Series F		
Opening units	1	–
Issued number of units	–	1
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	1	1
Series O		
Opening units	619	560
Issued number of units	159	32
Reinvested number of units	–	–
Redeemed number of units	(42)	(48)
Ending number of units	736	544

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2014		June 30 2013	
	\$	%	\$	%
Total transaction costs	4	100	1	100
Related-party brokerage commissions*	1	25	–	–
Commission arrangements†	–	–	–	–

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Transition to IFRS (\$000s) (see note 8 in the generic notes)

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS:

	June 30 2013	January 1 2013
Net assets		
Net assets as reported under Canadian GAAP	11 433	12 088
Revaluation of investments at FVTPL	11	17
Net assets attributable to holders of redeemable units	11 444	12 105
		June 30 2013
Comprehensive income		
Comprehensive income as reported under Canadian GAAP		326
Revaluation of investments at FVTPL (see note 3 in the generic notes)		(6)
Increase (decrease) in net assets attributable to holders of redeemable units		320

Please see the generic notes at the back of the financial statements.

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia and governed by a Master Declaration of Trust. RBC GAM is the manager and portfolio advisor of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario.

The Funds may issue an unlimited number of units in some or all of Series C, Advisor Series, Series H, Series D, Series F, Series I and Series O.

Series C units are available to investors who purchase units from authorized third-party dealers.

Advisor Series units are available to all investors with an initial sales charge or low-load sales charge option. Under the initial sales charge option, investors pay a sales commission ranging from 0% to 5% of the amount invested. Under the low-load sales charge option, investors do not pay a commission.

Series H units have lower fees than Series C units and are only available to investors who invest and maintain the required minimum balance.

Series D units are available to all investors and may be purchased, switched or redeemed through Phillips, Hager & North Investment Funds Ltd. (“PH&N IF”) or certain other authorized dealers (primarily discount brokers).

Series F units are available to investors who have fee-based accounts with their dealer.

Series I units have lower fees than Series F units and are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series O units may only be purchased, switched or redeemed through RBC GAM or, in certain circumstances, PH&N IF.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2014 and 2013, or as at June 30, 2014, December 31, 2013 and January 1, 2013. In the year a Fund or series is established, “period” represents the period from inception to June 30 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Fair Value Option A financial instrument can be designated as fair value through profit and loss (“FVTPL”) on its initial recognition (the fair value option). Financial instruments that are held for trading (“HFT”) are required to be classified as FVTPL by nature. Other financial instruments can be designated as FVTPL if they have a reliably measurable fair value and satisfy some criteria such as (i) it eliminates or significantly reduces an accounting mismatch and (ii) it is part of a portfolio that is managed and its performance is evaluated on a fair value basis. Management’s judgment is that all financial instruments not required to be classified as FVTPL are designated as FVTPL since all Funds satisfy the above criteria.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

The three-tier hierarchy of investments and derivatives is included in “Notes to Financial Statements – Fund Specific Information.”

June 30, 2014

Investments are classified as HFT, unless otherwise specified, and are recorded at fair value, which is determined as follows:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price recorded by the security exchange on which the security is principally traded.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers in such securities.

Mortgages are valued at a principal amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at their cost including applicable foreign exchange translations. This value, together with accrued interest, approximates fair value using closing prices.

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. The premium received for written options is recorded as a credit in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded in the Statements of Comprehensive Income. The net receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Comprehensive Income. The net receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective net asset value per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments (including unlisted securities) – If the valuation methods described above are not appropriate, RBC GAM will estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes, valuation models, fundamental analysis, matrix pricing, discounts from market prices of similar securities or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

Procedures are in place to determine the fair value of foreign securities traded in countries outside North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets and American Depository Receipts (“ADR”) prices. These securities are classified as Level 2.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North \$U.S. Money Market Fund) at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. Phillips, Hager & North \$U.S. Money Market Fund has its subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for this Fund.

Valuation of Series A different net asset value is calculated for each series of units of a Fund. The net asset value of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable

to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net asset value of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The period change in the difference between fair value and average cost of securities represents unrealized gains and losses. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds.

Increase (Decrease) in NAV per Redeemable Unit Increase (decrease) in NAV per redeemable unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to the Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian Dollar	HKD – Hong Kong Dollar
CAD – Canadian Dollar	JPY – Japanese Yen
CHF – Swiss Franc	NOK – Norwegian Krone
DKK – Danish Krone	SEK – Swedish Krona
EUR – Euro	SGD – Singapore Dollar
GBP – Pound Sterling	USD – United States Dollar

4. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its net assets and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio advisors, daily monitoring of the Fund’s holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund’s investment activities and monitors compliance with the Fund’s investment strategies, internal guidelines and securities regulations.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund’s assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of its assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund’s Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the credit worthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund’s unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 6). RBC GAM monitors each Fund’s credit exposure and counterparty ratings daily.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar or a Fund's functional currency, in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

5. Taxes

The Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax, however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

7. Administrative and other related-party transactions**Manager and Portfolio Advisor**

RBC GAM is an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio advisor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, and the costs of preparing and distributing annual and semi-annual reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Board of Governors ("BoG") of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, *other fund costs*), and taxes (including, but not limited to, GST/HST). Other Fund costs will be allocated among each series of units of a fund in accordance with the services used. RBC GAM

may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal businesses are discussed below.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc. (“RBC GAM US”), a wholly owned subsidiary of Royal Bank, is the sub-advisor for the Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund. Sky Investment Counsel Inc. (“Sky”) is the sub-advisor for the Phillips, Hager & North Overseas Equity Fund and the non-North American equity assets of the Phillips, Hager & North Community Values Global Equity Fund. RBC GAM has a non-controlling interest in Sky.

Distributors

RBC GAM, PH&N IE, Royal Mutual Funds Inc., RBC Direct Investing Inc. and RBC Dominion Securities Inc. are the principal distributors of, or distribute certain series of units of, the Funds. Dealers receive an ongoing commission based on the total value of their clients’ Series C, Advisor Series, Series H or Series D units.

Brokerage

The Funds have established standard brokerage agreements at market rates with related-party dealers.

Trustee and Custodian

RBC IS is the trustee and custodian of the Funds. RBC IS holds title to the Funds’ property on behalf of unitholders and holds the assets of the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the BoG in its capacity as the Independent Review Committee with respect to one or more of the following related-party transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities: (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

8. Transition to IFRS

The effect of the Funds’ transition to IFRS from Canadian generally accepted accounting principles (GAAP) is summarized as follows:

Statements of cash flows – All Funds are required under IFRS to provide cash flow statements. Under Canadian GAAP most Funds were exempt from this requirement.

Revaluation of investments as FVTPL – Under Canadian GAAP, the fair value of investments was generally required to use bid prices for long positions and ask prices for short positions. Under IFRS, the fair value of investments is generally measured using closing prices – that is, in the same manner in which the daily net asset value per unit is measured for

unitholder transaction purposes. As a result, upon adoption of IFRS, adjustments were recognized at January 1, 2013, June 30, 2013 and December 31, 2013.

All financial assets and financial liabilities were classified as FVTPL upon transition to IFRS. Previously financial assets and financial liabilities were carried at fair value under Canadian GAAP.

Reconciliation of net assets and comprehensive income previously reported under Canadian GAAP to IFRS are disclosed in the Fund specific notes.

Classification of redeemable units of the Fund – Upon transition to IFRS the redeemable units have been reclassified as a financial liability. Under Canadian GAAP the units were accounted for as equity.

Investment entity – It has been determined that the Funds meet the definition of “investment entity” and as a result, investments in other mutual funds managed by RBC GAM are measured at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgment that has been made in determining that the Funds meet this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of substantially all of their investments.

June 30, 2014

On January 1, 2011, the Board of Governors became the independent review committee of the Phillips, Hager & North investment funds. The Board of Governors was first established in 1994 to provide advice to RBC Global Asset Management Inc. regarding conflicts of interest in fund management. All of the members of the Board of Governors are independent of RBC Global Asset Management Inc. and RBC Financial Group.

In its capacity as the independent review committee, the Board of Governors provides input on conflict of interest matters in respect of RBC Global Asset Management Inc. and the Phillips, Hager & North investment funds. At least once per year, the Board of Governors reviews and assesses the adequacy and effectiveness of the fund manager's policies and procedures relating to conflict of interest matters.

The Board of Governors is responsible for reviewing and assessing the independence of its members, the compensation of its members, and the effectiveness of the Board of Governors, its subcommittees and its members. In order to effectively manage its workload, the Board of Governors has three subcommittees: the Financial Advisory Committee, the Investment Conflicts Committee and the Governance Committee.

The Board of Governors has also been asked by RBC Global Asset Management Inc. to maintain its important role of providing advice on other issues relating to the management of the Phillips, Hager & North investment funds. This includes the role of the Financial Advisory Committee of the Board of Governors to provide advice concerning financial reporting, the audit process and financial internal controls.

The annual report of the Board of Governors describing its activities as the independent review committee of the Phillips, Hager & North investment funds is available under Mutual Fund Governance at www.rbcgam.com and on SEDAR at www.sedar.com.

If you have any questions or comments about the Board of Governors or its committees, please let us know by contacting Melanie Adams, Secretary to the Board of Governors, at the address below.



Lloyd R. McGinnis, OC, PEng
Chair of the Board of Governors

Board of Governors

Attention: Melanie Adams
RBC Global Asset Management Inc.
P.O. Box 7500, Station A
Toronto, Ontario M5W 1P9

Board of Governors

Lloyd R. McGinnis
Chair of the Board of Governors
Director
Airport Site Development
Winnipeg Airports Authority

Michael G. Thorley^{1,4}
Vice Chair of the Board of Governors
Retired Lawyer
Toronto, Ontario

Selwyn B. Kossuth^{1,3}
Financial Consultant
Mississauga, Ontario

Charles F. Macfarlane^{1,3}
Corporate Director
Toronto, Ontario

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Richford Holdings Ltd.
Edmonton, Alberta

Joseph P. Shannon⁶
President
Atlantic Corporation
Port Hawkesbury, Nova Scotia

James W. Yuel⁶
Chair
PIC Investment Group Inc.
Saskatoon, Saskatchewan

¹ Member of the Financial Advisory Committee
² Chair of the Financial Advisory Committee
³ Member of the Investment Conflicts Committee
⁴ Chair of the Investment Conflicts Committee
⁵ Chair of the Governance Committee
⁶ Member of the Governance Committee

If you have questions regarding Phillips, Hager & North Funds, you can contact us using the following options:

By Phone

Investors: **1-800-661-6141**
Dealers: **1-800-662-0652**

On the Internet

Visit our website at: **www.rbcgam.com/funds**
Email us at: **info@phn.com**

By Mail

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For general mutual fund enquiries, write to:

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**RBC Global
Asset Management**